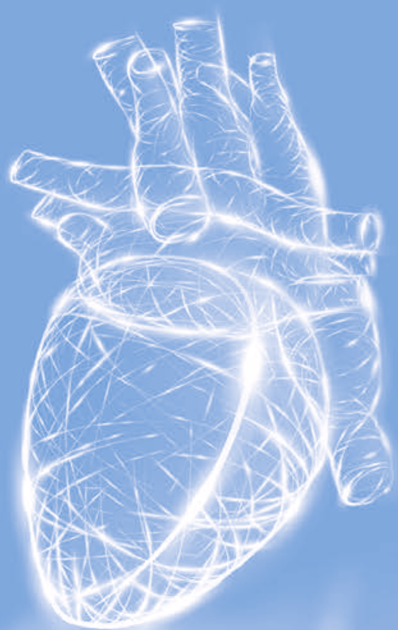
启明医疗®
VENUSMEDTECH

杭州啓明醫療器械股份有限公司
Venus Medtech (Hangzhou) Inc.
(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 2500

2023
ANNUAL REPORT

CONTENTS



Corporate Information

Name in Chinese:	杭州啓明醫療器械股份有限公司
Name in English:	Venus Medtech (Hangzhou) Inc.
Legal representative:	Mr. Lim Hou-Sen (Lin Haosheng)[1]
Chairman:	Mr. Ting Yuk Anthony Wu[2]
Registered capital:	RMB441,011,443[3]
Headquarters in the PRC:	
Registered and office address	Room 311, 3/F, Block 2, No. 88, Jiangling Road, Binjiang District, Hangzhou, PRC
Company website	http://www.venusmedtech.com/
E-mail	inquiry@venusmedtech.com
Principal place of business in Hong Kong:	40/F, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong
Board of Directors:	
Executive Directors	Mr. Lim Hou-Sen (Lin Haosheng), Mr. Liqiao Ma and Ms. Meirong Liu[4]
Non-executive Directors	Mr. Ao Zhang and Mr. Wei Wang[5]
Independent non-executive Directors	Mr. Ting Yuk Anthony Wu and Mr. Chi Wai Suen[6]
Supervisors:	Ms. Min Shao, Ms. Yue Li and Mr. Wei Chen[7]
Audit Committee:	Mr. Chi Wai Suen (Chairman) and Mr. Ting Yuk Anthony Wu[6]
Remuneration and Assessment Committee:	Mr. Ting Yuk Anthony Wu (Chairman) and Mr. Chi Wai Suen[6]
Nomination Committee:	Mr. Chi Wai Suen and Mr. Ting Yuk Anthony Wu[6]
Company Secretary:	Mr. Wong Wai Chiu[8]
Authorized Representatives:	Mr. Wong Wai Chiu and Ms. Liu Meirong[9]
Auditor engaged by the Company:	ZHONGHUI ANDA CPA Limited[10] *Certified Public Accountants and Registered Public Interest Entity Auditor*

1 On November 20, 2023, Mr. Zhenjun Zi resigned as the general manager of the Company. Such resignation was effective from November 20, 2023. On the same day, Mr. Lim Hou-Sen (Lin Haosheng) was appointed as the general manager of the Company with effect from November 20, 2023. Effective from the conclusion of the 2023 fourth extraordinary general meeting held on December 15, 2023 (the "2023 Fourth EGM") which approved proposed amendments to the articles of association of the Company, the designation for the legal representative of the Company has been changed from the chairman of the Board to the general manager of the Company.

2 On November 20, 2023, Mr. Min Frank Zeng resigned as the chairman of the Board. Such resignation was effective from the conclusion of the 2023 Fourth EGM. Mr. Ting Yuk Anthony Wu has been appointed as the chairman of the Board effective from the conclusion of the 2023 Fourth EGM.

3 As of the date of this annual report, the registered capital of the Company is RMB441,011,443.

4 At the 2023 first extraordinary general meeting held on January 30, 2023 (the "2023 First EGM"), Ms. Meirong Liu was approved to be appointed as an executive Director. On December 13, 2022, Mr. Lim Hou-Sen (Lin Haosheng) resigned as an executive Director. Such resignation was effective from the conclusion of the 2023 First EGM. On November 20, 2023, Mr. Min Frank Zeng resigned as an executive Director. Such resignation was effective from the conclusion of the 2023 Fourth EGM. On November 20, 2023, Mr. Zhenjun Zi resigned as an executive Director. Such resignation was effective from November 20, 2023. Mr. Lim Hou-Sen (Lin Haosheng) and Mr. Liqiao Ma were approved to be executive Directors effective from the conclusion of the 2023 Fourth EGM.

5 On December 13, 2022, Ms. Nisa Bernice Wing-Yu Leung resigned as a non-executive Director and the vice chairwoman of the Board. Such resignation was effective from the conclusion of the 2023 First EGM. At the 2023 First EGM, Mr. Ao Zhang was approved to be appointed as non-executive Director. At the 2023 third extraordinary general meeting held on November 30, 2023 (the "2023 Third EGM"), Mr. Wei Wang was approved to be appointed as a non-executive Director.

6 Mr. Wan Yee Joseph Lau, who was an independent non-executive Director, the chairman of the Nomination Committee and a member of each of the Remuneration and Assessment Committee and the Audit Committee of the Board, passed away on February 7, 2024.

7 Mr. Wei Wang has resigned as a Shareholders' representative Supervisor of the Company with effect from the conclusion of the 2023 Third EGM. Mr. Wei Chen has been elected as a Shareholder's representative Supervisor for the second session of the Supervisory Committee of the Company effective from the conclusion of the 2023 Third EGM. For details, please refer to the announcement published by the Company on November 2, 2023.

8 Mr. Haiyue Ma has resigned as a joint company secretary of the Company with effect from June 2, 2023. Following the resignation of Mr. Haiyue Ma, Mr. Wong Wai Chiu has remained in office and acted as the sole company secretary of the Company.

9 Mr. Zhenjun Zi has resigned as an authorized representative of the Company with effect from November 20, 2023, and Ms. Meirong Liu has taken on the position as his replacement.

10 ZHONGHUI ANDA CPA Limited (中匯安達會計師事務所有限公司) ("Zhonghui Anda") has been appointed as the Company's overseas auditor and Zhonghui Certified Public Accountants LLP (中匯會計師事務所) ("Zhonghui CPA") has been appointed as the Company's domestic auditor. Zhonghui Anda is responsible for providing overseas audit and review services for the financial statements prepared in accordance with International Financial Reporting Standards, while Zhonghui CPA is responsible for providing domestic audit and review services for the financial statements prepared in accordance with the Chinese Accounting Standards for the year ending December 31, 2023, with effect from June 30, 2023.

Chairman's Statement

On behalf of the Board, I am pleased to present you the annual results for the financial year ended December 31, 2023.

2023 was a challenging year for both Venus Medtech and the medical device industry. Faced with unprecedented changes, Venus took practical actions to accelerate internationalization, facilitate commercailization operations, and deepen its efforts in research and development innovation. In its journey to become a global leader in structural heart diseases, we continued to adhere to our strategies of internationalization, profitability, and innovation, and proudly advanced another significant stride forward.

We fully promoted the commercialization of our core products, striving to maintain our first-mover advantages. Overall revenue reached a new high, with continuous performance growth and an increasing proportion of overseas sales. We have established a commercialization team of more than 220 people domestically. Adhering to the strategy of high-quality development and profitability, we strengthened the exploration of procedure skills and new technologies in top-tier hospitals. The VenusA series products have been deployed in over 550 hospitals, benefiting more than 16,000 patients in China and achieving RMB400 million in domestic sales revenue. By optimizing selling costs and expenses, improving operational efficiency, and optimizing production costs, the Company became the only company in China to achieve positive profitability in the TAVR business, demonstrating industry leading commercialization strength. The overseas development of the VenusA series products has also been progressing in an orderly manner, expanding to 10 emerging countries and regions in Asia-Pacific and Latin America. With dual approvals in China and Europe, the VenusP-Valve represents China's innovative medical device entering the international stage. We have been actively advancing the commercialization process of the VenusP-Valve in China, steadily progressing through bidding, in-hospital promotion, and market cultivation. Internationally, the VenusP-Valve has entered more than 50 countries and regions, including Germany, France, the United Kingdom, Italy, Spain, Australia, and Canada. In addition to the rapidly growing European market, we have expanded into more overseas markets with growth potential, such as the Middle East, Latin America, and Southeast Asia. With outstanding clinical data of long-term safety and efficacy, the VenusP-Valve has gained high recognition from global experts and doctors, making significant progress in entering hospitals and medical insurance coverage in Germany and France.

We have been deeply engaged in cutting-edge innovations, taking an international approach to innovation from the very beginning. Our diverse product pipeline covering four valves continued to develop. The Cardiovalve Target CE has made smooth progress in its pivotal clinical trial for tricuspid regurgitation, covering 20 renowned centers in Europe and North America with more than 70 patients enrolled, striving to become one of the first globally marketed transfemoral tricuspid valve replacement products. The VenusP-Valve has obtained approval for IDE application from the U.S. Food and Drug Administration (FDA) to conduct pivotal clinical trial, and has the potential to become the first domestically produced Chinese heart valve approved worldwide. In addition, leveraging our profound innovation capabilities, we are simultaneously conducting international multi-centered clinical trials for the next-generation aortic valve products, the Venus-PowerX and Venus-Vitae, in multiple countries and regions. We will continue to focus on unmet medical needs in the field of structural heart disease treatment. With ongoing research and development investments, we are dedicated to driving the commercialization of our products in clinical stage.

In addition, in response to the suspension of trading of the H Shares, significant progress has been made in strengthening internal management and control, standardizing business processes, and managing compliance risks. As of the Latest Practicable Date, the Company has recovered a majority of the unauthorized loans and is in the process of settling the outstanding amount. In 2023, the Company maintained stable operations while actively cooperated with the Stock Exchange. With the unwavering dedication of the management team and all employees of the Group, the Company hopes to resume trading as soon as possible.

The previous chapter has quietly turned, and the new world is rapidly presenting new challenges. In the ever-changing cycle of time, the only constant is change itself. We acknowledge that external changes are beyond our control, but what we can control is our unwavering commitment to strategic focus and execution. We extend our heartfelt gratitude to all investors and business partners for their continuous support and understanding. We also express deep appreciation to all our hardworking employees who have diligently fulfilled their responsibilities, accompanying us through both prosperous and challenging times, transcending various cycles. As we look towards the future, we will continue to evolve and strive for excellence, driven by innovation, research and development, international expansion, and accelerated commercialization. Together, we strive to surpass existing boundaries and achieve greater heights. We aim to become a leader in the field of structural heart disease, working hand in hand with the community to witness a better future for Chinese innovative devices.

Mr. Ting Yuk Anthony Wu
Chairman of the Board

Hangzhou, People's Republic of China, April 26, 2024

Financial Summary

	For the year ended December 31,				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**491,373**	406,461	415,862	276,047	233,272
Gross profit	**389,205**	313,998	324,344	227,280	194,665
LOSS BEFORE TAX	**(735,340)**	(1,156,344)	(377,555)	(185,843)	(381,543)
LOSS FOR THE YEAR	**(729,056)**	(1,122,042)	(371,394)	(182,868)	(380,765)
Loss attributable to:					
Owners of the parent	**(703,754)**	(1,057,699)	(373,636)	(181,989)	(380,723)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic and diluted (RMB)	**(1.61)**	(2.42)	(0.85)	(0.45)	(1.22)

	As of December 31,				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total non-current assets	**2,805,647**	2,813,865	1,669,835	957,794	764,357
Total current assets	**1,608,067**	2,468,970	3,439,622	3,360,433	2,904,451
Total current liabilities	**805,168**	492,104	208,534	405,517	568,458
Total non-current liabilities	**689,200**	1,159,420	269,079	55,675	54,604
Non-controlling interests	**(1,302)**	23,447	86,214	41,611	8,768
Total equity	**2,919,346**	3,631,311	4,631,844	3,857,035	3,045,746

Management Discussion and Analysis

I. BUSINESS OVERVIEW

Overview

Founded in 2009, we have grown into a global platform company engaged in innovative medical devices that integrate R&D, clinical development, manufacturing and commercialization. Our vision is to become a global leader in the field of structural heart diseases, seeking effective treatment options for major diseases that seriously threaten human health.

We have developed a product portfolio covering the interventional heart valve devices for valvular heart disease including aortic valve, pulmonic valve, mitral valve and tricuspid valve, a radio frequency ablation system for interventional treatment of HCM, a renal artery denervation ultrasound ablation system for interventional treatment of hypertension and other accessory consumables, allowing us to provide overall solutions for doctors and patients. In the future, we will focus on the fields of new materials, bionics, image fusion technology and digital sensing, and leverage constant innovations to better cover the entire therapeutic process of patients, satisfying the needs of doctors and the patient population.

In 2023, with the continuous improvement and development of the TAVR procedure in the Chinese market, centers with independent procedure capabilities have been expanding. The number of qualified physicians has steadily increased, and patients' awareness of treatment has been continuously enhanced. Reimbursement from local government medical insurance further expanded, and patients' affordability also improved, contributing to a significant increase in the volume of procedures and the continuous expansion of the industry scale, propelling the robust development of the TAVR industry. Leveraging our first-mover advantage, we have developed products that have been thoroughly validated for their industry-leading follow-up duration, mid-to-long-term safety and efficacy. Supported by our experienced and professional sales and marketing team, we continuously strengthened the exploration of procedure techniques and new technologies in collaboration with Top 20 hospitals, and actively identified and nurtured the procedure potential of existing Top 21-50 and Top 51-100 hospitals, while also dedicating significant efforts to enter into new centers and cultivating procedure expertise. The cumulative number of our covered medical centers increased to over 550, ensuring sustained high-quality growth. The rapid advancement of our commercialization efforts laid a solid cash foundation for the Company's long-term development.

The Company has achieved constant progress in overseas business and smooth globalization with a commitment to its long-standing strategic goals. In 2023, our revenue from areas other than China amounted to RMB72.7 million, representing a year-over-year increase of 40% from 2022. VenusP-Valve, which is our first independently developed product marketed in Europe and also the first self-expanding TPVR product approved in Europe, continued to benefit from our improving overseas channels for commercialization, advancement of overseas clinical trials and registration progress to enter over 50 countries including the United Kingdom, Italy, Spain, Denmark, Greece, France, Germany, Poland, Switzerland, Canada and Australia, and has been included into medical insurance systems in countries such as Germany and France, covering over 135 overseas medical centers. Meanwhile, overseas sales of our TAVR product VenusA series have expanded to 10 countries and regions in Asia Pacific and Latin America. We will continue to expand the international market and deepen the internationalization process with our innovative product and forward-looking commercialization layout.

As commercialization advances, our efforts in international R&D and clinical trials continue to make remarkable progress with high efficiency. In July 2023, VenusP-Valve was approved by the FDA for IDE application, allowing pivotal clinical trial to be conducted, thus becoming the first Chinese-made heart valve product approved for clinical study in the United States. In November 2023, it obtained its first central ethical approval in the United States. In December 2023, the clinical trial gained approval from the Centers for Medicare & Medicaid Services (CMS) for inclusion in the medical insurance program. This means that clinical treatment expenses for patients eligible for the CMS medical insurance plan can be reimbursed through insurance claims. Clinical progress continued to advance and pivotal clinical trials will be initiated soon. Meanwhile, the international multi-centered patient enrollment in the pivotal clinical trial of Cardiovalve, our tricuspid valve replacement product, progressed smoothly. As well, Venus-Vitae and Venus-PowerX, our independently developed innovative products, are under smooth international multi-centered clinical study as planned.

Our Products and Product Pipeline

As of the date of this annual report, the Company has successfully established a product pipeline consisting of 12 innovative medical devices, covering the fields of heart valve diseases, HCM and hypertension.

Interventional treatment of heart valve diseases is our core therapeutic area. We have commercialized three TAVR products (VenusA-Valve, VenusA-Plus and VenusA-Pro), one TPVR product (VenusP-Valve) and two procedural accessories (catheter sheath product (G Sheath) and balloon catheter (TAV0)). Our products currently in clinical trials include next generation TAVR products (Venus-Vitae and Venus-PowerX), one innovative medical device Cardiovalve which can be used for both TMVR and TTVR, and one product currently under animal experiment for the treatment of aortic regurgitation. In addition, we have a leading position in the non-valve segment of structural heart disease. For treatment of HCM, we have developed the world's first radiofrequency ablation system, the Liwen RF. We also have developed an innovative device, the renal artery denervation (RDN) ultrasound ablation system, for interventional treatment of hypertension.

The following chart summarizes the development status of our products and product candidates as of the date of this annual report:

	Product		Pre-Clinical	Clinical Trial	Registration	Marketed
Aortic valve	TAVR	VenusA series	Approved in 10 countries, including China, Asia-Pacific and Latin America			
		Venus-Vitae	Preparing pivotal clinical trial		Approved in Argentina and Chile	
		Venus-PowerX	Completed early feasibility study		Approved in Argentina and Chile	
		AR Valve	Animal experiment			
Pulmonary valve	TPVR	VenusP-Valve	Approved in over 54 European, Asia-Pacific and South American countries; in initial stage of pivotal clinical trials in the U.S.			
Mitral valve	TMVR	Cardiovalve	Early feasibility study			
Tricuspid valve	TTVR	Cardiovalve	Pivotal clinical trials			
Structural heart disease platform technology	Percutaneous myocardial ablation	Liwen RF	Completed enrollment for confirmatory clinical trials, follow-up in progress			
	Transcatheter RDN	Echomplish Platform	Animal experiment			
Accessories	Third generation catheter sheath	G Sheath	Approved in China			
	Balloon catheter	TAV0	Approved in China			

Global status China status

VenusA Series – TAVR Products

We currently have three marketed TAVR products, namely, VenusA-Valve, VenusA-Plus and VenusA-Pro. VenusA-Valve received approval for registration from the NMPA in April 2017, which marked the first NMPA approved TAVR commercialized product in China. VenusA-Plus received approval for registration from the NMPA in November 2020, which is the first retrievable TAVR product approved in China. While maintaining the strong radial force of the first generation valve, VenusA-Plus introduces the functions of retrievability and repositioning, which may reduce the complexity of procedures and significantly shorten the learning curve of physicians.

VenusA-Pro, an upgraded version of VenusA-Plus, ensures radial force while providing improved cross-aortic arch performance with its capsule head made of super-elastic material, therefore enhancing the operability in procedures. Its commissural alignment marks help to give adequate protection to the coronary artery. VenusA-Pro was approved by the NMPA in May 2022, making the Company the first domestic enterprise with three TAVR products. Our extensive product pipeline offers better treatment options to physicians and patients, and also enables us to maintain our leading market position.

As the earliest commercialized product in China, VenusA series products have the longest follow-up track record among peers, and their medium to long-term safety and efficacy have been sufficiently verified. At the 21st Chinese Interventional Cardiology Conference (CIT 2023), the eight-year follow-up results of VenusA-Valve were released. An 11-year follow-up has been completed for the first patient. The long track record of ultrasound data indicated consistently sound and stable metrics including peak valve velocity, average valve pressure difference and left ventricular ejection fraction. Furthermore, approximately 80% of the subjects had no or only minimal aortic regurgitation, fully validating the long-term safety and efficacy of VenusA-Valve. At the 9th China Valve (Hangzhou) Conference, the three-year follow-up results of VenusA-Plus were released. According to the results, there was no new case of cardiac death and the subgroup results showed that VenusA-Plus achieved a good effect for patients with bicuspid aortic valve and tricuspid aortic valve, demonstrating the sound clinical safety, efficacy and operability of VenusA-Plus. Chinese TAVR patients are characterized by a high proportion of bicuspid valve and severe calcification of valve leaflets, while VenusA series products with strong radial force are particularly suitable for patients with severe bicuspid aortic valve.

VenusP-Valve – TPVR Product

VenusP-Valve, our independently developed transcatheter pulmonary valve system, obtained the CE MDR approval for registration in April 2022 and was approved for commercialization. It is designed to treat patients suffering moderate to severe pulmonary regurgitation with or without RVOT stenosis. It is the first self-expanding TPVR product approved in Europe, and also the first Class III implantable cardiovascular device approved under new CE MDR regulations.

VenusP-Valve was approved for registration by the NMPA in July 2022 for the treatment of patients with severe pulmonary regurgitation (≥3+) with native RVOT. As the first TPVR product approved in China, VenusP-Valve filled the gap in clinical demands. As of the date of this annual report, our VenusP-Valve has entered over 50 countries and regions including the United Kingdom, Italy, Spain, Denmark, Greece, France, Germany, Poland, Switzerland, Canada and Australia, and has been included into medical insurance systems in countries such as Germany and France, covering over 135 overseas centers. Leveraging its professional and efficient overseas marketing team, the Company achieved strong sales performance for VenusP-Valve.

VenusP-Valve is highly recognized among experts and physicians worldwide because of excellent long-term safety and effectiveness. The three-year follow-up data of CE–study of VenusP-Valve showed that the procedure success rate reached 100%, and the mortality and re-operation rate were 0%; no patients suffered moderate or severe pulmonary regurgitation; 96.87% of subjects had trivial or less perivalvular leak and 95.38% of subjects had mild or less tricuspid regurgitation; the proportion of subjects of New York Heart Association (NYHA) classification Class III decreased significantly from 7.69% before procedure to 1.67%; and those of Class I surged from 27.69% before procedure to 90%. In addition, according to the five-year follow-up of patients receiving VenusP-Valve implantation in China, the five-year post-procedure mortality rate was only 3.64%, pulmonary regurgitation was greatly reduced, incidence of severe pulmonary regurgitation dropped from 54.5% to 0% and incidence of moderate to severe pulmonary regurgitation dropped from 36.4% to 2.22%, which demonstrated significantly improved right ventricular function and hemodynamic function, and validated the long-term safety and effectiveness of VenusP-Valve.

Currently, we are expediting PROTEUS pivotal clinical trial on VenusP-Valve in the United States. In July 2023, we obtained approval from the FDA for IDE application. We will initiate clinical trial at over ten medical centers in the U.S. and Japan through the Japan-US Harmonization By Doing project, with a total of 60 patients estimated to be enrolled. In November 2023, we obtained the first central ethical approval in the United States. In December 2023, the PROTEUS clinical trial gained approval from the Centers for Medicare & Medicaid Services (CMS) for inclusion in the medical insurance program. This means that clinical treatment expenses for patients eligible for the CMS medical insurance plan can be reimbursed through insurance claims, accelerating the progress of clinical trial in various centers.

Venus-Vitae – New Generation TAVR Product

The Venus-Vitae, our first self-developed new generation TAVR system, the first balloon-expandable dry-tissue product, is about to enter SMART-ALIGN, a global pivotal clinical trial.

Venus-Vitae adopted Venus-Endura dry tissue technology, which leverages advanced anti-calcification technology to improve the durability of the valve, and three-dimensional force controlled dehydration technology without glutaraldehyde for preservation. While enhancing safety, Venus-Vitae also boasts convenience for clinical application, preservation and transportation. In addition, its delivery system is uniquely designed with the patented wire-lock technology, thus locking the valve during transporting and balloon expanding. The wire-lock technology, steerable function, balloon coaxial rotation function and axial fine adjustment function maximize the controllability for physicians, and fill in the gap in the market where similar products are not equipped with a commissures alignment delivery system. It is also equipped with the world's first adaptive, active, anti-PVL skirt Seadapt with high compression ratio, self-expansion and high resilience, which can adjust its height adaptively to fill the perivalvular space and promote the combination of vascular tissue and skirt. In December 2022, Venus-Vitae was approved for registration in Argentina. In October 2023, Venus-Vitae was approved for registration in Chile. We will conduct international multi-centered clinical trials in countries and regions such as Europe to expedite the approval of Venus-Vitae in global market.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET VENUS-VITAE SUCCESSFULLY.

Venus-PowerX – New Generation TAVR Product

Venus-PowerX, our self-developed new generation TAVR system, the world's first self-expanding dry-tissue product, has completed patient enrollment for early feasibility study with all patients in follow-up and is about to enter the PREVAILS global pivotal clinical trials.

Venus-PowerX is our new generation pre-loaded dry-tissue valve product. It adopts the Venus-Endura technology, which leverages advanced anti-calcification technology to improve the durability of the valve, and three-dimensional force controlled dehydration technology without glutaraldehyde for preservation. While enhancing safety, Venus-PowerX also boasts convenience for clinical application, preservation and transportation. Its pre-loaded dry tissue technology can significantly reduce operation preparation time. Venus-PowerX is the only completely retrievable valve in clinical stage currently available in the world. It adopts the wire-controlled design, which permits it to be retrieved after complete release, and therefore excels in terms of safety compared with products designed with traditional approaches for release and retrieval. It is also equipped with the world's first adaptive active anti-PVL skirt Seadapt with high compression ratio, self-expansion and high resilience, which can adjust its height adaptively to fill the perivalvular space and promote the combination of vascular tissue and skirt. In May 2023, Venus-PowerX was approved for registration in Argentina and was approved for registration in Chile in October. We will conduct international multi-centered clinical trials in countries and regions such as Europe to expedite the approval of Venus-PowerX in the global market.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET VENUS-POWERX SUCCESSFULLY.

Cardiovalve – TMVR/TTVR Product

Cardiovalve, a wholly-owned subsidiary of the Company, has independently developed mitral valve and tricuspid valve replacement products. Currently, Cardiovalve is in early feasibility study stage for the treatment of patients with mitral regurgitation and in pivotal clinical trial for the treatment of patients with tricuspid regurgitation.

Cardiovalve system is a transcatheter valve replacement system for patients suffering from mitral regurgitation and tricuspid regurgitation. Compared with similar products, its transfemoral approach significantly improves the safety of treatment and its 55 mm annular is suitable for about of the 95% patient population. Meanwhile, its unique short frame design lowers the risk of LVOT obstruction.

The enrollment of Cardiovalve has been going smoothly. The TARGET CE pivotal clinical trial has extended to more than 20 medical centers in countries including the United Kingdom, Germany, Italy and Canada. As of the date of this annual report, rapid progress has been made with over 70 patients enrolled. We will carry forward the clinical trials of Cardiovalve, striving for earlier approvals for marketing in the global market.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET CARDIOVALVE SUCCESSFULLY.

Liwen RF – Radiofrequency Ablation System

Hangzhou Nuocheng Medical Technology Co., Ltd. (杭州諾誠醫療科技有限公司), a wholly-owned subsidiary of the Company, has independently developed the Liwen RF ablation system, an innovative medical device for treatment of patients with HOCM. In March 2023, we completed the enrollment of all patients to pivotal clinical trial and entered the follow-up stage in China. As of July 2023, among the current follow-up, comprising 79 patients six months after the procedure, the success rate reached 86.1% (68/79), representing a significant improvement compared to alcohol ablation. As for the clinical endpoint, the maximum ventricular septal thickness decreased from 23.36 mm to an average of 17.23 mm (26.2% lower than before the procedure), and the post-procedure pressure gradient of the left ventricular outflow tract in resting state decreased from 72.86 mmHg to 22.44 mmHg (69.2% lower than before the procedure). Both of these two important indicators improved significantly compared to those before the procedure, and showed a trend of continuous improvement.

Liwen RF provides the technical advantages of minimally invasive, accurate positioning, unrestricted by target blood vessels, significantly reducing ventricular septum thickness and mitigating complications such as conduction system damage. The device not only achieves dehydration and necrosis of hypertrophic myocardial cells, but also blocks the blood supply to hypertrophic myocardial tissue, thereby achieving long-term prognosis. It offers a safe, effective, accurate and minimally invasive innovative treatment strategy for HOCM.

According to the 144 previously completed exploratory clinical trials of Liwen RF ablation system, the success rate with Liwen RF ablation system reached 88% with no mortality after one year, and the clinical manifestations, cardiac function and quality of life of patients are significantly improved. It is significantly better than surgical operation and alcohol septal ablation, which effectively validates its safety, effectiveness and advanced performance. In August 2022, the product was approved for special review through the special examination and approval of the NMPA for innovative medical devices and was admitted to the special review process.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET LIWEN RF SUCCESSFULLY.

RDN ablation system

The Company established Renaly, a subsidiary, with Healium, an Israeli high-tech company, to introduce our new generation RDN innovative device. It is currently in the animal experiment phase.

Its exclusive Dual-Mode Ultrasound Technology Platform can realize non-contact continuous ablation treatment with real-time ultrasound imaging, significantly reducing the occurrence of various problems such as insufficient nerve ablation or vascular damage caused by uncontrollable ablation. The delivery of accurate and efficient ablation shifts the treatment paradigm to more predictable outcomes, improves the patient’s treatment experience with non-obstructive blood flow design and simplifies the procedure flow to ultimately improve the safety and efficacy of ablation procedures.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR RDN PRODUCT SUCCESSFULLY.

R&D Innovation

In the broad market of structural heart diseases, the Company is committed to solving clinical pain points, increasing R&D investment, deeply engaging in the field of structural heart diseases, making constant innovations, and continuing to accumulate technical experience, striving to bring innovative products to the market, and consolidating its leading position in the field of valves. In terms of aortic valves, the Company's new generation of dry-tissue TAVR products, Venus-Vitae and Venus-PowerX, which are in the clinical stage, adopt advanced anti-calcification technology to extend valve durability to further improve and simplify the procedure of TAVR. In the field of pulmonary valve products, VenusP-Valve has been successively approved in Europe and China and extended its presence to overseas countries, and the Company has included patients with congenital heart disease into the target patients. Interventional therapy in mitral and tricuspid valve fields will be our new growth drivers in the future. The Company's Cardiovalve, the world's leading product in interventional treatment of mitral and tricuspid valve diseases, witnessed remarkable progress in clinical trials.

The Company's R&D platform continues to grow. The Company has established a global R&D innovation platform through independent R&D and external cooperation. Our three R&D centers are located in Hangzhou, China, Tel Aviv, Israel and Irvine, California, USA, and is comprised of members with professional experience and innovative capacity at home and abroad. In March 2022, the Company established Venus Medtech Global Heart Valve Innovation Center in Israel, tapping into Israel's innovative talents and culture to improve the Company's global innovation system and product layout. The Global Heart Valve Innovation Center will be committed to incubating breakthrough innovative treatment technologies, further improving the global innovation system and product layout, focusing on the research and development of a new generation of aortic regurgitation treatment technology using a Cardiovalve technology platform and the application of digital health technology in the valve system, and transferring the technology to China and other regions in the world at an appropriate time. In March 2023, the project of "Development and Application of Transcatheter Self-expanding pulmonary Valve Replacement System" led by the Company passed the acceptance inspection by the China Biotechnology Development Center of the Ministry of Science and Technology with a performance rating of "excellent". This marks another occasion where our company has successfully passed project evaluation with excellent performance following the "National Science and Technology Support Program" and the "National Major Research and Development Plan" conducted by the Ministry of Science and Technology. In December 2023, the first collective standard for "Transcatheter Pulmonary Valve" in China led by us was approved for publication by the Chinese Society for Biomaterials, which is the first collective standard for a transcatheter pulmonary valve in the world.

In addition to internal innovation, we also constantly expand and enrich our product pipeline through collaboration with universities, research institutions and hospitals as well as third-party cooperation, so as to broaden business layout in structural heart diseases, enrich innovative device pipeline, and comprehensive therapy solutions, improve innovative device research and clinical application, speed up research, development and transformation of innovative technologies and products, and extend our presence to emerging areas leveraging international leading new technologies to achieve technological leadership.

Intellectual Properties

The Company attaches great importance to intellectual property protection. Leveraging its strong R&D capability, as of March 28, 2024, the Company had a total of 855 patents and patents under applications, including 429 authorized invention patents. We had 398 patents under application and authorized in the PRC, including 263 authorized patents, and 432 patents under application and authorized overseas, including 314 authorized patents. We had 25 PCT applications. Our global IP portfolio mainly covers China, the U.S., Europe and Japan, but also other countries.

Manufacturing

We have an approximately 3,500 square meters of clean production zone in Hangzhou for manufacturing our heart valve products and product candidates. Our manufacturing facilities comply with the GMP requirements in the U.S., the EU and the PRC and follow rigorous manufacturing and quality control standards to ensure high product quality and safety standards. To support our rapid business growth, our Venus Medtech Life and Health Industrial Park on Binpu Road, Binjiang District, Hangzhou, with a planned site area of approximately 206,400 square meters, is under construction, laying the solid foundation for rapid increase in production capacity in future periods.

Quality system

The Company has established an international quality management system in accordance with ISO13485, GMP of NMPA in China, QSR of the FDA in the United States, MDR of the EU, RDC of ANVISA in Brazil, MDSAP, ISO/IEC17025 and other regulations and standards. As of the date of this annual report, the Company has obtained an ISO13485 system certificate, an MDR system certificate of the EU, an MDSAP quality system certificate (covering the regulatory requirements of quality systems of the United States, Japan, Canada, Australia and Brazil), a China production license, a Brazil BGMPC certificate, a CNAS laboratory accreditation certificate, and is also a training base unit for medical device inspectors in Hangzhou. Leveraging the establishment and maintenance of a high-standard and strict quality management system, the Company imposes quality control on products throughout the life cycle, from R&D to marketing, so as to ensure the quality of products. We obtained the MDSAP system certificate in May for the first time. In addition, the Company has also established a digital and refined quality system through proactively participating in and completing the safety intelligence supervision "black box" project of Zhejiang Medical Products Administration, the management intelligence supervision platform of Hangzhou Market Supervision Administration, and the key transcatheter replacement system for the "14th Five-year" period and other intelligence regulation projects.

Commercialization

In 2023, the Company demonstrated excellent commercilization capabilities and made progress in global expansion, continuously solidifying its leading position in the market. Adhering to the strategy of commercial profitability, the domestic sales team continued to cultivate the market and explore new markets. While maintaining continuous growth in sales revenue, they also further enhanced operational efficiency to contribute profits to the Company, showcasing industry-leading commercilization capabilities. As the Company continued to penetrate new overseas markets, its global recognition steadily increased, accompanied by continuous expansion of the overseas sales network, further advancing globalization.

We have established a sales team in China, comprised of nearly 220 members and covering more than 550 hospitals, to provide a strong foundation for sustainable sales growth. The Company has established a professional sales and marketing team as well as an in-house logistics supply chain team to provide professional and comprehensive medical solutions for doctors and patients. We took an active part in international and domestic academic conferences to carry forward our academic education and promotion. In 2023, the Company participated in 52 third-party conferences and hosted 35 conferences of its own, covering more than 3,900 experts and attracting 850,000 visitors. In order to improve the standardized diagnosis and treatment services for patients with AS in China, we have established a multi-dimensional program to publicize knowledge about valve diseases, through multiple channels such as co-holding of expert television interviews, webcasts, new media, free treatment events and educational sessions for patients. We carried out a series of tour seminars on TAVR to educate primary-level hospitals about disease treatment. By strengthening ultrasound diagnosis training, we improved the diagnostic ability of ultrasound physicians for valve diseases. Through these efforts, we aim to realize the whole-process management of patients from treatment to rehabilitation. As the only company in the market with three TAVR products and one TPVR product, our rich product pipeline provides physicians and patients with more and better choices of treatment, enhances the brand influence of the Company and helps to consolidate our leading position in China.

Meanwhile, we have established a professional commercialization team and supply chain in the overseas market, selling our products to over 50 countries and regions in Europe, the Middle East, Asia-Pacific, North America and Latin America. In August 2023, we appointed Shakeel Osman as the head of international congenital heart disease business for steering our pulmonary valve operations in the world market (except mainland China) as a part of our efforts to improve our overseas marketing system and expedite overseas commercialization. In 2023, the Company participated in 9 overseas conferences in the cardiovascular interventional medicine industry, such as CRT, CSI and PCR London Valve, and organized 18 online surgical broadcasts and 9 seminars, which attracted cardiovascular experts from different countries around the world, enhanced the recognition of our products among overseas doctors, and continuously strengthened the Company's international brand awareness and influence. We also gradually established contact with physicians and hospitals through distributors to continuously expand sales and our brand influence, thus providing more options for unmet clinical needs worldwide and benefiting more patients.

II. FINANCIAL REVIEW

Overview

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

Revenue

During the Reporting Period, all of our revenue was generated from sales of medical devices. Since its commercialization in August 2017, sales of VenusA-Valve have comprised the major portion of our revenue and are expected to account for a substantial portion of our sales in the near future. VenusP-Valve received the CE MDR Marking in the EU on April 8, 2022, and was approved by the NMPA for marketing on July 11, 2022.

The Group's revenue for the year ended December 31, 2023 was RMB491.4 million, representing an increase of 20.9% compared to RMB406.5 million for the year ended December 31, 2022. The increase was primarily attributable to continuous marketing promotion of VenusA series products and enhanced penetration of VenusP-Valve in the overseas market during the Reporting Period. For the year ended December 31, 2023, sales revenue from VenusA series products accounted for 83.4% of our total revenue, as compared to 88.1% for the year ended December 31, 2022.

The following table sets forth a breakdown of our revenue by product:

	Year ended December 31, 2023		Year ended December 31, 2022	
Revenue	**RMB'000**	**Proportion**	RMB'000	Proportion
VenusA series products	**409,747**	**83.4%**	358,066	88.1%
VenusP-Valve	**76,431**	**15.6%**	40,867	10.1%
Others	**5,195**	**1.0%**	7,528	1.8%
Total	**491,373**	**100%**	406,461	100%

Cost of Sales

The cost of sales primarily consists of staff costs, raw material costs, depreciation and amortization, utility costs and others.

The Group's cost of sales for the year ended December 31, 2023 was RMB102.2 million, representing an increase of 10.5% compared to RMB92.5 million for the year ended December 31, 2022. The increase was primarily attributable to the increase in staff costs and raw material costs as a result of the increase in sales volume of VenusA series products and VenusP-Valve.

Gross Profit and Gross Profit Margin

As a result of the aforementioned factors, the gross profit of the Group increased by 23.9% from RMB314.0 million for the year ended December 31, 2022 to RMB389.2 million for the year ended December 31, 2023. Gross profit margin is calculated as gross profit divided by revenue. The gross profit margin of the Group increased from 77.2% for the year ended December 31, 2022 to 79.2% for the year ended December 31, 2023, primarily attributable to economies of scale in production.

Other Income and Gains

The Group's other income and gains for the year ended December 31, 2023 was RMB241.6 million, representing an increase of 63.2% compared to RMB148.0 million for the year ended December 31, 2022. The change was primarily due to the fair value adjustment for not being required to pay the contingent consideration payable in relation to the acquisition of Nuocheng under the acquisition agreement with Nuocheng. For details of the acquisition, please refer to the Company's announcement dated October 10, 2021.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the year ended December 31, 2023 was RMB300.5 million, representing an increase of 15.4% compared to RMB260.4 million for the year ended December 31, 2022. The increase was in line with the trend of increase in sales income during the same period, which was attributable to the increase in investment in market development.

R&D Costs

The Group's R&D costs for the year ended December 31, 2023 was RMB524.9 million, representing a decrease of 0.5% compared to RMB527.5 million for the year ended December 31, 2022. The change was related to the optimization of the R&D pipeline layout.

The following table sets forth a breakdown of R&D costs:

	Year ended December 31, 2023 (RMB'000)	Year ended December 31, 2022 (RMB'000)
Staff costs	**154,754**	148,605
Raw material costs	**110,739**	96,279
R&D service expenses	**58,239**	68,267
Intellectual property expenses	**34,240**	27,907
Clinical trial expenses	**41,994**	55,683
Depreciation and amortization	**77,889**	74,783
Others	**47,060**	55,927
	524,915	527,451

Administrative Expenses

The Group's administrative expenses for the year ended December 31, 2023 was RMB153.8 million, representing a decrease of 20.0% compared to RMB192.2 million for the year ended December 31, 2022. The decrease was primarily due to the acquisition expenses related to the acquisition of Cardiovalve in last year, which were not incurred in the current year.

Other Expenses

The Group's other expenses for the year ended December 31, 2023 was RMB314.0 million, representing a decrease of 43.7% as compared to RMB557.8 million for the year ended December 31, 2022. The change was related to the change in impairment losses provided by the Company for certain intangible assets and goodwill.

Impairment of Goodwill and Intangible Assets

The impairment of goodwill and intangible assets was primarily due to the impairment provision arising from the discontinued operation of Nuocheng during the Reporting Period.

Background

Founded in 2017, Nuocheng is a private company incorporated in the PRC engaged in the design, development, and commercialisation of medical devices. The Liwen RF® ablation system for treatment of hypertrophic obstructive cardiomyopathy (HOCM) is jointly developed by the team led by Professor Liu Liwen, director of HCM diagnosis and treatment center in Xijing Hospital of Air Force Medical University, and Nuocheng. It adopts the international novel Liwen Procedure to conduct minimally invasive diagnosis and treatment under the guidance of ultrasound. Such method can not only dehydrate and necrotize hypertrophic myocardial cells, but also block the blood supply of hypertrophic myocardial tissue, thus achieving long-term prognosis.

On September 30, 2021 (after trading hours), based on its product portfolio in the field of structural heart disease, the Company, through one of its wholly-owned subsidiaries incorporated in China, entered into a share transfer agreement to acquire the equity interests in Nuocheng. Pursuant to the agreement, the Group will acquire the 100% equity interests in Nuocheng from the existing shareholders of Nuocheng at a consideration of not more than RMB493 million, and shall pay the consideration conditionally to the shareholders of Nuocheng in installments subject to the completion of certain milestone events as agreed in the agreement.

On November 4, 2021, the Group acquired a 100% equity interest in Nuocheng at a consideration of RMB310,863,000. The acquisition was made as part of the Group's strategy to further improve the Group's research and development business and expand the business of the Group's medical services. The acquisition was completed on November 4, 2021 when the Group obtained control of the operating and financial activities of Nuocheng. The Group recognized goodwill of RMB231,262,000 and other intangible assets of RMB111,000,000 in respect of the acquisition. As part of the share purchase agreement, contingent consideration is payable, which is dependent on the occurrence of milestone events, including the achievement of the NMPA approval and medical device registration of the Nuocheng Product ("Milestone 1"), and the achievement of a sales target from the sales of the Nuocheng Product ("Milestone 2"). The initial amount recognized for the contingent consideration payable was RMB163,038,000 which was determined using the discounted cash flow model and is within Level 3 fair value measurement.

On March 3, 2023, the Liwen RF® ablation system has successfully enrolled one patient at West China Hospital, Sichuan University, thus completing the enrollment of patients for confirmatory clinical trial in China.

As of the Latest Practicable Date, design validation of the Liwen RF® ablation system for NMPA has been completed, and enrollment and most of the follow-up in confirmatory clinical trials have been completed. Excellent clinical performance has been demonstrated in early exploratory clinical trials as well as confirmatory clinical trials. However, the commercialization and full profitability of the Liwen RF® ablation system will still require a longer period of time and significant capital investment, including but not limited to follow-up for confirmatory clinical trials, patient education, marketing, quality system construction and registration related expenses. The management of the Group has made a prudent decision not to make further business planning for the Liwen RF® ablation system and to only maintain the patents related to core technology of the product, after taking into account the domestic and overseas market conditions, as well as the Group's product layout and long-term development strategy. This decision was based on the prioritization of internal resources of the Company, with a focus on investing more resources in the ongoing development of the interventional heart valve business in the coming years. In light of these circumstances, the Group has ultimately decided to make full impairment on relevant goodwill for the year ended December 31, 2023 and re-evaluate the value of relevant intangible assets.

There were remarkable signs that the new technologies and products had huge potential and might achieve success when the Group determined on whether to conduct research and development and market new technologies and products. However, these impairment events were related to the rapidly changing market environment, the Company's internal resource allocation, product layout and adjustments to corporate strategy, which could not have been anticipated at the time of initial recognition.

Impairment method

As Nuocheng has ceased its operation during the Reporting Period, the expected future economic benefits from Nuocheng are minimal and a full impairment of the goodwill related to Nuocheng have been made this year. However, as the Group still retains and continues to maintain the patents related to the core technology of the product, the Group engaged an independent external valuer to perform the valuation of the relevant intangible assets based on market approach – the market multiple method. For the year ended December 31, 2023, the amount of goodwill impairment related to Nuocheng was RMB231.3 million, and the impairment amount of relevant intangible assets was RMB15.8 million.

For particulars on provision of impairment losses on the Group's intangible assets and goodwill, please refer to "Notes 16 and 17 to Financial Statements" in this annual report.

Impairment Losses on Financial Assets, Net

The Group's reversal of impairment losses on financial assets, net, for the year ended December 31, 2023 was RMB2.2 million, representing a change of 110.0% compared to impairment losses on financial assets, net of RMB22.0 million for the year ended December 31, 2022, primarily attributable to the decrease in balance of long-aged accounts receivable and partial reversal of bad debt provision for accounts receivable.

Finance Costs

The Group's finance costs for the year ended December 31, 2023 was RMB62.7 million, representing an increase of 40.6% compared to RMB44.6 million for the year ended December 31, 2022. The increase was primarily attributable to the impact of fluctuations in floating rates.

Share of Loss in Investments in Associates and Joint Ventures Accounted for Using the Equity Method

For the year ended December 31, 2023, the Group's share of loss in investments in associates and joint ventures accounted for using the equity method was RMB12.4 million, representing a decrease of 10.8% from share of loss of RMB13.9 million for the year ended December 31, 2022 which was primarily attributable to changes in losses recorded by our investees during the Reporting Period.

Income Tax

The Group's income tax credit for the year ended December 31, 2023 was RMB6.3 million, representing a decrease of 81.6% compared to the income tax credit of RMB34.3 million for the year ended December 31, 2022. The change in tax credit recorded during the Reporting Period was mainly related to deferred tax recognized in profit or loss (fair value adjustment on acquisition of a subsidiary).

Capital Management

The primary goal of the Group's capital management is to maintain the Group's stability and growth, safeguard its normal operations and maximize shareholders' value. The Group reviews and manages its capital structure on a regular basis, and makes timely adjustments to it in light of changes in economic conditions. To maintain or realign our capital structure, the Group may raise capital by way of bank loans or issuance of equity or convertible bonds.

Liquidity and Financial Resources

The Group's cash and cash equivalents as of December 31, 2023 were RMB774.4 million, representing a decrease of 58.8% compared to RMB1,879.4 million for the year ended December 31, 2022. The decrease was mainly related to repayment of bank loans and relevant operating expenses.

We rely on capital contributions by our Shareholders and bank loans as the major sources of liquidity. We also generate cash from our sales revenue of existing commercialized products. As our business develops and expands, we expect to generate more net cash from our operating activities, through increasing sales revenue of existing commercialized products and by launching new products, as a result of the broader market acceptance of our existing products and our continued efforts in marketing and expansion, improving cost control and operating efficiency and accelerating the turnover of trade receivables by tightening our credit policy.

Borrowings and Gearing Ratio

The Group's total borrowings, including interest-bearing borrowings, as of December 31, 2023 were RMB705.9 million (December 31, 2022: RMB796.0 million). Borrowings of the Group are mainly carried with interest charged at floating rates. For a breakdown of the borrowings of the Group, please refer to "Note 29 to Financial Statements" in this annual report.

The gearing ratio (calculated by dividing the sum of borrowings and lease liabilities by total equity) of the Group as of December 31, 2023 was 28.3% (December 31, 2022: 24.8%).

Net Current Assets

The Group's net current assets, as of December 31, 2023 were RMB802.9 million, representing a decrease of 59.4% compared to net current assets of RMB1,976.9 million as of December 31, 2022.

Foreign Exchange Exposure

We have transactional currency exposures. Certain of our bank balances, other receivables, other financial assets, other payables and other financial liabilities are denominated in foreign currencies and are exposed to foreign currency risk. 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.

Significant Investments

As of December 31, 2023, we did not hold any significant investments.

Material Acquisitions and Disposals

During the Reporting Period, we did not have any other material acquisitions or disposals of subsidiaries, associates and joint ventures of the Company.

Capital Expenditure

For the year ended December 31, 2023, the Group's total capital expenditure amounted to approximately RMB303.9 million, which was used in: (i) payment for additional investment in a joint venture; (ii) purchase of financial assets at fair value through profit or loss; (iii) purchase of items of property, plant and equipment; and (iv) purchase of other intangible assets.

Charge on Assets

As of December 31, 2023, certain of the Group's loans amounted to RMB569.1 million (December 31, 2022: RMB695.9 million) were secured by mortgages or pledges over our assets. The mortgaged or pledged assets include equity interests of certain subsidiaries, leasehold land, time deposits, etc. For details of the charge on assets or pledge related to the bank borrowings of the Group, please refer to "Notes to Financial Statements – 29" of this annual report.

As of December 31, 2023, the Group's fixed deposits of RMB200,000,000 continued to be used as a pledge to guarantee two loans of up to RMB100,000,000 each made to Hangzhou Kuntai due on March 28, 2024 and April 14, 2024, respectively.

As disclosed in the section headed "Further Information in respect of unauthorized loans and pledged deposits" and the announcement of the Company dated April 16, 2024, as of the Latest Practicable Date, the full amount of the Group's fixed deposits outstanding as at the date of the Forensic Investigation Announcement, which were previously pledged to guarantee loans, have been released by the relevant bank.

Contingent Liabilities

As of December 31, 2023, except for the contingent consideration payable recognised for acquisition of subsidiaries referred to in "Notes to Financial Statements – 28. Other Payables and Accruals" of this annual report, the Group did not have any contingent liabilities.

Further Information in respect of unauthorized loans and pledged deposits

Reference is made to: (i) sections 3 and 4 headed "Unauthorized loans to Jiangsu Wuzhong" and "Unauthorized guarantees to Hangzhou Kuntai" in the Forensic Investigation Announcement; and (ii) the section headed "Charge on Assets" in this annual report.

As of the Latest Practicable Date, the unauthorized pledged deposits, provided by Hangzhou Qiyi (a wholly-owned subsidiary of the Company) of RMB100,000,000 as security in respect of the aforesaid loan to Hangzhou Kuntai (which fell due on March 28, 2024), had been released by the relevant bank and further withdrawn by the Company from such bank. In addition, Hangzhou Qiyi has received an interest income of RMB2,050,000 for such deposits as of March 28, 2024.

With respect to the additional RMB100,000,000 deposits pledged to a certain bank by Hangzhou Qiyi to secure loans to Hangzhou Kuntai (which were to mature on April 14, 2024), as disclosed in the announcement of the Company dated April 16, 2024, such unauthorized pledged deposits have been released by the relevant bank and further withdrawn by the Company from such bank. In addition, Hangzhou Qiyi has received an interest income of RMB2,050,555.56 for such deposits as of April 16, 2024.

The amount of RMB80,000,000 which was extended to Jiangsu Wuzhong by Hangzhou Qijin (a wholly-owned subsidiary of the Company) has not been repaid as of the date of this annual report. Based on the latest progress in negotiations between the Company and the relevant parties, the remaining unauthorized loans provided by Hangzhou Qijin (a wholly-owned subsidiary of the Company) of RMB80,000,000 to Jiangsu Wuzhong is expected to be fully repaid by September 30, 2024. If repayment is not made to the Company by the agreed date or if sufficient collateral to cover the loans is not provided to the Company by the agreed date, we reserve the right to initiate legal proceedings against the relevant part(ies) to recover the outstanding amount. Further announcements will be made by the Company in due course.

Further, as previously announced by the Company, in light of the key findings of the Forensic Investigation, the Company has engaged Deloitte Enterprise Consulting (Shanghai) Co., Ltd., Beijing Branch as the internal control consultant to perform a review of internal controls and to assess whether the Company has adequate internal control systems and procedures in place to remediate and mitigate the relevant gaps. The Company will make further announcement(s) in due course.

Other Significant Events

(1) Suspension of Trading on the Stock Exchange

Trading in the Shares on the Main Board of the Stock Exchange has been suspended since 9:00 a.m. (Hong Kong time) on November 23, 2023 and will remain suspended pending the fulfillment of the Resumption Guidance as specified by the Stock Exchange.

(2) Resumption Guidance

As stated in the announcements of the Company dated December 27, 2023 and February 16, 2024, the Stock Exchange has set out the following Resumption Guidance for the Company:

(a) conduct the special audit and an appropriate forensic investigation into (i) the provision of loans to Mr. Zi and Mr. Zeng and (ii) other fund flows of the Group to and from Mr. Zi, Mr. Zeng and/or any entity they, individually or collectively, own or control that may be uncovered by the special audit, announce the findings and take appropriate remedial actions;

(b) conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to comply with the Listing Rules;

(c) demonstrate that there is no reasonable regulatory concern about the management integrity and/or the integrity of any persons with substantial influence over the Company's management and operations, which will pose a risk to investors and damage market confidence;

(d) inform the market of all material information for the Shareholders and investors to appraise its position; and

(e) recomply with Rules 3.10(1), 3.10A, 3.21 and 3.27A of the Listing Rules in relation to the composition and chairmanship of the Board and its Board committees, as applicable.

(3) Progress of Fulfillment of the Resumption Guidance

For the progress of the Company in fulfillment of the Resumption Guidance, please refer to the announcement of the Company published on February 25, 2024 in accordance with Rule 13.24A of the Listing Rules. The Company will continue to set out the progress in the quarterly update announcements in due course.

Subsequent Events

Save and except for the matters disclosed above in the section headed "Other Significant Events" and the Section headed "Further Information in respect of unauthorized loans and pledged deposits" in this annual report, there have been no other material subsequent events following the end of the Reporting Period up to the date of this annual report.

Employees and Remuneration Policies

As of December 31, 2023, we had 865 employees in total.

Among the 865 employees, 735 of our employees are stationed in China, and 130 of our employees are stationed overseas primarily in the U.S. and Israel. In compliance with the applicable labor laws, we enter into individual employment contracts with our employees covering matters such as wages, bonuses, employee benefits, workplace safety, confidentiality obligations, non-competition and grounds for termination. These employment contracts typically have terms of three to five years.

To remain competitive in the labor market, we provide various incentives and benefits to our employees. We invest in continuing education and training programs, including internal and external training, for our management staff and other employees to upgrade their skills and knowledge. We also provide competitive salaries, project and stock incentive plans to our employees especially key employees.

Future Investment Plans and Expected Funding

The Group will continue to expand its markets in the PRC and globally in order to tap its internal potential and maximize shareholders' interest. The Group will continue to grow through self-development, mergers and acquisitions and other means. We will employ a combination of financing channels to finance capital expenditures, including but not limit to internal funds and bank loans. Currently, the bank credit lines available to the Group are adequate.

III. PROSPECTS

Committed to our vision of becoming a global leader in structural heart diseases, we continued to closely adhere to the long-term strategies of "pursuing global localization and generating profitability through local expansion", expedited the promotion and clinical application of our innovative technologies in the global markets, established globally competitive business operation teams leveraging the marketing of our innovative products such as VenusP-Valve, and secured strong sales performance. In the domestic market, we focused on seeking profitability to drive our quality development and facilitated our innovative products to achieve breakthroughs in clinical trials, registration and market access in a bid to lay the foundation for our sustainable and steady growth.

Accelerate Globalization Pace

Following the approved marketing and sales of VenusP-Valve in the EU, we will constantly establish and improve the international manufacturing capabilities and quality system, aiming to lay a solid foundation for launching domestically-produced devices in the global market. Cardiovalve, our innovative device, has witnessed increasing penetration in global clinical applications, and attracted a number of experienced professionals to join clinical trials. Venus-PowerX and Venus-Vitae, a new generation of aortic valve products, have achieved smooth progress in global clinical trials, and are highly recognized by doctors. The Company has been pressing ahead with its globalization strategy. Meanwhile, we will launch the pivotal clinical study of VenusP-Valve in the USA, and enhance our overseas clinical development and innovative device registration capabilities, endeavoring to establish a presence in more countries and markets. In terms of commercialization, we will make unremitting efforts to promote the global sales of VenusP-Valve, and strive for strong and sustainable sales increases. In terms of market access, we will comply with local laws and regulations, learn about access policies of different countries and regions, endeavor to make breakthroughs in medical insurance, bidding and hospital access procedures, and continue to venture into the international market. We will also proactively participate in international medical conferences and industry exhibitions in the field of cardiology and facilitate doctors in obtaining an understanding of and getting familiar with our products so as to enhance our global brand influence.

Maintain Quality Marketing Growth

We will continue to tap into our first-mover advantages, strengthen the construction and integration of our own marketing system, provide comprehensive intraoperative solutions for clinical hospitals with our rich professional knowledge, clinical resources and perfect product portfolio, reduce the difficulty of surgery with constantly optimized products, serve physicians and a wider range of patients, and improve the commercial profit of TAVR business through scale effect and optimization of business processes. Meanwhile, we will continue to launch post-marketing clinical trials, and accumulate more clinical data to provide sufficient support for inclusion of our products in medical insurance and other access points. We will also proactively cultivate ties and communicate with medical insurance departments to explore innovative payment methods such as payment by medical insurance and commercial insurance. Looking into 2024, we will remain committed to unmet medical needs, uphold our globalization strategy with a focus on the field of structural heart diseases, leverage our first-mover advantages, expedite sales and marketing in the global market, facilitate the progress of the international multi-center clinical study, deepen our presence in the domestic market and expand the TAVR market in an endeavor to improve our profitability.

IV. RISK MANAGEMENT

Principal Risks and Uncertainties facing the Company

The principal risks and uncertainties that may cause the Group's financial conditions or results to materially deviate from the expected or historical results can be categorized into the following areas: (A) risks relating to our business, comprising (i) risks relating to the development of our product candidates, (ii) risks relating to extensive government regulations, (iii) risks relating to the commercialization and distribution of our products, (iv) risks relating to the manufacture and supply of our products, (v) risks relating to our intellectual property rights, and (vi) risks relating to our reliance on third parties; (B) risks relating to our financial position and need for additional capital; (C) risks relating to our operations; and (D) risks relating to doing business in China, as described below:

Risks relating to Our Business

Risks relating to the Development of Our Product Candidates

- We have incurred net losses since our inception, and may incur net losses for the foreseeable future, and potential investors may lose substantially all their investments in us given the high risks involved in the medical device business.

- Our future growth depends substantially on the success of our product candidates. If we are unable to successfully complete clinical development, obtain regulatory approval and commercialize our product candidates, or experience significant delays in doing so, our business will be materially harmed.

- If we do not introduce new products in a timely manner, our products may become obsolete and our operating results may suffer.

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

- Clinical product development involves a lengthy and expensive process with an uncertain outcome, and unsuccessful clinical trials or procedures relating to products under development could have a material adverse effect on our prospects.

- 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, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our product candidates.

Risks relating to Extensive Government Regulations

- All material aspects of the research, development and commercialization of our products are heavily regulated.

- 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.

- Undesirable adverse events caused by our products and product candidates could interrupt, delay or halt clinical trials, delay or prevent regulatory approval, limit the commercial profile of an approved label or result in significant negative consequences following any regulatory approval.

- Our products and any future products will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expenses, and we may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our products and/or product candidates.

- If our current and new products are not produced in compliance with the quality standards required under applicable laws, our business and reputation could be harmed, and our revenue and profitability could be materially and adversely affected.

- The recently enacted and future legislation may increase the difficulty and cost for us to obtain regulatory approval of, and commercialize, our product candidates and affect the prices we may obtain.

Risks relating to the Commercialization and Distribution of Our Products

- If our products cause, or are perceived to cause, severe adverse events, our reputation, revenue and profitability could be materially and adversely affected.
- Failure to achieve broad market acceptance or maintain a good reputation necessary for our cardiovascular products and any future products would have a material adverse impact on our results of operations and profitability.
- We rely on our in-house marketing force to promote our products.
- There is no guarantee that we will succeed in expanding our sales network to cover new hospitals.
- If we fail to maintain an effective distribution channel for our products, our business and sales of the relevant products could be adversely affected.
- If we experience delays in collecting payments from our distributors, our cash flows and operations could be adversely affected.
- We face substantial competition, which may result in others discovering, developing or commercializing competing products before or more successfully than we do.
- Our sales may be affected by the level of medical insurance reimbursement patients receive for TAVR procedures using our products.

Risks relating to the Manufacture and Supply of Our Products

- Delays in completing and receiving regulatory approvals for our manufacturing facilities, or damage to, destruction of or interruption of production at such facilities, could delay our development plans or commercialization efforts.

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

- The manufacture of our products is highly complex and subject to strict quality controls. If we or any of our suppliers or logistics partners encounter manufacturing, logistics, or quality problems, including as a result of natural disasters, our business could suffer.

- Fluctuations in prices of raw materials may have a material adverse effect on us.

- We may experience supply interruptions that could harm our ability to manufacture products.

- We rely on a supply from a limited number of suppliers, which may severely harm our operations if the supplier loses its qualification or eligibility because of its failure to comply with regulatory requirements or ceases its supply due to contractual disputes.

- Failure to maintain and predict inventory levels in line with the level of demand for our products could cause us to lose sales or face excess inventory risks and holding costs, either of which could have a material adverse effect on our business, financial condition and results of operations.

Risks relating to Our Intellectual Property Rights

- If we are unable to obtain and maintain patent protection for our products and product candidates through intellectual property rights, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties may compete directly against us.

- We may not be able to protect our intellectual property rights.

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

- If we are sued for infringing intellectual property rights of third parties, such litigation could be costly and time consuming and could prevent or delay us from developing or commercializing our product candidates.

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

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

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

Risks relating to Our Reliance on Third Parties

- If the third parties with which we contract for pre-clinical research and clinical trials do not perform in an acceptable manner, or if we suffer setbacks in these pre-clinical studies or clinical trials, we may be unable to develop and commercialize our product candidates as anticipated.

- We rely upon strong relationships with certain key physicians and leading hospitals in the clinical development and marketing of our products.

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

- Our cross-border transfer of data may be limited or restricted.

Risks relating to Our Financial Position and Need for Additional Capital

- Goodwill represented a significant portion of our total assets. If we determine our goodwill to be impaired, our results of operations and financial condition may be adversely affected.

- If we determine our intangible assets (other than goodwill) to be impaired, our results of operations and financial condition may be adversely affected.

- We have historically received government grants and subsidies for our R&D activities and we may not receive such grants or subsidies in the future.

- Raising additional capital may cause dilution to our Shareholders, restrict our operations or require us to relinquish rights to our technologies or product candidates.

- Share-based payment may cause shareholding dilution to our existing Shareholders and have a material adverse effect on our financial performance.

Risks relating to Our Operations

- Our future success depends on our ability to retain key personnel in our R&D team, sales and marketing team and executives and to attract, retain and motivate qualified personnel.

- We have significantly increased the size and capabilities of our organization, and we may experience difficulties in managing our growth.

- If we engage in acquisitions or strategic partnerships, this may increase our capital requirements, dilute our Shareholders, cause us to incur debt or assume contingent liabilities and subject us to other risks.

- If we fail to successfully integrate our recently acquired subsidiary or any future targets into our own operations, our post-acquisition performance and business prospects may be adversely affected.

- Product liability claims or lawsuits could cause us to incur substantial liabilities.

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

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

- If we fail to comply with applicable anti-bribery laws, our reputation may be harmed and we could be subject to penalties and significant expenses that have a material adverse effect on our business, financial condition and results of operations.

- If we 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.

- Our internal computer systems may fail or suffer security breaches.

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

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

- Our insurance coverage may not completely cover the risks related to our business and operations.

- Negative publicity and allegations involving us, our Shareholders, Directors, officers, employees and business partners may affect our reputation and, as a result, our business, financial condition and results of operations may be negatively affected.

Risks relating to Doing Business in China

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

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

- There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.

- Potential investors may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

- We are a PRC enterprise and we are subject to PRC tax on our global income, and the dividends payable to investors and gains on the sale of our Shares by our investors are subject to PRC tax. Under the Enterprise Income Tax Law of the PRC, our offshore subsidiaries may therefore be subject to PRC income tax on their worldwide taxable income.

- Payment of dividends is subject to restrictions under PRC law and regulations.

- Any failure to comply with PRC regulations regarding our Employee Incentive Scheme or the mandatory social insurance may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

- Restrictions on currency exchange may limit our ability to utilize our revenue effectively.

- Our business benefits from certain financial incentives and discretionary policies granted by local governments. Expiration of, or changes to, these incentives or policies would have an adverse effect on our results of operations.

- Regulations relating to offshore investment activities by PRC residents may subject us to fines or sanctions imposed by the PRC government, including restrictions on our PRC subsidiary's abilities to pay dividends or make distributions to us and our ability to increase our investment in our PRC subsidiary.

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

Key Principles of Risk Management

We recognize that risk management is critical to the success of our business. Key operational risks faced by us include changes in the general market conditions and the regulatory environment of the Chinese and global medical device markets, our ability to develop, manufacture and commercialize our products and product candidates and our ability to compete with other medical device companies. We also face various financial risks. In particular, we are exposed to credit, liquidity, interest rate and foreign exchange risks that may arise in the normal course of our business.

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

The following key principles outline our Group's approach to risk management and internal control:

- The Audit Committee oversees and manages the overall risks associated with our business operations, including:
  - reviewing and approving our risk management policy to ensure that it is consistent with our corporate objectives;
  - reviewing and approving our corporate risk tolerance;
  - monitoring the most significant risks associated with our business operation and our management's handling of such risks;
  - reviewing our corporate risk in light of our corporate risk tolerance; and
  - monitoring and ensuring the appropriate application of our risk management framework across our Group.
- The chief financial officer of the Company is responsible for the following tasks during their respective tenure:
  - formulating and updating our risk management policy and objectives;
  - reviewing and approving major risk management issues of our Company;
  - promulgating risk management measures;
  - providing guidance on our risk management approach to the relevant departments in our Company;
  - reviewing the relevant departments' reporting on key risks and providing feedback;
  - supervising the implementation of our risk management measures by the relevant departments;

  - ensuring that the appropriate structure, processes and competencies are in place across our Group; and

  - reporting to the Audit Committee on the Group's material risks.

- The relevant departments in our Company, including the finance department, the legal department, the human resources department and the compliance department, are responsible for implementing our risk management policy and carrying out our day-to-day risk management practice. In order to formalize risk management across our Group and set a common level of transparency and risk management performance, the relevant departments shall:

  - gather information about the risks relating to their operation or function;

  - conduct risk assessments, which include the identification, prioritization, measurement and categorization of all key risks that could potentially affect their objectives;

  - prepare a risk management report annually for our chief executive officer's review;

  - monitor the key risks relating to their operation or function;

  - implement appropriate risk responses where necessary; and

  - develop and maintain an appropriate mechanism to facilitate the application of our risk management framework.

Intellectual Property Rights Risk Management

Compliance with applicable PRC and overseas laws and regulations, especially laws and regulations governing the protection of our intellectual property rights and the prevention of liabilities resulting from potential illegal content of publication and intellectual properties infringement, are major focus areas of our operational risk management. Our legal department is responsible for approving contracts, monitoring any changes in the applicable laws and regulations and ensuring the ongoing compliance of our operations with the applicable law and regulations.

Our intellectual property department assists in conducting searches and analysis to help ensure that all of our intellectual property is under the protection of relevant laws and regulations and also helps ensure the application for trademark, copyright or patent registrations for, as well as filing with relevant authorities of, all of our products. For example, under our internal policies implemented in 2018, during the product development phase, our intellectual property department assesses the potential legal issues surrounding the product being developed, such as making or obtaining necessary government filings or approvals, the feasibility of obtaining such approvals, potential intellectual property risks and third-party licenses required. The intellectual property department then administers the execution process of obtaining the necessary filings, approvals, and/or licenses. Other than some standard contracts which have been reviewed and adopted by the legal department, all the contracts of our Company are required to be reviewed and approved by our legal department prior to execution.

Directors, Supervisors and Senior Management

As of the Latest Practicable Date, the biographical details of the Directors, Supervisors and senior management of the Company are set as follows.

DIRECTORS

Mr. Lim Hou-Sen (Lin Haosheng) (林浩昇), aged 50, is an executive Director of our Company since December 15, 2023 and general manager of our Company since November 20, 2023. Mr. Lim joined the Group in December 2016 as the chief technology officer. Mr. Lim served as an executive Director of the Company from November 2018 to January 2023 and as the chief executive officer of the Company with effect from September 22, 2023 until November 20, 2023.

Mr. Lim has more than 20 years of industry experience. Prior to joining our Group, Mr. Lim was the managing director and chief technology officer of Transcatheter Technologies GmbH, a medical device company incorporated in Germany which primarily focuses on heart valve implantation and aortic therapy solutions, from January 2009 to October 2016. From September 2005 to December 2008, Mr. Lim was the founder and served as the chief executive officer of EndoCor Pte. Ltd., a company incorporated in Singapore which develops minimally invasive heart valve and medical devices in the structural heart space. From March 2003 to December 2008, Mr. Lim was a managing director in a biomedical company named Embryon, Inc., which primarily engages in research and experimental development on biotechnology, life and medical science.

Mr. Lim received a bachelor's degree in mechanical engineering from Nanyang Technological University in Singapore in July 1999 and a master's degree of engineering from Nanyang Technological University in Singapore in June 2002.

Mr. Liqiao Ma (馬力喬), aged 39, is an executive Director of our Company and has served as the vice president of clinical medicine of the Company since 2019. He was appointed as an executive Director of our Company on December 15, 2023.

Mr. Ma served as a clinical research manager at Medtronic plc from 2013 to 2019, a project manager at CCRF (Beijing) Inc. from 2011 to 2013, and an assistant to clinical pharmacist at Beijing United Family Hospital from 2009 to 2011.

Mr. Ma has over fifteen years of experience in the medical industry with focus on medical affairs, clinical research and clinical development in the cardiovascular medical device field, including over two years of frontline medical service experience and over twelve years of dedicated work experience in medical devices. He has led the formulation and implementation of clinical strategies for multiple innovative products and successfully completed clinical trials and obtained market approval in various countries and regions including the PRC, Europe, and the United States. Mr. Ma is also a member of the Digital Healthcare Professional Committee of the China Association for Promotion of Health Science and Technology (中國人體健康科技促進會數字醫療專業委員會).

Mr. Ma obtained a bachelor's degree in pharmaceutical engineering from Nanjing University of Chinese Medicine in June 2008.

Ms. Meirong Liu (柳美榮), aged 48, is an executive Director and the vice president of our Company responsible for global regulatory legal affairs of the Company and serves as its CE MDR compliance officer. Before joining our Company in November 2017, Ms. Liu was a medical affairs manager and acting director of NAMSA (Shanghai) Medical Device Technology Consulting Company (能盛(上海)醫療器械科技諮詢公司) between November 2015 and November 2017 and was a regulatory affairs director of Cook (China) Medical Trading Co., Ltd. (庫克(中國)醫療貿易有限公司) between September 2011 and November 2015. She served as a high commissioner for regulatory affairs and quality control at C.R. Bard Medical Device (Beijing) Co., Ltd. (巴德醫療器械(北京)有限公司) from February 2008 to August 2011 and a manager of regulatory and quality department at Dahe Kangye Technology Development (Beijing) Co., Ltd. (大河康業科技發展(北京)有限公司) from April 2007 to January 2008. Between April 2001 and March 2007, Ms. Liu was the head of the medical products department at Youyan Yijin New Material Co., Ltd. (有研億金新材料股份有限公司).

Ms. Liu obtained a bachelor's degree in metal pressure processing from Chongqing University (重慶大學) in Chongqing, China in July 1998 and a master's degree in material science and engineering from Beihang University (北京航空航天大學) in Beijing, China in March 2001. Ms. Liu is a member of Subcommittee on Cardiovascular Implants of National Technical Committee 110 on Implants for Surgery and orthopedic Devices of Standardization Administration of China (全國外科植入物和矯形器械標準化技術委員會心血管植入物分技術委員會).

Mr. Ao Zhang (張奧), aged 39, is a non-executive Director of our Company. Mr. Zhang has around 10 years of experience in healthcare investments. Mr. Zhang has worked at Qiming Weichuang Chuangye Investment Management (Shanghai) Ltd. Co. since January 2015 and is currently a Principal. Mr. Zhang served as a vice president and was responsible for the healthcare investment area at WI Harper Group, a venture capital firm focusing on early to growth stage companies across the United States, Greater China, and Asia Pacific, from June 2013 to December 2014. Prior to that, he worked as an investment associate at CEC Capital Group (formerly known as China eCapital Corporation) (易凱資本有限公司), an investment bank with a core focus on healthcare, consumer and technology, media and telecom sectors, from May 2010 to May 2013. Mr. Zhang was appointed as a director of Broncus Holding Corporation (堃博醫療控股有限公司) (a company whose shares are listed on the Stock Exchange with stock code: 2216) on April 29, 2021 and redesignated as a non-executive director on May 6, 2021. He is primarily responsible for participating in formulating Broncus Holding Corporation's corporate and business strategies.

Mr. Zhang obtained a bachelor's degree in biomedical engineering from Tsinghua University (清華大學) in Beijing, China in July 2007 and received his master of science degree in medical and radiological sciences from the University of Edinburgh in Edinburgh, United Kingdom in December 2008 and a master of science degree in risk management and financial engineering from Imperial College London in London, United Kingdom in November 2009.

Mr. Wei Wang (王瑋), aged 41, is a non-executive Director of our Company. Mr. Wang was appointed as a Shareholders' representative Supervisor on November 26, 2018 and resigned effective November 30, 2023. He was appointed as a non-executive Director of our Company on November 30, 2023.

Mr. Wang joined the Group on November 26, 2018. Mr. Wang has served as a managing director of DCP Capital since 2017, focusing on private equity transactions in the Greater China region. Prior to that, Mr. Wang served as an executive director at Kohlberg Kravis Roberts & Co. L.P. from 2011 to 2016, a senior investment manager of Orchid Asia Group from 2007 to 2011, and a business analysis consultant of Mckinsey & Company from 2005 to 2007.

For more than a decade of his direct investment career, Mr. Wang has been in charge of investment business in consumer and healthcare industries, and has led investments in the Company, Tonghua Dongbao Pharmaceutical Co., Ltd. (stock code: 600867.SH), Haier Group (stock code: 600690.SH), China Cord Blood Corporation (NYSE: CO), Broncus Holding Corporation (stock code: 2216), Shanghai Meihua Medical Investment Management Co., Ltd., Sinopharm Holding (China) Finance Leasing Co., Ltd., Shanghai Jiuyue Medical Investment Management Co., Ltd., Ascendum Capital Co., Ltd., China Outfitters Holdings Limited (stock code: 1146), Sino-Ocean Group Holding Limited (stock code: 3377) and other projects.

Currently, Mr. Wang has served as a non-executive director of China Outfitters Holdings Limited (stock code: 1146) since May 2012, a director of Sinopharm Holding (China) Finance Leasing Co., Ltd. since September 2019, the chairman of Shanghai Meihua Medical Investment Management Co., Ltd. since February 2021, and a director of Tonghua Dongbao Pharmaceutical Co., Ltd. (stock code: 600867.SH) since December 2020.

Mr. Wang received a bachelor's degree in international economics and trade from Shanghai Jiaotong University in the PRC in July 2005. Mr. Wang is also a life member of the Hong Kong Independent Non-Executive Director Association (HKINED).

Mr. Ting Yuk Anthony Wu (胡定旭), aged 70, was appointed as a Director in November 2018 and was redesignated as an independent non-executive Director in July 2019. Mr. Wu is primarily responsible for participating in the decision-making for our Company's significant events and advising on issues relating to corporate governance, audit and the remuneration and assessment of our Directors, Supervisors and senior management. Mr. Wu has been appointed as the chairman of the Board with effective from conclusion of the 2023 Fourth EGM.

Mr. Wu is a leader in the healthcare industry and has extensive management experience in the medical system. He joined the Hong Kong Hospital Authority in 1999 and was its chairman from 2004 to 2013. He is the longest-serving chairman of the Hospital Authority. He led the team of the Hospital Authority to manage all public hospitals and public clinics in Hong Kong and implement the public health policy of the Hong Kong Government. He also actively promoted a number of public and private medical co-operation projects during his tenure. Mr. Wu is currently an advisor to the Public Policy Advisory Committee of the National Health Commission of, and the principal advisor for international cooperation to the State Administration of Traditional Chinese Medicine of the People's Republic of China, as well as a member of the Chinese Medicine Reform and Development Advisory Committee. He was a member of the State Council's Medical Reform Leadership Advisory Committee.

Other important public positions that Mr. Wu has served include being a member of the 9th, 10th and 11th of, and a standing committee member of the 12th and 13th of the National Committee of the Chinese People's Political Consultative Conference, and a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development and the Task Force on Land Supply of the Hong Kong SAR, and has been awarded Gold Bauhinia Star and Justice of the Peace by the government of Hong Kong SAR. Mr. Wu was a member of the General Committee of the Hong Kong General Chamber of Commerce from 2000 to 2017, served as its chairman from 2010 to 2012, and is currently a member of its Council. Mr. Wu was a director of the Fidelity Funds from 2011 to 2014 and was the chairman of Bauhinia Foundation Research Centre from 2007 to 2012. Mr. Wu was a partner of Ernst & Young ("EY") from 1985 to 2005, and served as chairman of the EY's Far East Region from 2000 to 2005. He was also the chief advisor to MUFG Bank, Ltd., the chairman of The Board of Trustees of China Oxford Scholarship Fund, an honorary professor of the Faculty of Medicine of the Chinese University of Hong Kong and the Peking Union Medical College Hospital, and an honorary fellow of the Hong Kong College of Community Medicine.

Mr. Wu holds directorships in certain Hong Kong listed companies. He has been the chairman and a non-executive director of Clarity Medical Group Holding Limited (Stock Code: 1406) since March 2019. He is an independent non-executive director of Power Assets Holdings Limited (Stock Code: 6) and China Taiping Insurance Holdings Company Limited (Stock Code: 966), the chairman and an independent non-executive director of China Resources Medical Holdings Company Limited (Stock Code: 1515), an independent non-executive director of CStone Pharmaceuticals (Stock Code: 2616), an independent non-executive director of Ocumension Therapeutics (Stock Code: 1477), an independent non-executive director of Sing Tao News Corporation Limited (Stock Code: 1105) and an independent non-executive director of Hui Xian Real Estate Investment Trust (Stock Code: 87001). He was an independent non-executive director of Agricultural Bank of China Limited (Stock Code: 1288) from January 2009 to June 2015. He was an executive director of Sincere Watch (Hong Kong) Limited (Stock Code: 444) from March 2015 to August 2018.

Mr. Wu completed a foundation course in accountancy at the then Teesside Polytechnic in the United Kingdom in July 1975. Mr. Wu is a fellow of Hong Kong Institute of Certified Public Accounts (“HKICPA”) and the Institute of Chartered Accountants in England and Wales (“ICAEW”), and the honorary chairman of the Institute of Certified Management Accountants (Australia) Hong Kong Branch.

On December 24, 2013, the Disciplinary Committee of the HKICPA found Mr. Wu’s failure to observe, maintain or otherwise apply the requirements of the HKICPA in preserving the appearance of independence by acting as an independent financial advisor on behalf of EY to a non-listed company whilst also being a senior partner of EY, who acted as auditors of such company in respect of the financial years ended December 31, 1995 to December 31, 1997, and is therefore a deemed auditor of that company under the Companies Ordinance, to be a professional misconduct (the “Incident”). Mr. Wu was ordered to pay a penalty of HK$250,000, had his name removed from the register for a period of two years from July 23, 2014, and together with the other respondents, was ordered to pay the costs of HK$2 million to the HKICPA. The Incident was then referred to the ICAEW by the HKICPA in 2014, and was dismissed by the ICAEW in 2017.

Mr. Chi Wai Suen (孫志偉), aged 60, was appointed as an independent non-executive Director in July 2019, with effect from the Listing Date. Mr. Suen is primarily responsible for participating in the decision-making for our Company's significant events and advising on issues relating to corporate governance, audit and the remuneration and assessment of our Directors, Supervisors and senior management.

Mr. Suen is a practicing solicitor in Hong Kong. Mr. Suen was a partner of Withers from February 2018 until his retirement in March 2023 and currently, he is a consultant of Withers. He has more than 20 years of experience in corporate finance and with areas of practice principally in initial public offerings on the Hong Kong Stock Exchange, mergers and acquisitions, corporate reorganizations and Listing Rules compliance, and he has advised clients from various industries such as clean energy, pharmaceutical, medical, retails, manufacturing, entertainment and biological. Prior to joining Withers, Mr. Suen was an associate and later a partner of DLA Piper Hong Kong from June 2007 to May 2012 and May 2012 to February 2018, respectively, and served as a manager in the investment products department of the Securities and Futures Commission of Hong Kong from October 2005 to July 2006, responsible for reviewing applications of collective investment schemes and monitoring continuing compliance of authorized schemes. Mr. Suen was an assistant solicitor at Woo Kwan Lee & Lo from September 2000 to March 2005.

Mr. Suen holds directorships in certain Hong Kong listed companies. He has served as an independent non-executive director of Xin Yuan Enterprises Group Limited (Stock Code: 1748) since September 2018, Da Yu Financial Holdings Limited (Stock Code: 1073) since July 2019 and BoardWare Intelligence Technology Limited (Stock Code: 1204) since June 2022.

Mr. Suen received bachelor of science degree from the University of East Anglia in the United Kingdom in July 1987 and a postgraduate certificate in laws from the University of Hong Kong in June 1998. Mr. Suen was admitted as a solicitor in Hong Kong in October 2000 and in England and Wales in December 2003. Mr. Suen has also been a fellow member of the Association of Chartered Certified Accountants since May 1998 and a certified public accountant of the HKICPA since April 1993.

SUPERVISORS

Ms. Min Shao (邵敏), aged 49, was appointed as an employee representative Supervisor and the chairwoman of the second session of the supervisory committee of the Company on August 31, 2022. Ms. Shao is primarily responsible for monitoring the financial affairs of our Company, supervising the performance of our Directors and members of senior management and performing other supervisory duties as a Supervisor.

Ms. Shao joined our Group in March 2017 and serves as the Company's human resources ("HR") manager responsible for the Company's HR management. Before joining our Group, Ms. Shao was the human resources manager at Huahai Pharmaceutical Co., Ltd. (SSE: 600521), a company listed on the Shanghai Stock Exchange between 2016 and 2017. Ms. Shao served as the HR manager at Bright Dairy & Food Co., Ltd. (SSE: 600597), a company listed on the Shanghai Stock Exchange, between 2000 and 2016. From 1998 to 2000, Ms. Shao was a marketing director at Jeanswest.

Ms. Shao completed her long distance learning courses in accounting offered by Online Education and Continuing Education College of Beijing Foreign Studies University in June 2020.

Ms. Yue Li (李月), aged 34, was appointed as a Shareholders' representative Supervisor on May 30, 2022. Ms. Li is primarily responsible for monitoring the financial affairs of our Company, supervising the performance of our Directors and members of senior management and performing other supervisory duties as a Supervisor.

Ms. Li joined the Group in July 2018 and serves as the legal manager. Prior to joining our Group, Ms. Li worked at CITIC Publishing Group Co., Ltd. from January 2017 to June 2018 and worked at Beijing Wanhuida Law Firm from December 2015 to December 2016.

Ms. Li obtained her master's degree in international economic law from the University of Nottingham in Nottingham, United Kingdom on December 9, 2014 and obtained the legal professional qualification certificate of the People's Republic of China in March 2016.

Mr. Wei Chen (陳瑋), aged 40, was appointed as a Shareholders' representative Supervisor on November 30, 2023. Mr. Chen has successively served as a technical support manager, the sales manager of the northern region and the national sales manager of the Company since October 2015. He served as a regional sales manager of AstraZeneca Pharmaceuticals Ltd. from August 2014 to October 2015, a sales director of Xi'an Janssen Pharmaceutical Co., Ltd. from August 2009 to August 2014, and a sales representative of Merck Sharp & Dohme Pharmaceutical Co., Ltd. from July 2007 to August 2009.

Mr. Chen obtained a bachelor's degree in international economics and trade in the PRC from China Pharmaceutical University in June 2007.

SENIOR MANAGEMENT

Mr. Lim Hou-Sen (Lin Haosheng) (林浩昇) is an executive Director and general manager of our Company. For details of his biography, see "DIRECTORS" in this section.

Mr. Fei Wang (王飛), aged 46, was appointed as the chief financial officer effective January 4, 2024. Mr. Wang has over 20 years of experience in finance and strategic planning. Mr. Wang previously served as the chief financial officer of 3SBio Inc. (三生製藥集團) (stock code: 1530.HK) from April 2020 to April 2023. Before that, Mr. Wang worked at AstraZeneca as the chief financial officer of its China operation from January 2011 to October 2015 and as the director of finance of its respiration, immunology and inflammation department from January 2020 to April 2020. He served as an executive director and as chief financial officer of a Hong Kong listed company from March 2018 to December 2019.

Mr. Wang received a bachelor's degree in management from Xinjiang University of Finance and Economics in 1999 and an MBA from Shanghai Jiao Tong University and Euromed Marseille Ecole de Management (now known as KEDGE) in 2012. Mr. Wang is a certified public accountant in the PRC.

Directors' Report

The Board presents this directors' report in the Group's annual report for the year ended December 31, 2023.

PRINCIPAL ACTIVITIES

The principal activities of the Company are development and commercialization of transcatheter solutions for structural heart diseases. Further details of our business operations are set out in "Management Discussion and Analysis – I. Business Overview" of this annual report.

There were no significant changes in the nature of the Group's principal activities during the year ended December 31, 2023.

BUSINESS REVIEW

Overview and Performance of the Year

A review of the business of the Group during the year, a discussion and analysis on the Group's future business development and the financial and operational key performance indicators employed by the Directors in measuring the performance of the Group's business are set out in "Financial Summary" and "Management Discussion and Analysis" of this annual report.

Environmental Policies and Performance

It is our corporate and social responsibility to promote a sustainable and eco-friendly environment. In this respect, we strive to minimize our environmental impact by reducing our carbon footprint and to build our corporation in a sustainable way.

We are subject to various environmental protection laws and regulations. Our operations involve the use of hazardous and flammable chemical materials. Our operations also produce such hazardous waste. We generally contract with third parties for the disposal of these materials and wastes. During the Reporting Period and up to the date of this annual report, we complied with the relevant environmental laws and regulations and we did not have any incidents or complaints which had a material adverse effect on our business, financial condition or results of operations during the Reporting Period.

For more details, please refer to "Environmental, Social and Governance Report" of this annual report for our work in respect of environmental protection, social and governance during the year.

Compliance with Relevant Laws and Regulations

We may be involved in legal proceedings in the ordinary course of business from time to time. During the Reporting Period and up to the date of this annual report, save as disclosed in this annual report, the Group has complied with the laws, regulations and regulatory requirements of the places where the Group operates in all material respects, 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. During the Reporting Period and up to the date of the report, none of the Group and the Directors, Supervisors and senior management of the Company were subject to any investigation initiated or administrative penalties imposed by the China Securities Regulatory Commission (CSRC), banned from entering the market, identified as inappropriate candidates, publicly condemned by stock exchanges, subject to mandatory measures, transferred to judicial organs or held criminally responsible, and none of them were involved in any other litigation, arbitration or administrative proceedings which would have a material adverse impact on our business, financial condition or results of operations.

Key Relationships with Stakeholders

We recognize that various stakeholders, including employees, medical experts, distributors, and other business associates, are key to the Group's success. The Group strives to achieve corporate sustainability through engaging, collaborating, and cultivating strong relationship with them.

The Group believes that it is vital to attract, recruit and retain quality employees. To maintain the quality, knowledge and skill levels of the Group's workforce and to remain competitive in the labor market, we provide various incentives and benefits to our employees and invest in continuing education and training programs, including internal and external training, for our management staff and other employees to upgrade their skills and knowledge. We also provide competitive salaries, packages and stock incentive plans for our employees, especially for key employees.

We employ a strategic marketing model to promote and sell our products. Under this model, we promote our products to hospitals in the PRC through academic marketing, by establishing research and clinical collaboration and training relationships with hospitals and by leveraging our network with KOLs.

To increase awareness of our products and technologies, we organize educational symposia and provide training to physicians, hospital executives and researchers in the field. Our highly trained sales and marketing team focuses on interacting with physicians to educate them about, and train them in the use of, our products. Such interaction is fostered through regular visits to and communications with physicians, on-site demonstration of our products to physicians, our sponsorship of conferences, seminars and physician education programs and other activities.

We have taken an active role in the key cardiology conferences in China, which serve as good opportunities to educate and train physicians in respect of TAVR and TPVR procedures and a platform for us to present innovative and advantageous features of our products. Thanks to our advanced technology and our first-mover experience in China, our products have been among the central topics of academic discussions and examples for training, and our R&D experts and management have been invited as speakers to introduce their practices in this field. We have sponsored conferences that gathered leading international transcatheter heart valve replacement experts, interventional cardiologists and vascular surgeons.

Our existing relationships with hospitals also help promote our products among physicians and hospitals through on-site education and training. In our marketing efforts, we primarily target large Class III Grade A hospitals, which have more resources to perform interventional heart valve procedures than smaller hospitals.

We depend on KOLs to introduce and recommend our products to physicians and hospitals. KOLs have academic incentives in learning the latest disease treatment options available in China within their therapeutic areas, as well as introducing cutting-edge technologies and products that they believe have clinical benefits to other doctors.

We sell products directly to hospitals or medical centers and through distributors. In line with market practice, we sell a significant portion of our products to distributors who resell our products to hospitals. The Group selects the distributors based on their qualifications, reputation, market coverage and sales experience.

Key Risks and Uncertainties and Risk Management

Details of the key risks and uncertainties faced by the Company and our risk management are set out in "Management Discussion and Analysis – IV. Risk Management" of this annual report.

Events after the Reporting Period

Details of the events after the Reporting Period of the Company are set out in "Management Discussion and Analysis – II. Financial Review – Subsequent Events" of this annual report.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

List of Directors and Supervisors

The Directors during the Reporting Period and up to the date of this directors' report were as follows.

Directors

Executive Directors

Mr. Min Frank Zeng (曾敏) *(former Chairman of the Board and resigned on December 15, 2023)*
Mr. Zhenjun Zi (訾振軍) *(former General Manager and resigned on November 20, 2023)*
Mr. Lim Hou-Sen (Lin Haosheng) (林浩昇) *(General Manager and resigned on January 30, 2023 and appointed on December 15, 2023)*
Ms. Meirong Liu (柳美榮) *(appointed on January 30, 2023)*
Ms. Liqiao Ma (馬力喬) *(appointed on December 15, 2023)*

Non-executive Directors

Ms. Nisa Bernice Wing-Yu Leung (梁頴宇) *(former Vice-chairwoman of the Board) (resigned on January 30, 2023)*
Mr. Ao Zhang (張奥) *(appointed on January 30, 2023)*
Mr. Wei Wang (王瑋) *(appointed on November 30, 2023)*

Independent Non-executive Directors

Mr. Ting Yuk Anthony Wu (胡定旭) *(Chairman of the Board and appointed on December 15, 2023)*
Mr. Wan Yee Joseph Lau (劉允怡) *(passed away on February 7, 2024)*
Mr. Chi Wai Suen (孫志偉)

Supervisors

Ms. Min Shao (邵敏) *(Chairwoman of the Supervisory Committee)*
Mr. Wei Wang (王瑋) *(resigned on November 30, 2023)*
Ms. Yue Li (李月)
Mr. Wei Chen (陳瑋) *(appointed on November 30, 2023)*

Biographies of Directors, Supervisors and Senior Management

The biographical details of the Directors, Supervisors and senior management of the Company are set out in "Directors, Supervisors and Senior Management" of this annual report. Save as disclosed herein, there is no financial, business, family or other material/relevant relationship between Board members or between the chairman of the Board and the chief executive.

Save as disclosed in this annual report, since the publication of the interim report for the six months ended June 30, 2023 of the Company and up to the Latest Practicable Date, there was no change to information which was required to be disclosed by the Directors and senior management members pursuant to Rule 13.51B(1) of the Listing Rules.

Changes in Directors, Supervisors and Senior Management

(i) Change in Directors and Composition of Board Committees

On December 13, 2022, Mr. Lim Hou-Sen (Lin Haosheng) resigned as an executive Director of the Company and Ms. Nisa Bernice Wing-Yu Leung resigned as a non-executive Director of the Company and the vice chairwoman of the Board due to their other work commitments. Such resignations were effective from the conclusion of the 2023 First EGM. At the 2023 First EGM, Ms. Meirong Liu was approved to be appointed as an executive Director of the Company and Mr. Ao Zhang was approved to be appointed as a non–executive Director of the Company. Each of Mr. Lim Hou-Sen (Lin Haosheng) and Ms. Nisa Bernice Wing-Yu Leung confirmed that there was no disagreement between him/her and the Company, the Board, and the Supervisory Committee of the Company, respectively.

On November 20, 2023, Mr. Min Frank Zeng resigned as an executive Director and the chairman of the Board of the Company. Such resignation was effective from the conclusion of the 2023 Fourth EGM. On November 20, 2023, Mr. Zhenjun Zi resigned as an executive Director, the general manager, and the authorized representative of the Company. Such resignation was effective from November 20, 2023. Each of Mr. Min Frank Zeng and Mr. Zhenjun Zi confirmed that there was no disagreement between him and the Company, the Board, and the Supervisory Committee of the Company, respectively.

At the 2023 Third EGM, Mr. Wei Wang was approved to be appointed as a non-executive Director of the Company. At the 2023 Fourth EGM, Mr. Lim Hou-Sen (Lin Haosheng) and Mr. Liqiao Ma were each approved to be appointed as an executive Director of the Company. At the 2023 Fourth EGM, Mr. Ting Yuk Anthony Wu was appointed as the chairman of the Board.

Subsequent to the Reporting Period, Mr. Wan Yee Joseph Lau, who was an independent non-executive Director, the chairman of the nomination committee and a member of each of the remuneration and assessment committee and the audit committee of the Board of the Company, passed away on February 7, 2024.

Following the passing away of Mr. Wan Yee Joseph Lau and as of the Latest Practicable Date, the Board comprises seven Directors, including three executive Directors, two non-executive Directors and two independent non-executive Directors. The Company currently does not meet: (i) the minimum number of independent non-executive directors required under Rule 3.10(1) of Listing Rules; (ii) the requirement under Rule 3.10A of the Listing Rules which stipulates that independent non-executive directors must represent at least one-third of the Board; (iii) the minimum number of members in the audit committee required under Rule 3.21 of the Listing Rules; and (iv) the requirement under Rule 3.27A of the Listing Rules which stipulates that the nomination committee must be chaired by the chairman of the board or an independent non-executive director. The Company endeavors to identify a suitable candidate to fill the vacancy of independent non-executive director of the Company and the vacancies of the relevant Board committees in order to fulfill the requirements of the Listing Rules as soon as practicable.

Save as disclosed above, during the Reporting Period and as of the date of this annual report, there were no changes in Directors and composition of Board committees.

(ii) Change in Supervisors

Mr. Wei Wang resigned as a Shareholders' representative Supervisor and such resignation was effective upon the conclusion of the 2023 Third EGM. On the same day, Mr. Wei Chen was elected as a Shareholders' representative Supervisor for the second session of the Supervisory Committee at the 2023 Third EGM. Mr. Wei Wang confirmed that there was no disagreement between him and the Company, the Board, and the Supervisory Committee of the Company, respectively.

Save as disclosed above, during the Reporting Period and as of the Latest Practicable Date, there were no other changes in Supervisors.

(iii) Change in Senior Management and Joint Company Secretaries

Mr. Haiyue Ma resigned as a joint company secretary and the chief financial officer of the Company effective June 2, 2023. Mr. Haiyue Ma confirmed that there was no disagreement between him and the Company, the Board, and the Supervisory Committee of the Company, respectively. Mr. Fei Wang was appointed as the chief financial officer of the Company effective January 4, 2024.

Save as disclosed above, there were no other changes in senior management and joint company secretaries during the Reporting Period and as of the Latest Practicable Date.

(iv) Change in Authorized Representatives

Mr. Zhenjun Zi has resigned as one of the Company's authorized representatives effective November 20, 2023. On the same day, Ms. Meirong Liu was appointed as an authorized representative of the Company. Mr. Zhenjun Zi confirmed that there was no disagreement between him and the Company, the Board, and the Supervisory Committee of the Company, respectively.

Save as disclosed above, there were no other changes in authorized representatives during the Reporting Period and as of the Latest Practicable Date.

Service Contracts of Directors, Supervisors and Senior Management

Our Directors, Mr. Ting Yuk Anthony Wu and Mr. Chi Wai Suen, entered into service contracts with the Company in May 2022. The principal particulars of these service contracts comprise: (a) a term of three years, which is equivalent to the term of the Board; and (b) termination provisions in accordance with their respective terms. Mr. Ting Yuk Anthony Wu and Mr. Chi Wai Suen may offer themselves for re-election and reappointment subject to the Shareholders' approval and their service contracts may be renewed pursuant to the Articles of Association and applicable regulations. The remaining Directors, Mr. Lim Hou-Sen (Lin Haosheng), Mr. Liqiao Ma, Ms. Meirong Liu, Mr. Ao Zhang and Mr. Wei Wang each entered into a letter of appointment for a term from the date of their respective appointment and, up until the expiration of the term of office of the second session of the Board, will not receive any remuneration from the Company for his/her position as a Director and his/her remuneration shall be determined based on the current position held by him and in accordance with his/her service contract entered into with the Company (if any). Pursuant to the Articles of Association, each of these Directors will be subject to reelection upon the expiry of his/her term of office.

Our Supervisors, Ms. Min Shao, Ms. Yue Li and Mr. Wei Chen, entered into a letter of appointment with the Company on the date of their respective their appointment. Each letter of appointment contains provisions relating to compliance with relevant laws and regulations, observation of our Articles of Association and resolution of disputes by means of arbitration. None of them is entitled to remuneration for their position as a Supervisor.

Save as disclosed above, the Company had not entered, and did not propose to enter, into any service contracts with any of our Directors or Supervisors in their respective capacities as Directors or Supervisors (other than contracts that are expiring or determinable by the employer within one year without any payment of compensation (other than statutory compensation)).

Remuneration of Directors, Supervisors and Five Highest-Paid Individuals

The Company offers competitive remuneration packages to our Directors, and the Directors' remuneration is determined by our Board based on the recommendation of the Remuneration and Assessment Committee. Details of the remuneration of the Directors, Supervisors and the five highest paid individuals in the Group are set out in "Notes to Financial Statements – 9. Directors', Supervisors' and Chief Executive's Remuneration" and "Notes to Financial Statements – 10. Five Highest Paid Employees" of this annual report.

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

Directors' Retirement Benefits

Save as the pension scheme contributions disclosed in "Notes to Financial Statements – 9. Directors', Supervisors' and Chief Executive's Remuneration" in this annual report, none of the Directors received or will receive any retirement benefits during the years ended December 31, 2023 and 2022. The Group's contributions to the pension scheme vested fully and immediately with the employees. Accordingly, as disclosed in "Notes to Financial Statements – 7. Loss Before Tax", (i) for the year ended December 31, 2023, there was no forfeiture of contributions under the pension scheme; and (ii) there were no forfeited contributions available for the Group to reduce its existing level of contributions to the pension scheme as at December 31, 2023.

Consideration Provided to Third Parties for Making Available Directors' Services

During the years ended December 31, 2023 and 2022, the Group did not pay consideration to any third parties for making available directors' services.

Information About Loans, Quasi-Loans and Other Dealings in Favour of Directors, Bodies Corporate Controlled by or Entities Connected with Directors

Save as disclosed in the section headed "Connected Transactions" in "Directors' Report" of this annual report, there were no other loans, quasi-loans or other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the years ended December 31, 2023.

Employees and Remuneration Policies

A review of the employees and remuneration policies of the Group during the year is set out in "Management Discussion and Analysis – II. Financial Review – Employees and Remuneration Policies" of this annual report.

Confirmation of Independence from the Independent Non-Executive Directors

The Company has received the annual confirmations of independence from all independent non-executive Directors, namely, Mr. Ting Yuk Anthony Wu, Mr. Chi Wai Suen, and the late Mr. Wan Yee Joseph Lau pursuant to Rule 3.13 of the Listing Rules. The Company has duly reviewed their respective confirmations of independence, and considers that all independent non-executive Directors have been independent for the year ended December 31, 2023 and remain so as of the Latest Practicable Date.

Directors' Interests in Competing Businesses

Save as disclosed in the "Directors, Supervisors and Senior Management" of this annual report, during the Reporting Period and up to the date of this annual report, none of the Directors is considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

Directors' and Supervisors' Interests in Transactions, Arrangements and Contracts of Significance

Save as disclosed in the section headed "Connected Transactions" in "Directors' Report" of this annual report, no transactions, arrangements or contracts of significance to which the Company or its subsidiaries was a party and in which a Director or Supervisor or its connected entity (within the meaning of section 486 of the Companies Ordinance) had a material interest, whether directly or indirectly, has been entered into or was subsisting during the Reporting Period.

RELATED PARTY TRANSACTIONS

Details of related party transactions are set out in "Notes to Financial Statements – 39. Related Party Transactions" of this annual report.

CONNECTED TRANSACTIONS

Save as disclosed in this section of this annual report, the Group did not conduct any other non-exempt connected transactions or continuing connected transactions in accordance with the Listing Rules during the Reporting Period.

(1) Connected Investment in Partnership Fund

On March 28, 2023, Hangzhou Broncus Medical Co., Ltd* (杭州堃博生物科技有限公司, "Broncus Hangzhou", an indirect wholly-owned subsidiary of Broncus Holding Corporation (Stock Code: 2216)), Hangzhou Qihao Equity Investment Co., Ltd.* (杭州啓皓股權投資有限公司, "Hangzhou Qihao", an indirect wholly-owned subsidiary of the Company), and Hangzhou Linzhuo Industrial Fund, each as a limited partner, and Hangzhou Yizhiqin Private Equity Management Co., Ltd.* (杭州盈智勤私募基金管理有限公司, "Hangzhou Yizhiqin"), as a general partner, entered into a partnership agreement for the establishment of Hangzhou Yingzhiqin I Equity Investment Partnership (Limited Partnership) (杭州盈智勤壹號股權投資合夥企業(有限合夥)) (the "Partnership Fund") to jointly participate in the investment therein (the "Partnership Agreement"). Pursuant to the Partnership Agreement, Broncus Hangzhou subscribed for RMB125 million, which represent approximately 24.75% of the total capital contribution to the Partnership Fund. The investments to be made by the Partnership Fund are expected to aid the Company and Broncus Holding Corporation to, among others: (i) broaden their respective business ecosystem, value chain and development plan, and at the same time offer Broncus Holding Corporation and the Company opportunities to balance, expand and diversify the types of their respective investment portfolios, and achieve potential capital appreciation; and (ii) enhance and strengthen the respective market standing of Broncus Holding Corporation and the Company in the medical devices and related industries through investment in the target companies.

As Mr. Zhenjun Zi was an executive Director of the Company and the controlling shareholder of Broncus Holding Corporation on the date of entering into the Partnership Agreement, Broncus Holding Corporation was a connected person of the Company at the issuer level pursuant to Rule 14A.07 of the Listing Rules and the participation of the Company and Broncus Holding Corporation in the joint investments in the Partnership Fund constituted a connected transaction of the Company.

As the highest applicable percentage ratio for the transaction contemplated under the Partnership Agreement exceeded 0.1% but was less than 5%, the transaction thereunder was subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. For more details, please refer to the joint announcement of the Company and Broncus Holding Corporation dated March 29, 2023.

(2) Financial assistance to connected persons

During the Reporting Period, the Group had made the following advances of loans to (A) Mr. Zi and/or his associate(s), (B) Mr. Zeng (and/or his associate(s)), and (C) Jiangsu Wuzhong, in the aggregate principal amounts of RMB352,000,000, US$2,981,478 and RMB80,000,000, respectively.

Mr. Zi and Mr. Zeng were each a director of the Company at the material time, as such, the provision of the aforesaid loans during the Reporting Period constituted financial assistance of the Company to connected persons under Chapter 14A of the Listing Rules, which should have been approved by the Board or independent shareholders of the Company in advance, where applicable. For further details of the aforementioned financial assistance by the Group to connected persons, please refer to (i) the Forensic Investigation Announcement; and (ii) "Notes to Financial Statements – 24. Loans to Former Directors" and "Notes to Financial Statements – 39. Related Party Transactions" of this annual report.

A further breakdown of the aforementioned loans during the Reporting Period is set out below.

A. Mr. Zi:

(i) a loan in the principal amount of RMB250,000,000 to Mr. Zi (and/or his associate(s)) on January 1, 2023;

(ii) a loan in the principal amount of RMB2,000,000 to Mr. Zi (and/or his associate(s)) on January 18, 2023; and

(iii) a loan in the principal amount of RMB100,000,000 to Mr. Zi (and/or his associate(s)) on April 1, 2023.

B. Mr. Zeng:

(i) a loan in the principal amount of US$2,000,000 to Mr. Zeng (and/or his associate(s)) on January 12, 2023;

(ii) a loan in the principal amount of US$500,000 to Mr. Zeng (and/or his associate(s)) on January 12, 2023; and

(iii) a loan in the principal amount of US$481,478 to Mr. Zeng (and/or his associate(s)) on May 25, 2023.

C. Jiangsu Wuzhong

(i) a loan in the principal amount of RMB50,000,000 to Jiangsu Wuzhong on January 3, 2023; and

(ii) a loan in the principal amount of RMB30,000,000 to Jiangsu Wuzhong on January 3, 2023.

Each of the aforesaid loans bore interest at 3% per annum and were unsecured and repayable on demand. The discrepancy between (i) the relevant fund flows during the Reporting Period which were identified in the Forensic Investigation, and as disclosed in the Forensic Investigation Announcement, and (ii) the loans to former directors of the Company during the Reporting Period as disclosed in "Notes to Financial Statements – 24. Loans to Former Directors" to the consolidated financial statements in this annual report, are attributable to (A) interest receivables arising from the loans to former directors with interest at 3% per annum, and (B) exchange rates difference arising from certain foreign currency loans.

Pursuant to (i) an agreement dated April 17, 2024 entered into by, amongst others, the Company and Mr. Zi and (ii) a confirmation letter dated April 25, 2024 executed by Mr. Zi, Mr. Zi has agreed to voluntarily repay the outstanding amount due from Jiangsu Wuzhong and the relevant interest receivables for and on behalf of Jiangsu Wuzhong. In addition, Mr. Zi had also agreed to voluntarily repay the outstanding balance of loans to former directors for and on behalf of Mr. Zeng. Accordingly, as at December 31, 2023, the outstanding principal and relevant interest receivables (which amounted to RMB106,167,000) is expected to be repaid by Mr. Zi entirely.

Save and except for (i) the principal amount to the loan to Jiangsu Wuzhong (i.e. RMB80,000,000) and (ii) the interest receivables in respect of the unauthorized loans made by the Group during the Reporting Period identified above, all of the outstanding loan and interest receivables had been fully settled as of the Latest Practicable Date.

For the Reporting Period, save for the abovementioned financial assistances, no other related party transactions as set out in "Notes to Financial Statements – 24. Loans to Former Directors" and "Notes to Financial Statements – 39. Related Party Transactions" of this annual report constituted connected transactions or continuing connected transactions of the Company which are required to be disclosed under the Listing Rules.

DISCLOSURE OF INTERESTS

Directors', Supervisors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and Its Associated Corporations

As of December 31, 2023, the interests or short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required: (a) 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 (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director/Supervisor/ Chief Executive	Class of Shares	Capacity	Number of Securities/Type of Shares Held	Approximate Percentage of Shareholding in the Total Listed Share Capital of the Company *(Note 1)*	Approximate Percentage of Shareholding in the Relevant Class of Shares *(Note 1)*
Mr. Liqiao Ma	H Shares	Beneficial owner	37,000/ Long position	0.00%	0.00%

Notes:

(1) The Company has two classes of Shares: H Shares as one class of Shares, Unlisted Foreign Shares as another class. As of December 31, 2023, the total issued share capital of the Company was 441,011,443 Shares, which comprise 441,010,235 H Shares and 1,208 Unlisted Foreign Shares.

Substantial Shareholders' Interests or Short Positions

As of December 31, 2023, to the knowledge of the Company and the Directors after making reasonable inquiries, the following persons (other than the Directors, Supervisors and chief executive of the Company as disclosed above) have interests or short positions in Shares or underlying Shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be maintained by the Company under Section 336 of the SFO:

Name of Shareholders	Class of Shares	Capacity	Number of Securities/Type of Shares Held	Approximate Percentage of Shareholding in the Total Share Capital of the Company *(Note 5)*	Approximate Percentage of Shareholding in the Relevant Class of Shares *(Note 5)*
Mr. Min Frank Zeng *(Note 1)*	H Shares	Interest of controlled corporations	33,651,618/ Long position	7.63%	7.63%
Horizon Binjiang LLC *(Note 1)*	H Shares	Beneficial owner	33,651,618/ Long position	7.63%	7.63%
Mr. Zi *(Note 2)*	H Shares	Beneficial owner	32644302/ Long position	7.40%	7.40%
		Interest of controlled corporations	12,094,675/ Long position	2.74%	2.74%
	Unlisted Foreign Shares	Other	1,208/ Long position	0.00%	100.00%
Qiming Corporate GP III, Ltd. *(Note 3)*	H Shares	Interest in controlled corporations	57,048,980/ Long position	12.94%	12.94%
Qiming GP III, L.P. *(Note 3)*	H Shares	Interest in controlled corporations	57,048,980/ Long position	12.94%	12.94%

Name of Shareholders	Class of Shares	Capacity	Number of Securities/Type of Shares Held	Approximate Percentage of Shareholding in the Total Share Capital of the Company *(Note 5)*	Approximate Percentage of Shareholding in the Relevant Class of Shares *(Note 5)*
Qiming Venture Partners III, L.P. *(Note 3)*	H Shares	Interest in controlled corporations	40,018,283/ Long position	9.07%	9.07%
Ming Zhi Investments Limited *(Note 3)*	H Shares	Interest in controlled corporations	40,018,283/ Long position	9.07%	9.07%
Ming Zhi Investments (BVI) Limited *(Note 3)*	H Shares	Beneficial owner	40,018,283/ Long position	9.07%	9.07%
Mr. Haifeng David Liu *(Note 4)*	H Shares	Interest in controlled corporations	24,713,752/ Long position	5.60%	5.60%
Mr. Julian Juul Wolhardt *(Note 4)*	H Shares	Interest in controlled corporations	24,713,752/ Long position	5.60%	5.60%
DCP, Ltd. *(Note 4)*	H Shares	Interest in controlled corporations	24,713,752/ Long position	5.60%	5.60%
DCP General Partner, Ltd. *(Note 4)*	H Shares	Interest in controlled corporations	24,713,752/ Long position	5.60%	5.60%
DCP Capital Partners, L.P. *(Note 4)*	H Shares	Interest in controlled corporations	24,713,752/ Long position	5.60%	5.60%
Red Giant Limited *(Note 4)*	H Shares	Interest in controlled corporations	24,713,752/ Long position	5.60%	5.60%
Muheng Capital Partners (Hong Kong) Limited *(Note 4)*	H Shares	Beneficial Owner	24,713,752/ Long position	5.60%	5.60%

Notes:

(1) Mr. Zeng resigned as an executive Director and the chairman of the Board of the Company on November 20, 2023 and his resignation was effective from the conclusion of the 2023 Fourth EGM. Horizon Binjiang LLC, an investment holding company incorporated in California, the United States, owns 33,651,618 H Shares of the Company. Mr. Zeng, as its sole shareholder, is deemed to be interested in the interest owned by Horizon Binjiang LLC under the SFO.

(2) Mr. Zi resigned as an executive Director, the general manager and the authorized representative of the Company on November 20, 2023 and his resignation was effective from November 20, 2023. Mr. Zi beneficially owns 32,644,302 H Shares of the Company. In addition to his direct shareholding, he is also deemed to be interested in 12,094,675 H Shares and 1,208 Unlisted Foreign Shares of the Company through the below intermediaries he controlled under the SFO:

- Adventure 03 Limited, an investment holding company incorporated in Hong Kong, owns 476,224 H Shares in the Company. Dinova Healthcare Gamma Fund (USD) L.P. (as the sole shareholder of Adventure 03 Limited), Dinova Venture Partners GP III, L.P. (as the general partner of Dinova Healthcare Gamma Fund (USD) L.P.) and Dinova Capital Limited (as the general partner of Dinova Venture Partners GP III, L.P.), Xin Nuo Tong Investment Limited (as the sole shareholder of Dinova Capital Limited) and Mr. Zi (as the sole shareholder of Xin Nuo Tong Investment Limited) are deemed to be interested in the interest owned by Adventure 03 Limited in the Company under the SFO.

- Dinova Venture Partners GP III, L.P. owns 357,168 H Shares of the Company. Dinova Capital Limited (as the general partner of Dinova Venture Partners GP III, L.P.), Xin Nuo Tong Investment Limited (as the sole shareholder of Dinova Capital Limited) and Mr. Zi (as the sole shareholder of Xin Nuo Tong Investment Limited) are deemed to be interested in the interest owned by Dinova Venture Partners GP III, L.P. in the Company under the SFO.

- Zhejiang Dinova Ruiying Venture Investment L.P. (浙江德諾瑞盈創業投資合夥企業(有限合夥)) ("Zhejiang Dinova"), a limited partnership and a venture capital fund holding various portfolios established in the PRC, owns 6,977,955 H Shares of the Company. Zhejiang Dinova Capital Management L.P. (浙江德諾資本管理合夥企業 (有限合夥)) (as the general partner of Zhejiang Dinova), Hangzhou Dinova Commercial Information Consulting Ltd. (杭州德諾商務信息諮詢有限公司) (as the general partner of Zhejiang Dinova Capital Management L.P.) and Mr. Zi (as a 40% shareholder of Hangzhou Dinova Commercial Information Consulting Ltd.) are deemed to be interested in the interest owned by Zhejiang Dinova in the Company under the SFO.

- DNA 01 (Hong Kong) Limited, an investment holding company incorporated in Hong Kong, owns 2,056,615 H Shares of the Company. Dinova Healthcare Delta Fund (USD) L.P. (as the sole shareholder of DNA 01 (Hong Kong) Limited), Dinova Venture Partners GP IV, L.P. (as the general partner of Dinova Healthcare Delta Fund (USD) L.P.), Dinova Venture Capital Limited (as the general partner of Dinova Venture Partners GP IV, L.P.), Xin Nuo Tong Investment Limited (as a 40% shareholder of Dinova Venture Capital Limited) and Mr. Zi (as the sole shareholder of Xin Nuo Tong Investment Limited) are deemed to be interested in the interest owned by DNA 01 (Hong Kong) Limited under the SFO.

- Shenzhen Dinova Ruihe Venture Investment L.P. (深圳市德諾瑞和創業投資合夥企業 (有限合夥)) ("Shenzhen Dinova"), a limited partnership established in the PRC and a venture capital fund holding various portfolios, owns 1,687,358 H Shares of the Company. Shenzhen Dinova Investment L.P. (深圳市德諾投資合夥企業 (有限合夥)) (as the general partner of Shenzhen Dinova), Shenzhen Dinova Investment Consulting Ltd. (as the general partner of Shenzhen Dinova Investment L.P.) and Mr. Zi (as a 66.67% shareholder of Shenzhen Dinova Investment Consulting Ltd.) are deemed to be interested in the interest owned by Shenzhen Dinova.

- The PRC Employee Entities own an aggregate of 539,355 H Shares of the Company. Hangzhou Nuoxin Investment Management Limited (杭州諾心投資管理有限公司) is the general partner of the PRC Employee Entities. Mr. Zi, as the sole shareholder of Hangzhou Nuoxin Investment Management Limited, is deemed to be interested in the interest owned by the PRC Employee Entities under the SFO.

- Mr. Zi holds voting rights of 1,208 Unlisted Foreign Shares of the Company, while Jupiter Holdings Limited and Mercury Holding Limited are entitled to the ownership, dividend rights, disposal rights and other benefits of the above-mentioned Unlisted Foreign Shares of the Company.

(3) Qiming Corporate GP III, Ltd. is deemed to be interested in 57,048,980 H Shares of the Company through the below intermediaries it controls under the SFO:

- Ming Zhi Investments (BVI) Limited, an investment holding company incorporated in the British Virgin Islands, owns 40,018,283 H Shares of the Company. For the purpose of the SFO, Ming Zhi Investments Limited (as the sole shareholder of Ming Zhi Investments (BVI) Limited), Qiming Venture Partners III, L.P. (as a 96.94% shareholder of Ming Zhi Investments Limited) and Qiming GP III, L.P. (as the general partner of Qiming Venture Partners III, L.P) are deemed to be interested in the interest owned by Ming Zhi Investments (BVI) Limited.

- QM22 (BVI) Limited, an investment holding company incorporated in the British Virgin Islands, owns 17,030,697 H Shares of the Company. For the purpose of the SFO, QM22 Limited (as the sole shareholder of QM22 (BVI) Limited), Qiming Venture Partners III Annex Fund, L.P. (as the sole shareholder of QM22 Limited), Qiming GP III, L.P. (as the general partner of Qiming Venture Partners III Annex Fund, L.P.) and Qiming Corporate GP III, Ltd. (as the general partner of Qiming GP III, L.P.) are deemed to be interested in the interest owned by QM22 (BVI) Limited.

(4) Muheng Capital Partners (Hong Kong) Limited, a company incorporated in Hong Kong, owns 24,713,752 H Shares of the Company. For the purpose of the SFO, Red Giant Limited (as the sole shareholder of Muheng Capital Partners (Hong Kong) Limited), DCP Capital Partners, L.P. (as the sole shareholder of Red Giant Limited), DCP General Partner, Ltd. (as the general partner of DCP Capital Partners, L.P.), DCP Partners Limited (as the sole shareholder of DCP General Partner, Ltd), DCP, Ltd. (as the sole shareholder of DCP Partners Limited) and Mr. Haifeng David Liu and Mr. Julian Juul Wolhardt (each as a person holding 50% control of DCP, Ltd.) are deemed to be interested in the interest owned by Muheng Capital Partners (Hong Kong) Limited.

(5) The Company has two classes of Shares: H Shares as one class of Shares, Unlisted Foreign Shares as another class. As of December 31, 2023, the total issued share capital of the Company was 441,011,443 Shares, which comprise 441,010,235 H Shares and 1,208 Unlisted Foreign Shares.

RIGHTS OF DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

During the year ended December 31, 2023 and up to the date of this annual report, none of the Directors, Supervisors or their respective spouses or minor children under the age of 18 years were granted with rights, or had exercised any such rights, to acquire benefits by means of purchasing Shares or debentures of the Company or any other body corporates. Neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors, Supervisors or their respective spouses or minor children under the age of 18 years to acquire such rights from any other body corporates.

RESULTS AND DIVIDENDS

The results of the Group for the year ended December 31, 2023 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income of this annual report.

The Board has resolved not to recommend the payment of a final dividend for the year ended December 31, 2023 (2022: Nil).

SHARE CAPITAL

Details of the issued shares of the Group during the year ended December 31, 2023 are set out in "Notes to Financial Statements – 33. Share Capital" of this annual report.

DEBT SECURITIES

As of December 31, 2023, the Group did not have any debt securities.

RESERVES AND DISTRIBUTABLE RESERVES

As of December 31, 2023, the Company did not have any distributable reserves.

For the movement of distributable profit, please refer to the "Consolidated Statement of Changes in Equity" of this annual report.

INVESTMENT PROPERTIES, PROPERTY AND EQUIPMENT

As of 31 December 2023, the Company did not own any properties for investment purposes or held for development and/or sale where one or more percentage ratios (as defined under Rule 14.07 of the Listing Rules) exceed 5%.

CHARITABLE DONATIONS

During the Reporting Period, charitable and other donations made by the Group amounted to RMB42.8 million (2022: RMB70.3 million).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended December 31, 2023 are set out in "Notes to Financial Statements – 14. Property, Plant and Equipment" of this annual report.

ISSUANCE OF SHARES AND UTILIZATION OF PROCEEDS

(i) The Initial Global Offering

The net proceeds received by the Company from its initial global offering (including the full exercise of the over-allotment option) amounted to HK$2,846.0 million (equivalent to RMB2,558.0 million) (after deducting the underwriting commissions and other estimated expenses in connection with the initial global offering and exercise of the over-allotment option).

(ii) The September 2020 Placing

The net proceeds received by the Company from the placing of an aggregate of 18,500,000 new H Shares in September 2020 were approximately HK$1,173.0 million (equivalent to RMB1,034.01 million) (after deducting the expenses of the placing). Pursuant to the announcement made by the Company dated March 14, 2022, the Company made the clarification of the intended purposes of the proceeds from the September 2020 Placing.

(iii) The January 2021 Placing

The net proceeds received (the "January 2021 Placing Proceeds") by the Company from the placing of an aggregate of 18,042,500 new H Shares taken place in January 2021 (the "January 2021 Placing") were approximately HK$1,427 million (equivalent to RMB1,191.00 million) after deducting the expenses of the placing. Pursuant to the announcement made by the Company on March 14, 2022, the Company changed the use of proceeds from the January 2021 Placing and as at March 14, 2022, the unutilized proceeds from the January 2021 Placing amounted to approximately RMB986.81 million.

As disclosed in the announcement of the Company dated November 27, 2023, the Board was concerned that certain statements made in, among others, financial reports previously published by the Company (including but not limited, the statement that the initial public offering proceeds were not used for the loans), may be incomplete.

In this connection, the use of proceeds from any such aforesaid issue for cash of equity securities in (i), (ii) and (iii) required to be disclosed under paragraph 11(8) of Appendix D2 of the Listing Rules may require further adjustments according to the findings of any additional verification works on the historical utilization of equity fundraising proceeds. Additional time is required for the Company to carry out any such related verification works. Accordingly, the Company anticipates to be in a position to provide the information and required under paragraph 11(8) of Appendix D2 of the Listing Rules for the Reporting Period by way of a separate announcement upon completion of the said verification works in due course.

ADVANCE TO AN ENTITY

As disclosed in the section headed "Connected Transactions" in "Directors' Report" of this annual report, during the Reporting Period, the Group had made advances of loans to (A) Mr. Zi and/or his associate(s), (B) Mr. Zeng (and/or his associate(s)), and (C) Jiangsu Wuzhong, in the aggregate principal amounts of RMB352,000,000, US$2,981,478 and RMB80,000,000, respectively.

The aforesaid loans bore interest at 3% per annum and were unsecured and repayable on demand.

As the aggregate amount of the aforesaid loans made during the Reporting Period had exceeded 8% of the total assets of the Group as at December 31, 2023, the entering into of such arrangements constituted an advance to an entity under Rule 13.13 of the Listing Rules.

SHARE OPTION SCHEME

As of the date of this annual report, the Company has only one share scheme, being the Share Option Scheme adopted by the resolutions of the Shareholders passed at an extraordinary general meeting of the Company held on July 12, 2023 (i.e. the Adoption Date).

During the period commencing from the Adoption Date up to the date of this annual report, no grant had been made under the Share Option Scheme. Accordingly, as of the date of this annual report, the Scheme Limit and the Service Provider Sublimit adopted by the Shareholders on the Adoption Date remained unutilized, and stood at 44,101,023 H Shares (representing approximately 10% of the total issued H Shares) and 4,410,102 H Shares, respectively. As of January 1, 2023 and as of December 31, 2023, the number of options available for grant under the Share Option Scheme was nil and 44,101,023 H Shares, respectively. Further, as of the date of this annual report, the total number of H Shares available for issue under the Share Option Scheme is 44,101,023, representing approximately 10% of the total issued H Shares; and the number of H Shares that may be issued in respect of options and/or awards granted under all schemes of the Company during the Reporting Period is zero. As no grant had been made under the Share Option Scheme during the reporting Period, the calculation pursuant to Rule 17.07(3) of the Listing Rules is not applicable.

A summary of the principal terms of the Share Option Scheme is set out below.

Purpose:	The purposes of the Share Option Scheme are: (i) to attract, motivate and retain skilled and experienced personnel who are eligible persons to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company; (ii) to deepen the reform on the Company's remuneration system and to develop and constantly improve the interests balance mechanism among the Shareholders, the operational and executive management; and (iii) to (a) recognize the contributions of the leadership of the Company including the executive Directors, non-executive Directors and/or independent non-executive Directors, (b) encourage, motivate and retain the leadership of the Company whose contributions are beneficial to the continual operation, development and long-term growth of the Group and (c) provide additional incentive for the leadership of the Company and long standing employee by aligning the interests of the leadership of the Company to those of the Shareholders and the Group as a whole.
Duration and remaining life:	The Share Option Scheme shall be valid and effective for a period of ten years commencing on the Adoption Date, after which period no further options shall be granted. As of the date of this annual report, the remaining life of the Share Option Scheme was approximately nine and a half years.
Eligible persons:	Any Employee Participant or Service Provider, whom the Board or the scheme administrator consider(s), in their sole discretion, to have contributed or will contribute to the Group.

Exercise price:

Subject to the effect of alterations to share capital as set out in the Share Option Scheme, the exercise price shall be a price determined by the Board (or the scheme administrator) in its sole and absolute discretion and notified to an eligible person, but in any event must be at least the highest of:

(a) the official closing price of the H Shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant;

(b) the average of the official closing price of the H Shares as stated in the daily quotations sheet of the Stock Exchange for the 5 business days immediately preceding the date of grant; and

(c) the nominal value of an H Share.

Vesting and performance targets:

Unless otherwise specified in the offer letter approved by the Board or the scheme administrator, all options under the Share Option Scheme shall be vested in a number of tranches. The specific commencement and duration of each vesting period and the actual vesting amount of the options granted to a participant for the respective vesting periods shall be specified in the offer letter approved by the Board or the scheme administrator.

The Share Option Scheme does not stipulate that specific performance targets of a participant are required to be achieved. Nevertheless, the Board or the scheme administrator may at its discretion set performance objectives for options under the Share Option Scheme, which will be stated in the offer letter. The performance objectives, if any, must be achieved before the options can be exercised, and shall be assessed in accordance with the stipulated performance measures. The Board or the scheme administrator will carefully assess, on a periodic basis, whether the performance targets are satisfied.

Maximum number of H Shares available for subscription under the Share Option Scheme:

The maximum number of H Shares which may be issued upon exercise of option(s) and vesting of award(s) under the Share Option Scheme and all other share scheme(s) of the Company (excluding options or awards lapsed in accordance with relevant scheme rules) shall be such number of H Shares which represent 10% of the total number of H Shares as of the date of the Shareholders' approval of the Scheme Limit.

Service Provider Sublimit under the Scheme Limit:

The maximum number of H Shares which may be issued to Service Providers upon exercise of option(s) and vesting of award(s), if any, under the Share Option Scheme and all other share scheme(s) of the Company (excluding options or awards lapsed in accordance with relevant scheme rules) shall be such number of H Shares which represent 1% of the total number of H Shares in issue as of the date of the Shareholders' approval of the Service Provider Sublimit.

Maximum entitlement of each eligible participant:

Where any grant of options to a grantee would result in the H Shares issued and to be issued in respect of all options and awards granted to such person, pursuant to the Share Option Scheme and any other share scheme adopted by the Company (excluding options or awards lapsed in accordance with relevant scheme rules), in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the total number of issued H Shares at the relevant time, such grant must be separately approved by Shareholders in a general meeting with such grantee and their close associates (or associates if the grantee is a connected person of the Company) to abstain from voting.

Any grant of options to a Director, chief executive or substantial Shareholder of the Company, or any of their respective associates, must be approved by the independent non-executive Directors of the Company (excluding any independent non-executive Director who is the grantee of the options).

	Where any grant of options to an independent non-executive Director or a substantial Shareholder of the Company, or any of their respective associates, would result in the H Shares issued and to be issued in respect of all options and awards granted (excluding options or awards lapsed in accordance with the relevant scheme rules) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the total number of issued H Shares at the relevant time, such grant must be separately approved by Shareholders in a general meeting with such grantee and their associates and all core connected persons of the Company to abstain from voting.
Time of exercise of options:	Each offer of an option shall be in writing made to a participant by letter in such form as the Board or the scheme administrator may from time to time determine at its discretion. The offer letter shall state, among others, the period during which the option may be exercised, which period is to be determined and notified by the Board but shall expire in any event not later than the last day of the scheme period after the date of grant of the option.
Amount payable on application or acceptance of the option:	No cash consideration was paid by the grantees for the outstanding options granted and neither is there any period within which payments or calls must or may be made or loans for such purpose must be repaid.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There was no purchase, sale or redemption of any listed securities of the Company by the Company or any of its subsidiaries during the year ended December 31, 2023.

CONVERTIBLE BONDS

As of the date of this annual report, the Company has not issued any convertible bonds.

BANK LOANS AND OTHER BORROWINGS

Bank loans and other borrowings of the Group as of December 31, 2023 are set out in "Notes to Financial Statements – 29. Interest-bearing Bank Borrowings" of this annual report.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "SHARE OPTION SCHEME" in this annual report, there was no equity-linked agreement entered into by the Company during the year ended December 31, 2023.

PERMITTED INDEMNITY

A permitted indemnity provision (as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) in relation to the director's and officer's liability insurance is currently in force and was in force during the Reporting Period.

The Company has maintained appropriate liability insurance policies for its Directors, Supervisors and senior management during the year ended December 31, 2023.

MANAGEMENT CONTRACTS

Save for employment contracts with employees and the Directors' service contracts and appointment letters, the Company did not enter into any contracts nor had any existing contracts in respect of all or any substantial part of management and administration of business of the Company for the year ended December 31, 2023 and up to the date of this annual report.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION INFORMATION FOR HOLDERS OF H SHARES

The holders of H Shares of the Company shall pay relevant tax and/or exemption in accordance with the following provisions:

According to the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementation rules, dividends paid to individuals by the PRC companies are generally subject to an individual income tax levied at a flat rate of 20%. For an individual who has no domicile in the PRC and is not resident in the territory of the PRC or who has no domicile in the PRC and has been resident in the territory of the PRC for less than 183 days cumulatively within a tax year, his/her receipt of dividends from a PRC company is normally subject to a PRC withholding tax of 20% unless specifically exempted or reduced by an applicable tax treaty and other tax laws and regulations.

Pursuant to the Notice of the State Administration of Taxation on Issues Concerning Withholding the Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to Holders of H Shares who are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)), a PRC resident enterprise, when distributing dividends for 2008 and for the years afterwards to holders of H Shares who are overseas non-resident enterprises, shall withhold the enterprise income tax at a flat rate of 10%. A non-PRC resident enterprise which is entitled to a preferential tax rate under an applicable tax treaty or arrangement may, directly or through its agent, apply to the competent tax authorities for a refund of the excess amount of tax withheld.

Pursuant to the "Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets" (Cai Shui [2014] No.81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) and the "Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets" (Cai Shui [2016] No.127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)) jointly promulgated by the Ministry of Finance, the State Administration of Taxation and the CSRC, for dividends derived by Mainland individual investors from investing in H Shares listed on the Hong Kong Stock Exchange through Shanghai Hong Kong Stock Connect or Shenzhen Hong Kong Stock Connect, H-share companies shall withhold individual income tax at a tax rate of 20% for the investors. For mainland securities investment funds investing in shares listed on the Hong Kong Stock Exchange through Shanghai Hong Kong Stock Connect or Shenzhen Hong Kong Stock Connect, the above rules also apply and individual income tax shall be levied on dividends derived therefrom. Dividends derived by mainland enterprise investors from investing in shares listed on Hong Kong Stock Exchange through Shanghai Hong Kong Stock Connect or Shenzhen Hong Kong Stock Connect shall be reported and paid by the enterprise investors themselves. H-share companies will not withhold or pay enterprise income tax on their behalf in the distribution of dividends. For dividends derived by mainland resident enterprises where the relevant H shares have been continuously held for more than 12 months, the enterprise income tax thereon may be exempt according to the tax law.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2023, the percentage of total sales attributable to the Group's five largest customers did not exceed 30% of the total sales of the Group.

During the year ended December 31, 2023, the percentage of total purchases attributable to the Group's five largest suppliers did not exceed 30%.

None of the Directors or any of their close associates or any Shareholders (which to the best knowledge of the Directors owned more than 5% of the Company's issued share capital) had a material interest in our five largest customers.

Relationships with Major Customers and Suppliers

Customers

We have been devoted to providing excellent customer service with the purpose of maintaining long term cooperation, enhancing product quality, increasing sales volume and improving profitability. We have also established relationships with many KOLs in the medical community.

We sell a significant portion of our products to distributors, and our five largest customers in the Reporting Period were distributors.

Since our heart valve products are implanted within patients, as part of our customer service, hospitals conduct follow-up as designed for the procedure to observe the performance of our products based on the patients' physical conditions. We also provide channels for complaints regarding our products, including complaints on the quality of our products and adverse events after implantation. We also have a quality control department dedicated to tracking and recording severe adverse events and handling customer complaints and queries with an online tracking system. We also investigate and analyze the cause of issues raised by our customers and refer the quality issues to our management and relevant responsible departments for resolution and correction. We will recall our products for quality issues when necessary. During the Reporting Period and up to the date of this annual report, there have not been any product recalls due to quality issues.

Given that transcatheter heart valve replacement devices involve relatively new technology, we provide technical support to hospitals and physicians through our sales and marketing personnel. Our marketing and technical support personnel study patients' angiography together with physicians and help determine whether interventional procedures are suitable for the patients and whether they need to be specifically made to order. Our marketing and technical support personnel sometimes observe transcatheter heart valve replacement procedures using our products and provide information during such procedures to help physicians understand our products. They also follow up with physicians after the procedures to collect data on the performance of our products.

Suppliers

During the Reporting Period, our purchases mainly include raw materials, machines and equipment and services from third parties such as contract research organizations, animal labs and ticket agents.

For the production of our heart valve products and product candidates, we primarily use a limited number of suppliers for our principal raw materials, although there are alternate suppliers available for most of such materials.

We generally enter into supply agreements with our principal raw material suppliers. Our agreements with the suppliers specifically list the requirements of the materials to be supplied. We will decide whether to accept the supply upon inspecting and examining the materials. For the supply of certain raw materials, to help ensure the supplier's compliance with our standard requirements, the suppliers are also required to present initial samples for our inspection and approval before starting serial production and conduct a yearly requalification test upon our request.

Our principal suppliers for raw materials usually provide us a credit term of up to 30 days.

MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Group did not have any material litigation or arbitration.

MATERIAL CONTRACTS AND EXECUTION

During the Reporting Period, the Group did not have any material custody, contractual or lease arrangements, nor were there such arrangements carried forward to the Reporting Period from the previous period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company had adopted and applied the principles and code provisions as set out in the Corporate Governance Code. During the year ended December 31, 2023, the Company has complied with the code provisions in the Corporate Governance Code with the exception of Code Provision D.1.2. For details, please refer to "Corporate Governance Report" of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

As of the date of this annual report and based on the information available to the Company and to the knowledge of the Directors, the Company's public float complies with the requirements of Rule 8.08 of the Listing Rules.

AUDITORS

The consolidated financial statements of the Group for the year ended December 31, 2023 have been audited by Zhonghui Anda. Ernst & Young retired as auditor of the Company with effect from the conclusion of the annual general meeting of the Company held on June 30, 2023, and Zhonghui Anda was appointed as the Company's new auditor following the retirement of Ernst & Young.

Save for the above, there was no change in the auditors of the Company in the preceding three years.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on November 23, 2023 and will remain suspended pending the fulfillment of the Resumption Guidance as specified by the Stock Exchange.

By order of the Board
Mr. Lim Hou-Sen (Lin Haosheng)
Executive Director

Hangzhou, the People's Republic of China, April 26, 2024

Corporate Governance Report

I. OVERVIEW OF CORPORATE GOVERNANCE

The Board presents this corporate governance report in the Group's annual report for the year ended December 31, 2023. For information relating to the Company's environmental and social performance for the Reporting Period, please refer to the Company's 2023 Environmental, Social and Governance Report (the "ESG Report") separately posted on the websites of the Company and the Stock Exchange on the date of publication of this annual report.

Save as disclosed below in the section "Deviation from Code Provision D.1.2 of the Corporate Governance Code", during the year ended December 31, 2023, the Company has strictly complied with the provisions of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules with the exception of Code Provision D.1.2.

Deviation from Code Provision D.1.2 of the Corporate Governance Code

Under Code Provision D.1.2 of the Corporate Governance Code, management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules.

During January to May 2023 of the Reporting Period, the relevant financial statements (despite being compiled and consolidated on a monthly basis at the material time) were not provided for review by the Board every month. Without being able to review such information on a monthly basis, the Board did not receive "a balanced and understandable assessment of the issuer's performance, position and prospects" to the extent necessary for compliance with the requirements in Code Provision D.1.2 of the Corporate Governance Code during the aforesaid period. As remedial measures, the Company has:

(i) conducted training on the relevant obligations under the Listing Rules for its Directors, senior management, supervisors and personnel of the Group;

(ii) established a whistleblowing policy as disclosed in the announcement of the Company dated August 4, 2023; and

(iii) since June 2023 and up to the date of this annual report, provided to all members of the Board the financial statements on a monthly basis.

II. SHAREHOLDERS AND GENERAL MEETINGS

(i) Rights of Shareholders' General Meetings and Shareholders

The Shareholders' general meeting is the organ of the highest authority of our Company and exercises the duties and powers in accordance with the laws, the Articles of Association and the rules of procedures of the Shareholders' general meetings of our Company.

In order to protect the rights of Shareholders, our Company will convene the Shareholders' general meetings in strict compliance with the relevant rules and procedures such that all Shareholders are treated equally and can exercise their rights fully. Separate resolutions will be proposed at general meetings on each substantial issue. Each resolution submitted to the Shareholders' general meeting will be voted pursuant to the Listing Rules, and the voting result will be published on the websites of the Stock Exchange and the Company after the meeting.

During the year ended December 31, 2023, our Company held five general meetings on January 30, 2023, June 30, 2023, July 12, 2023, November 30, 2023 and December 15, 2023. All the proposed Shareholders' resolutions put to the above general meetings were resolved by poll vote and were duly passed. The vote tally of each such resolution was set out in the Company's announcements released on the day of the respective general meetings.

(ii) Attendance of the Directors at the Shareholders' General Meetings

The attendance record of each Director at the Shareholders' general meetings of the Company during the year ended December 31, 2023 is set out below:

Name of Director	Attendance/Number of General Meetings
Mr. Min Frank Zeng *(resigned with effect from December 15, 2023)*	4/5
Mr. Zhenjun Zi *(resigned with effect from November 20, 2023)*	3/5
Mr. Lim Hou-Sen *(Lin Haosheng) (resigned on January 30, 2023* and appointed on December 15, 2023)	0/5
Ms. Nisa Bernice Wing-Yu Leung *(resigned on January 30, 2023)*	0/5
Ms. Meirong Liu *(appointed on January 30, 2023)*	4/5
Mr. Liqiao Ma *(appointed on December 15, 2023)*	0/5
Mr. Ao Zhang *(appointed on January 30, 2023)*	4/5
Mr. Wei Wang *(appointed on November 30, 2023)*	1/5
Mr. Ting Yuk Anthony Wu	4/5
Mr. Wan Yee Joseph Lau *(passed away on February 7, 2024)*	2/5
Mr. Chi Wai Suen	4/5

III. BOARD OF DIRECTORS AND PERFORMANCE OF DUTIES

(i) Chairman and Chief Executive

Code provision A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

On November 20, 2023, Mr. Min Frank Zeng resigned as the chairman of the Board of the Company. Such resignation was effective from the conclusion of the 2023 Fourth EGM. Following his resignation, the chairman of the Board has been Mr. Ting Yuk Anthony Wu. The Company does not maintain the office of chief executive officer. Instead, the general manager is responsible for the day-to-day management of the Company. On November 20, 2023, Mr. Zhenjun Zi resigned as the general manager of the Company. Such resignation was effective from November 20, 2023. Following his resignation, Mr. Lim Hou Sen (Lin Haosheng) has been the general manager of the Company. The division of responsibilities between the chairman of the Board and the general manager has been clearly established.

(ii) Duties of the Board of Directors and the Management

The Board exercises the powers and duties set out in the Articles of Association, and shall be accountable to the Shareholders' general meeting. The duties of the Board include, but are not limited to, being responsible for convening the Shareholders' general meetings and reporting its work thereto; implementing resolutions adopted at the Shareholders' general meetings; making decisions on the operation plans and investment plans of the Company; formulating profit distribution plans and loss compensation plans of our Company; making decisions on the internal management structure and mechanisms of the Company; appointing or dismissing the general manager; appointing or dismissing the deputy general manager, chief financial officer and other personnel who should be appointed or dismissed by the Board according to the nominations made by the general manager, and making decisions on their remuneration matters; formulating the basic management system of our Company; and other powers conferred by the relevant laws, regulations, securities regulatory rules, the Articles of Association or the Shareholders' general meeting.

The management of our Company is responsible for daily management, administration and operation of the Group. It oversees the production, operation and management of our Company, organizing and implementing the resolutions of the Board and other duties specified in the Articles of Association. The Board shall discuss the authorization function and duty periodically. The management of our Company shall obtain approval from the Board before entering into any significant transaction.

(iii) Composition of the Board of Directors

Our Company strictly complies with the requirements under the Articles of Association and relevant rules in respect of the appointment of the Directors. Board meetings are convened in accordance with the Articles of Association and the rules of procedures of the Board of our Company.

As of the end of the Reporting Period, the Board of our Company comprises eight Directors, including three executive Directors (Mr. Lim Hou-Sen (Lin Haosheng), Mr. Liqiao Ma and Ms. Meirong Liu), two non-executive Directors (Mr. Ao Zhang and Mr. Wei Wang) and three independent non-executive Directors (Mr. Ting Yuk Anthony Wu, Mr. Wan Yee Joseph Lau (passed away on February 7, 2024) and Mr. Chi Wai Suen). None of the Directors, Supervisors and senior management have relationships (including financial, business, family or other material/relevant relationships) with other Directors, Supervisors and members of the senior management of our Company. The Board complied with the requirements of appointing at least three independent non-executive Directors (among whom at least one independent non-executive Director holds the appropriate professional qualifications or accounting or relevant financial management professional knowledge) as set out in Rules 3.10(1) and 3.10(2) of the Listing Rules at any time during the year ended December 31, 2023. During and as at the end of the Reporting Period, the Company also complied with the requirements of appointing independent non-executive Directors, accounting for one-third of the members of the Board, as set out in Rule 3.10A of the Listing Rules.

Our Company has received the annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. Our Company considers that each independent non-executive Director is independent as specified in the Listing Rules. Independent non-executive Directors are able to exercise independent and objective judgments and protect the interests of minority Shareholders.

The Company has established mechanism to ensure independent views and input are available to the Board, and channels are in place through formal and informal means whereby independent non-executive Directors can express their views in an open and candid manner as well as in a confidential manner, should circumstances require; these include regular Board surveys and Board reviews, dedicated meeting sessions with the chairman of the Board and interaction with management and other Board members including the chairman of the Board outside the boardroom. The mechanism to ensure independent views and input are available to the Board is reviewed annually.

The Directors (including the independent non-executive Directors) provide the Board with varied and valuable experience in business and professional knowledge, so that the Board can fulfil its function efficiently and effectively. In particular, the independent non-executive Directors are members of the Audit Committee, the Remuneration and Assessment Committee and the Nomination Committee.

Save as Mr. Ting Yuk Anthony Wu and Mr. Chi Wai Suen who were reelected at a Shareholders' general meeting to serve a term of three years from the date of the 2022 AGM, our Directors (including the independent non-executive Directors) have entered into appointment letters with the Company from the date of their respective appointment and up until the expiration of the second session of the Board, and all of the Directors may offer themselves for reelection and reappointment subject to the approval of the Shareholders. Their service contracts and appointment letters may be renewed in accordance with the Articles of Association and applicable regulations.

The biographies of all Directors are set out in "Directors, Supervisors and Senior Management" of this annual report.

(iv) Meetings of the Board of Directors and Attendance of Directors

The code provisions of the Corporate Governance Code prescribe that at least four regular Board meetings should be held each year. A notice of no less than 14 days shall be sent to all Directors before a regular meeting is convened so that they can have an opportunity to attend the meeting and include any relevant matters for discussion in the agenda. In addition, the Board meetings should be held at approximately quarterly intervals and have active participation of the majority of Directors, either in person or through electronic means of communication.

The Board held 10 meetings during the year ended December 31, 2023 for reviewing and approving the annual results for the year ended December 31, 2022 and unaudited interim results for the six months ended June 30, 2023, and conducting a review of the corporate governance policy of the Company and duties performed by the Board under paragraph D.3.1 of the Corporate Governance Code.

The chairman of the Board held one meeting with the independent non-executive Directors during the year ended December 31, 2023 without the presence of other Directors.

The attendance record of each Director at the Board meetings during the year ended December 31, 2023 is set out below:

Name of Director	Attendance/ Number of Board Meetings
Mr. Min Frank Zeng *(resigned on December 15, 2023)*	9/10
Mr. Zhenjun Zi *(resigned on November 20, 2023)*	7/10
Mr. Lim Hou-Sen (Lin Haosheng) *(resigned on January 30, 2023 and appointed on December 15, 2023)*	4/10
Ms. Nisa Bernice Wing-Yu Leung *(resigned on January 30, 2023)*	1/10
Ms. Meirong Liu *(appointed on January 30, 2023)*	10/10
Mr. Liqiao Ma *(appointed on December 15, 2023)*	1/10
Mr. Ao Zhang *(appointed on January 30, 2023)*	10/10
Mr. Wei Wang *(appointed on November 30, 2023)*	5/10
Mr. Ting Yuk Anthony Wu	10/10
Mr. Wan Yee Joseph Lau *(passed away on February 7, 2024)*	10/10
Mr. Chi Wai Suen	10/10

(v) Training for Directors

The Directors are continually provided with information on the developments and changes in the Listing Rules, other relevant laws and regulatory requirements and the business and market environments, to facilitate the performance of their responsibilities. Briefings and professional development trainings for the Directors are also arranged periodically by the Company and its professional advisors.

According to the records provided by the Directors, a summary of training received by the Directors for the year ended December 31, 2023 is as follows:

Name of Director	Training*
Mr. Min Frank Zeng *(resigned with effect from December 15, 2023)*	✓
Mr. Zhenjun Zi *(resigned with effect from November 20, 2023)*	✓
Mr. Lim Hou-Sen (Lin Haosheng) *(resigned on January 30, 2023 and appointed on December 15, 2023)*	✓
Ms. Nisa Bernice Wing-Yu Leung *(resigned on January 30, 2023)*	✓
Ms. Meirong Liu *(appointed on January 30, 2023)*	✓
Mr. Liqiao Ma *(appointed on December 15, 2023)*	✓
Mr. Ao Zhang *(appointed on January 30, 2023)*	✓
Mr. Wei Wang *(appointed on November 30, 2023)*	✓
Mr. Ting Yuk Anthony Wu	✓
Mr. Wan Yee Joseph Lau *(passed away on February 7, 2024)*	✓
Mr. Chi Wai Suen	✓

* During the Reporting Period, our Company arranged trainings for the Directors related to updates and changes in regulatory requirements and the business and market environment in a variety of ways from time to time. The trainings include disclosure of corporate governance practices by the issuers.

IV. BOARD COMMITTEES AND PERFORMANCE OF DUTIES

Our Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations and the Corporate Governance Code, the Company has established three Board committees, namely, the Audit Committee, the Remuneration and Assessment Committee and the Nomination Committee. As of the end of the Reporting Period, the composition of each Board committee is listed as follows:

Name of Committees	Members of Committee
Audit Committee	Mr. Chi Wai Suen *(Chairman) (Note 1)*, Mr. Ting Yuk Anthony Wu Mr. Wan Yee Joseph Lau *(passed away on February 7, 2024)*
Remuneration and Assessment Committee	Mr. Ting Yuk Anthony Wu *(Chairman)* Mr. Chi Wai Suen Mr. Wan Yee Joseph Lau *(passed away on February 7, 2024)*
Nomination Committee	Mr. Wan Yee Joseph Lau *(passed away on February 7, 2024) (Chairman)* Mr. Ting Yuk Anthony Wu Mr. Chi Wai Suen

Note 1: Mr. Chi Wai Suen holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

(i) Audit Committee

1. *Functions of the Committee*

Our Company has established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code. The primary duties of the Audit Committee include, but are not limited to, the followings: (i) proposing the appointment or change of external auditors to the Board, monitoring the independence of external auditors and evaluating their performance; (ii) examining the financial information of our Company and reviewing financial reports and statements of our Company; (iii) examining the financial reporting system, the risk management and internal control system of our Company, overseeing their rationality, efficiency and implementation and making recommendations to the Board; and (iv) dealing with other matters that are authorized by the Board.

2. *Work Summaries and Meetings of the Committee*

During the Reporting Period, the Audit Committee held two meetings and its main work involved the following:

- reviewing the annual results and financial report for the year ended December 31, 2022;
- reviewing the proposal in relation to change of auditors for the year ended December 31, 2023 and determination of remuneration for auditors;
- reviewing the unaudited interim results and financial report for the six months ended June 30, 2023;
- reviewing the financial reporting and the compliance procedures;
- reviewing the policies and practices on corporate governance;
- reviewing the compliance with the Corporate Governance Code and the disclosure requirement in the corporate governance report as contained in Appendix C1 to the Listing Rules;
- reviewing the code of conduct and the compliance manuals for employees and the Directors, the financial, operational and compliance monitoring;
- reviewing the risk management and internal control systems;
- reviewing the internal audit work of the risk management and internal audit department; and
- reviewing the work of the external auditor.

The Audit Committee met with the external auditor of the Company in the absence of the management of the Company once in relation to the provision of audit service to the Company for the year ended December 31, 2023.

3. *Attendance of Members of the Committee*

During the Reporting Period, the attendance records of the Audit Committee meetings are set out below:

Name of Committee Member	**Attendance/ Number of Meeting(s)**
Mr. Chi Wai Suen *(independent non-executive Director)*	2/2
Mr. Ting Yuk Anthony Wu *(independent non-executive Director)*	2/2
Mr. Wan Yee Joseph Lau *(the then independent non-executive Director)* *(passed away on February 7, 2024)*	2/2

The Company's annual results for the year ended December 31, 2023 were reviewed by the Audit Committee on March 28, 2024. The Audit Committee considers that the annual financial results for the year ended December 31, 2023 are in compliance with the relevant accounting standards, rules and regulations, and appropriate disclosures have been duly made.

(ii) Remuneration and Assessment Committee

1. Functions of the Committee

Our Company has established a Remuneration and Assessment Committee with written terms of reference in compliance with paragraph B.1 of the Corporate Governance Code. The primary duties of the Remuneration and Assessment Committee include, but are not limited to, the following: (i) advising the Board on the overall remuneration plan and structure of Directors, Supervisors and senior management and the establishment of transparent formal procedures for determining the remuneration policy of our Company; (ii) examining the criteria of performance evaluation of Directors, Supervisors and the senior management of our Company, conducting performance evaluation and making recommendations to the Board; (iii) making recommendations on the remuneration of Directors, Supervisors and the senior management staff in accordance with the terms of reference and the importance of their positions, the time they spend on such positions as well as the remuneration benchmarks for the relevant positions in other comparable companies; (iv) reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules; and (v) dealing with other matters that are authorized by the Board, and if necessary, engaging external experts to provide relevant independent services.

2. *Work Summaries and Meetings of the Committee*

During the Reporting Period, the Remuneration and Assessment Committee held two meetings during the year ended December 31, 2023 to review the remuneration policy and structure of the Company, consider and make recommendations to the Board on the remuneration packages of the Directors, Supervisors and the senior management of the Company and to consider and approve the scheme rules for the Share Option Scheme and other ancillary document(s).

3. *Attendance of Members of the Committee*

During the Reporting Period, the attendance records of the Remuneration and Assessment Committee meetings are set out below:

Name of Committee Member	Attendance/ Number of Meeting(s)
Mr. Ting Yuk Anthony Wu *(independent non-executive Director)*	2/2
Mr. Wan Yee Joseph Lau *(the then independent non-executive Director) (passed away on February 7, 2024)*	2/2
Mr. Chi Wai Suen *(independent non-executive Director)*	2/2

Details of the Directors' and Supervisors' remuneration are set out in "Notes to Financial Statements – 9. Directors', Supervisors' and Chief Executive's Remuneration" of this annual report. In addition, the remuneration payable to the senior management of the Company (who are not the Directors) by band for the year ended December 31, 2023 is set out in the section headed "Corporate Governance Report – V. Remuneration of Senior Management" of this annual report.

(iii) Nomination Committee

1. Functions of the Committee

Our Company has established a Nomination Committee with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code. The primary duties of the Nomination Committee include, but are not limited to, the following: (i) conducting extensive searches and providing to the Board suitable candidates for Directors, general managers and other members of the senior management; (ii) overseeing the implementation of a Board diversity policy, taking into account various factors when determining the composition of our Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and service tenure; (iii) examining the size and composition of the Board and its members in respect of their skills, knowledge, experience and diversity at least once every year, and making recommendations to the Board on any change in Board composition in accordance with our Company's strategies; (iv) researching and developing the standards and procedures for the election of the Board members, general managers and members of the senior management, and making recommendations to the Board; and (v) dealing with other matters that are authorized by the Board.

With respect to the nomination of new Directors and reelection of Directors, our Company follows a considered and transparent nomination policy, details of which are set out in the subsection "Other Relevant Matters – (XI) Nomination Policy" below.

2. Work Summaries and Meetings of the Committee

During the Reporting Period, the Nomination Committee held two meetings during the year ended December 31, 2023 to review the structure, size, composition and diversity (including skills, knowledge, experience, gender, age, cultural and educational background, ethnicity, professional experience and length of service) of the Board and make recommendations to the Board relating to the reelection of Directors to ensure that the Board has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company; to review the training and continuous professional development of the Directors and senior management; and to assess the independence of the independent non-executive Directors.

3. *Attendance of Members of the Committee*

During the Reporting Period, the attendance records of the Nomination Committee meetings are set out below:

Name of Committee Member	Attendance/ Number of Meeting(s)
Mr. Wan Yee Joseph Lau *(the then independent non-executive Director) (passed away on February 7, 2024)*	2/2
Mr. Ting Yuk Anthony Wu *(independent non-executive Director)*	2/2
Mr. Chi Wai Suen *(independent non-executive Director)*	2/2

V. REMUNERATION OF SENIOR MANAGEMENT

The remuneration payable to the senior management of the Company (who are not the Directors) by band during the Reporting Period is shown in the following table:

	Number of senior management Year ended December 31,	
Band of remuneration (in RMB)	2023	2022
0-1,000,000	1	1
1,000,000 – 2,000,000	1	2
2,000,000 – 3,000,000	–	–
3,000,000 – 4,000,000	–	–

VI. CONVENING AN EXTRAORDINARY GENERAL MEETING BY SHAREHOLDERS

Pursuant to Article 83 of the Articles of Association, when Shareholders request to convene an extraordinary general meeting or class meeting of Shareholders, the following procedures shall be followed:

(1) Shareholders who, individually or jointly, hold more than 10% of the Shares with voting rights at the intended meeting to be held may sign one or more copies of the written request with the same format and contents for submission to the Board to convene an extraordinary general meeting or class meeting of Shareholders, and explain the topics for consideration at the meeting. The Board should provide a written reply on whether consent is granted or not to convene an extraordinary general meeting or class meeting of Shareholders within 10 days after it has received the aforesaid written request. The aforesaid number of shares held shall be calculated on the date when the Shareholders submit the written request.

(2) If the Board consents to convene an extraordinary general meeting or class meeting of Shareholders, a notice of meeting shall be issued within five days after the Board resolution is passed. If the original request is altered in the notice, consent from the relevant Shareholders should be obtained.

(3) If the Board objects to convening an extraordinary general meeting or class meeting of Shareholders, or fails to give a reply within 10 days after receipt of the request, the Shareholders who, individually or jointly, hold more than 10% of the Shares of the Company are entitled to make a proposal in writing to the Supervisory Committee for convening a meeting.

(4) If the Supervisory Committee has agreed to convene an extraordinary general meeting or a class meeting of Shareholders, it should issue a notice of meeting within five days after receipt of the request. Any alteration to the original proposal in the notice shall obtain consent from the relevant Shareholders. If the Supervisory Committee fails to issue a notice to convene a meeting within 30 days after receipt of the aforesaid written request, the Supervisory Committee is deemed not to convene and preside over the general meeting, the Shareholders who, individually or jointly, hold more than 10% of the Shares of the Company for more than 90 consecutive days, may convene a meeting by themselves within four months after the Board has received the request, and the procedures for convening the meeting shall follow the same procedures as convening a general meeting by the Board as far as possible.

When Shareholders convene a meeting by themselves due to the failure of the Board to convene a meeting, all reasonable expenses incurred shall be borne by the Company and shall be deducted from the amount payable by the Company to the defaulting Directors.

(i) Putting Forward Inquiries to the Board

For putting forward inquiries to the Board, Shareholders may send written inquiries to inquiry@venusmedtech.com by email.

(ii) Putting Forward Proposals at General Meetings

When the Company convenes a general meeting, the Board, the Supervisory Committee and the Shareholders who, individually or jointly, hold more than 3% of the total number of Shares of the Company with voting rights, shall have the right to submit new proposals in writing to the Company at inquiry@venusmedtech.com by email 10 days prior to the date of general meeting. Proposals which are within the scope of powers and responsibilities of the general meeting shall be included in the agenda of the meeting by the Company. The convener shall issue a supplemental notice of general meeting within two days upon receipt of the proposals to announce the details of the proposals.

VII. OTHER RELEVANT MATTERS

(i) Compliance with the Model Code

The Company has adopted a code of conduct regarding Directors' and Supervisors' securities transactions on terms no less exacting than the required standard set out in the Model Code. The Company has made specific inquiries to all Directors and Supervisors concerning their compliance with the Model Code. All Directors and Supervisors confirmed that they had strictly observed all standards set out in the Company's code of conduct regarding Directors' and Supervisors' securities transactions during the Reporting Period.

The Company's employees, who are likely to be in possession of inside information of the Company, have also been subject to the code of conduct regarding Directors' and Supervisors' securities transactions of the Company. No incident of noncompliance of the code of conduct regarding Directors' and Supervisors' securities transactions by the employees was noted by the Company during the year ended December 31, 2023.

(ii) Responsibilities of Directors for the Consolidated Financial Statements

The following responsibility statement of Directors regarding the consolidated financial statements shall be read in conjunction with the responsibility statement of the independent auditor included in the independent auditor's report. Each responsibility statement regarding the consolidated financial statements shall be interpreted separately.

All Directors acknowledge and confirm their responsibilities of preparing the consolidated financial statements which truly reflect the business and operating results of the Group for the year ended December 31, 2023, including the results and cash flows of the Group.

Management has provided the necessary explanation and information for the Board to evaluate the consolidated financial statements of the Company, which are submitted for approval of the Board with full knowledge.

To the best knowledge of all Directors, there are no events or situations which may cause any material adverse impact on the ongoing operations of our Group.

(iii) Appointment and Remuneration of Auditing

The Company appointed Zhonghui Anda as the auditor of the consolidated financial statements of the Group prepared under International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance for the year ended December 31, 2023. Ernst & Young retired as auditor of the Company with effect from the conclusion of the annual general meeting held on June 30, 2023, and Zhonghui Anda was appointed as the Company's new auditor following the retirement of Ernst & Young on the same date. Save as aforementioned, there has been no change in the auditor appointed during the Reporting Period.

The statement of the Company's external auditor related to the auditor's responsibilities for the audit of the consolidated financial statements is set out in the Independent Auditor's Report of this annual report.

During the year ended December 31, 2023, the remuneration paid/payable to the external auditor of the Company for the provision of audit services for the year ended December 31, 2023 amounted to RMB5.7 million (including auditing fees incurred by each subsidiary).

During the year ended December 31, 2023, the remuneration paid/payable to the external auditor of the Company in respect of non-audit services for the year ended December 31, 2023 amounted to RMB1.0 million. The nature of such non-audit services is to provide advisory services.

(iv) Review by Audit Committee

The Audit Committee has reviewed the 2023 consolidated financial statements of the Group for the year ended December 31, 2023.

(v) Company Secretary

Mr. Haiyue Ma resigned as the Company's joint company secretary with effect from June 2, 2023. Following the resignation of Mr. Haiyue Ma, another joint company secretary, Mr. Wong Wai Chiu, a member of the Hong Kong Institute of Certified Public Accountants, who possesses the qualifications and experience as a company secretary as required under Rules 3.28 and 8.17 of the Listing Rules, has remained in office and served as the sole company secretary of the Company. Mr. Wong's main contact person at the Company is Ms. Yan Xiao, the director of general affairs department of the Company.

Mr. Wong has confirmed that he had received no less than 15 hours of relevant professional training during the year ended December 31, 2023.

(vi) Communication with Shareholders

Our Company believes that effective communication with Shareholders is very significant to investor relations enhancement and to enhance investors' understanding of the Company's business, performance and strategies. We also believe that it is important for the information of the Company to be disclosed to Shareholders and investors in a timely manner and without reservation.

The Shareholders' general meetings provide opportunities of constructive communications between our Company and our Shareholders. Shareholders are encouraged to attend the Shareholders' general meetings in person, or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend in person. Our Company highly values the opinions, suggestions and concerns of the Shareholders and proactively carries out investor relation activities to keep in contact with the Shareholders and meet their reasonable demands in a timely manner.

The Company's website and inquiry email are available for Shareholders and investors to be updated on the latest information about the business operation and development, corporate governance practices and other latest information of the Company. Our Company also publishes announcements, circulars, notices of the Shareholders' general meeting, financial data and other information of our Company required to be disclosed under the Listing Rules from time to time on our Company's website. Shareholders are also encouraged to make inquiries by phone or email or write directly to the office address of our Company, which will be dealt with appropriately in a timely manner. Please refer to "Corporate Information" of this annual report for the contact details.

Shareholders' active participation at Shareholders' general meetings are encouraged. Our Directors, Supervisors and senior management will attend the Shareholders' general meetings, and shall also ensure that the external auditors will attend, to answer questions raised by the Shareholders.

The implementation and effectiveness of the initiatives taken by the Company were reviewed by the Board during the year ended December 31, 2023 and considered adequate and effective, having considered that the communication channels in place provided Shareholders and investment community with information about the latest development of the Group in a timely manner, and the Company has established a range of communication channels between itself and its Shareholders, investors and other Stakeholders to allow the Company to receive feedback effectively.

(vii) Board Diversity Policy

Our Company is committed to a merit-based system for Board composition, which requires a diverse and inclusive culture where Directors believe that their views are heard, their concerns are attended to and they serve in an environment where bias, discrimination and harassment on any matter are not tolerated. In order to enhance the effectiveness of our Board and to maintain a high standard of corporate governance, we have adopted a Board diversity policy.

Under this policy, we seek to achieve Board diversity through the consideration of a number of factors when reviewing the composition of the Board in the Director nomination and renomination processes, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background, ethnicity and length of service. As part of the nomination and re-nomination processes, the Nomination Committee will assess the attributes, competencies, characteristics and backgrounds of the Board's current directors in light of the needs of the Board, including the extent to which the current composition of the Board and the number of women directors are consistent with the Board diversity policy. The ultimate decision of the appointment will be based on the merit of the selected candidates, and the contribution they will bring to our Board. Any headhunting firm engaged to assist the Board or the Nomination Committee in identifying candidates for appointment to the Board shall be directed to consider the desire of our Company to have its Board reflect a wide range of attributes, competencies, characteristics and backgrounds as contemplated by the Board diversity policy.

The Board has established a specific target number or date by which to achieve a specific number of women on the Board. The Board currently consists of one female Director and six male Directors with a balanced mix of knowledge and skills, including but not limited to overall management and strategic development, finance, accounting and risk management, which has satisfied the requirement of gender diversity by Hong Kong Stock Exchange.

We will implement policies to ensure gender diversity when recruiting staff to develop a pipeline of female senior management and potential successors to the Board. We will strive to enhance our female representation and achieve an appropriate balance of gender diversity with reference to the stakeholders' expectation and internationally and locally recommended best practices. Furthermore, we will implement comprehensive programs aimed at identifying and training our female staff who display leadership and potential, with the goal of promoting them to the senior management or the Board.

As of December 31, 2023, we had 865 full-time employees, of which 373 were male and 492 were female. The male-female ratio in the workforce (including senior management) was approximately 3:4. The Company has achieved and will continue to maintain a relatively balanced gender ratio in the workforce. The Company will continue to monitor and evaluate the diversity policy from time to time to ensure its continued effectiveness. The Company is not aware of any mitigating factor or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

We are also committed to adopting a similar approach to promote diversity of the management (including but not limited to the senior management) of the Company to enhance the effectiveness of corporate governance of the Company as a whole.

The Nomination Committee annually reviews and monitors the implementation of the Board diversity policy to ensure its effectiveness. At present, the Nomination Committee considers that the Board members are fully diversified. The Nomination Committee will continue to monitor the implementation of the Board diversity policy and will regularly review the Board diversity policy to ensure its continued effectiveness.

(viii) Amendments to the Articles of Association

During the Reporting Period, the Articles of Association was amended three times as follows:

On January 1, 2022, the Listing Rules were amended by, among others, adopting a uniform set of 14 core standards for shareholder protections for issuers regardless of their place of incorporation set out in Appendix A1 to the Listing Rules. Hence, on January 30, 2023, the Articles of Association was approved to be amended to (i) conform to the said core standards for shareholder protections; (ii) provide flexibility for the Company to hold general meetings by allowing participants to attend, participate and vote at general meetings via electronic devices; (iii) discontinue the position of vice-chairman and (iv) make other corresponding and housekeeping amendments to further improve and standardize the Articles of Association.

On November 30, 2023, the Articles of Association was approved to be amended to change the composition of the Board of Directors from seven to eight.

On December 15, 2023, the Articles of Association was approved to be amended to change the designation for the legal representative of the Company from the chairman of the Board to the general manager of the Company, in order to improve the Company's management and operation efficiency, better standardize the Company's operation and implement the main responsibility.

(ix) Risk Management and Internal Control

1. Risk Management

Details of the risk management of the Company are set out in "Management Discussion and Analysis – IV. Risk Management" of this annual report.

2. Establishment of the Internal Control System

The Board has established the internal control system, and monitored and reviewed it on an annual basis in compliance with Paragraph D.2 of the Corporate Governance Code. Such system is designed to manage rather than to eliminate the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

3. *Main Features of the Internal Control System and Process Used to Review the Effectiveness of the Internal Control System and Rectify Defects*

Below is a summary of the internal control policies, measures and procedures our Company has implemented:

- Our Company has adopted various measures and procedures regarding every aspect of our operations, such as protection of intellectual property, environmental protection and occupational health and safety protection. Our Company provides periodic training on these measures and procedures to our employees as part of our employee training program. Our Company also regularly monitors the implementation of those measures and procedures through our on-site internal control team for every stage of the produce development process.

- Our Directors, who are responsible for monitoring the corporate governance of our Group, with assistance from our legal advisors, periodically review our compliance status with all relevant laws and regulations after the Listing.

- Our Company has established the Audit Committee which (i) makes recommendations to our Directors on the appointment and removal of external auditors; and (ii) reviews the financial statements and renders advice in respect of financial reporting as well as oversees the risk management and internal control procedures of our Group.

- The Board has engaged Somerley Capital Limited as its compliance adviser since June 14, 2023 to provide advice to our Directors and management team regarding matters relating to the Listing Rules.

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

- We maintain strict anti-corruption policies among our sales personnel and distributors in our sales and marketing activities. We also monitor to ensure that our sales and marketing personnel comply with applicable promotion and advertising requirements, which include restrictions on promoting our products for unapproved uses or patient populations, also known as off-label use, and limitations on industry-sponsored scientific and educational activities.

- The Company has an internal audit function, which primarily carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems, and reports their findings to the Board on, at least, an annual basis.

4. Procedures for Processing and Releasing Inside Information

With approval from the Board and pursuant to the requirements of domestic and foreign laws and regulations, the Listing Rules and the Articles of Association as well as the practical conditions of our Company, our Company has formulated a policy on information disclosure management to determine the division of duties and responsibilities on information disclosure, the procedures for processing and releasing inside information and other information required to be disclosed. Pursuant to this system, our Company must, as soon as any inside information comes to its knowledge or a false market may be established, disclose the information to the public to the reasonable and practicable extent.

5. *Appraisal of Internal Control*

The Board acknowledges that, during the Reporting Period, the Board and the management of our Company are jointly responsible for the establishment, the effective implementation and improvement of a sound internal control system. The objectives of internal control of our Company are: guaranteeing the legality of operations of our Company and the execution of an internal regulatory system, protecting against operational risk and moral risk, securing the safety and completeness of the assets of the clients and our Company, ensuring the reliability, completeness and timeliness of the business records, financial information and other information of our Company and improving the operational efficiency and effectiveness of our Company.

As internal control has inherent restrictions, we can only reasonably guarantee that the above objectives may be achieved. Furthermore, the effectiveness of internal control may also change according to our Company's internal and external environment and operating conditions. Our Company has set up an inspection and supervision mechanism through which our Company can take measures to rectify deficiencies in the internal control once identified.

As disclosed in the section headed "Connected Transactions" in "Directors' Report" of this annual report, unauthorized loans to connected persons of the Company during the Reporting Period were identified. In this connection, Company has engaged an internal control consultant to evaluate and make recommendations for improvement on the internal control level of the Company and will be devoted to resolving the internal control issues identified in the internal control report issued by the internal control consultant by working with the internal control consultant. The Company endeavors to keep the Shareholders and potential investors appraised of the latest progress of such internal control review and any rectification to be made.

The Company has taken the following interim internal control rectification measures:

(i) Earlier in 2023, the Company has engaged Zhonghui Anda Risk Services Limited as an internal control consultant to identify any deficiencies of the Group's internal control policies for monitoring the connected transactions and continuing connected transactions under the Listing Rules during the period commencing from June 1, 2021 to March 31, 2023 and taken a number of remedial measures recommended by Zhonghui Anda Risk Services Limited. For details, please refer to the interim report of the Company for the six months ended June 30, 2023.

(ii) The Company has engaged a Forensic Consultant to conduct an independent Forensic Investigation into (i) the provision of loans to Mr. Zi and Mr. Zeng and (ii) other fund flows of the Group to and from Mr. Zi, Mr. Zeng and/or any entity they, individually or collectively, own or control that may be uncovered by the forensic investigation, and the Company has announced the findings of the Forensic Investigation.

(iii) In light of the findings of the Forensic Investigation referred to in (ii) above, the Company has engaged Deloitte Enterprise Consulting (Shanghai) Co., Ltd., Beijing Branch as the internal control consultant to perform a review of internal controls and to assess whether the Company has adequate internal control systems and procedures in place to remediate and mitigate the relevant gaps.

(iv) The Audit Committee of the Company consisting of two independent non-executive Directors will be entrusted with the responsibility to review and improve the internal control system and financial reporting system of the Company.

(v) The Company has modified its existing procedures in monitoring connected transactions and discloseable transactions of the Group under Chapters 14 and 14A of the Listing Rules in accordance with the recommendations of the internal control consultant of the Company. The Company has also designated specific personnel with professional knowledge to oversee and review the nature of transactions between the Group and its connected persons on an ongoing basis. The designated personnel also periodically provided the management of the Company with a list of the connected persons of the Company, their corresponding relationships with the Group and details of any transactions with such connected persons and notified the Board before any proposed transactions are entered into between the Group and such connected persons.

(vi) The Group has issued relevant guidance and training materials, in particular, on how to identify notifiable and connected transactions under the Listing Rules, to the Directors, senior management, Supervisors and personnel the Group. The Group has also arranged training sessions on compliance requirements for notifiable and connected transactions so as to improve the standard of corporate governance and operating management of the Company.

(vii) The Company has established a whistleblowing policy in accordance with the Corporate Governance Code and distributed the whistleblowing policy to all employees of the Company by email on June 29, 2023.

(viii) The Company has since June 2023 and up to the date of this annual report, provided to all members of the Board the financial statements on a monthly basis.

(ix) The Company has sought and will continue to seek legal advice and/or other professional advice from time to time as and when it is necessary to ensure proper compliance with the relevant requirement of the Listing Rules by the Group.

(x) The Company undertakes that it will not make any loans, advances or guarantees to any of the Directors or their respective associates.

The Board conducts an annual review on the risks management and internal control system of the Company. During the year ended December 31, 2023, save as disclosed above, the Group was not aware of any material defect in internal control of the Group. The Board is of the view that the Group should further strengthen the resources, qualifications and experiences of the staff in the areas of finance, internal audit and the financial reporting function and ensure that the training and budget of the staff are adequate.

(x) Dividend Policy

Under our dividend policy, the Board is required to consider, among other things, the following factors when proposing dividends and determining the amount of dividends to be recommended to the Shareholders:

- the Company's actual and projected financial performance;
- the Company's working capital requirements, capital expenditure requirements and future business expansion plan;
- our present and future cash flow;
- other internal and external factors that may have an impact on our business operations or financial performance and position; and
- other factors that the Board deems relevant.

The PRC laws require that dividends be paid only out of our Company's distributable profits. Distributable profits are our Company's after-tax profits, less any recovery of accumulated losses and appropriations to statutory and other reserves that our Company is required to make. As a result, our Company may not have sufficient or any distributable profits to make dividend distributions to our Shareholders, even if we become profitable.

Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, including (where required) the approval of our Shareholders. According to our Articles of Association, we will distribute dividends in the form of cash or Shares out of our distributable profits only after we have made the following allocations from our distributable profits:

- offsetting losses in prior years, if any;
- allocating to the statutory reserve fund equivalent to 10% of our profit after payment of all tariff items, and, when the statutory reserve fund reaches more than 50% of our registered capital, no further allocations to this statutory reserve fund will be required; and
- allocating to the discretionary reserve fund according to the resolutions of the Shareholders' general meeting.

Any distributable profits not distributed in a given year are retained and available for distribution in subsequent years. Our Company's dividend distribution may also be restricted if our Company incurs debt or losses in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that our Company or our subsidiaries may enter into in the future.

As of December 31, 2023, no arrangement was reached pursuant to which the shareholders of the Company waived or agreed to waive their dividends.

(xi) Nomination Policy

Our Company has established a considered and transparent nomination policy with respect to the standards and procedures for the nomination of new Directors and reelection of Directors. The Nomination Committee shall be responsible for nominating suitable candidates to the Board for consideration and making recommendations to the Shareholders regarding the election and reelection of Directors in accordance with the nomination policy.

In order to identify suitable candidates for the Board, the Nomination Committee considers the requirements under the Listing Rules, the Articles of Association and the relevant laws and regulations. Furthermore, in assessing the suitability of a proposed candidate, the Nomination Committee makes reference to factors, including but not limited to integrity, education, professional qualifications and past work experience, including part-time work experience, possession of necessary skills and experience; commitment in respect of available time and energy; diversity of the Board in areas, including but not limited to gender, age, cultural and educational background, race, professional experience, skill, knowledge and term of service; and the independent criteria as required under the Listing Rules for candidates for independent non-executive Directors.

The Nomination Committee shall convene a committee meeting, and invite members of the Board to nominate candidates (if any) for the Nomination Committee to consider before the meeting. The Nomination Committee may also nominate candidates that have not been proposed by members of the Board. The Nomination Committee shall then conduct due diligence in respect of each of the nominated candidates and make recommendations to the Board for its consideration. Recommendation from the Nomination Committee is still required with respect to the reappointment of current members of the Board. The Board retains final discretion as to all matters relating to the nomination of candidates and the reappointment of directors at the Shareholders' general meeting.

Unless otherwise provided by the laws and regulations or stipulated by any regulatory authority, there will be no disclosure to the public or acceptance of any public inquiry in relation to any nomination or any candidate, prior to the issuance of the Shareholders' circular. The Nomination Committee, the company secretary or other employees of our Company authorized by the Nomination Committee may respond to the queries of the regulatory authorities or members of the public after the Shareholders' circular has been issued, but shall not disclose any confidential information relating to the nomination(s) or the candidate(s).

For the procedures for Shareholders' nomination of candidates to the Board, please see our Company's website for details.

VIII. CORPORATE CULTURE

The Board believes that a strong culture enables the Company to deliver long-term sustainable performance and fulfill its role as a responsible corporate citizen. During the year ended December 31, 2023, the Company continued to strengthen its cultural framework and promotes corporate culture and expects and requires all employees to reinforce. All of our new employees are required to attend orientation and training programs so that they may better understand our corporate culture, structure and policies, learn relevant laws and regulations, and raise their cooperative and innovative awareness. The Board's oversight of culture encompasses a range of measures and tools over time, including workforce engagement, employee retention and training, robust financial reporting, effective and accessible whistle blowing framework, legal and regulatory compliance (including compliance with the employee's code of conduct and corporate governance policies of the Group), as well as staff safety, wellbeing and support.

The Board has established the Company's purpose, values and strategy, and ensures that these and the Company's corporate culture are aligned. All existing Directors act with integrity, lead by example, and promote the desired corporate culture. Upholding the concept of sustainable development, the Company has, under the leadership of the Board, actively implemented corporate culture through daily operation, workplace policies and close communication with business stakeholders based on a sound governance structure, stringent risk management and effective internal control.

For further details of our corporate culture and path to build such corporate culture, please refer to the ESG Report published by the Company.

Taking into account the corporate culture in a range of contexts, the Board considers that the corporate culture, mission, value and strategy of the Group are aligned.

Independent Auditor's Report

ZHONGHUI

TO THE SHAREHOLDERS OF VENUS MEDTECH (HANGZHOU) INC.
(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Venus Medtech (Hangzhou) Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 123 to 244, which comprise the consolidated statement of financial position as at 31 December 2023, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirement of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("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 matter is the matter that, in our professional judgment, was 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.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and purchased intellectual property	
The Group had goodwill of RMB1,024,354,000 in the consolidated financial statements and intellectual property of RMB514,403,000 as disclosed in note 17 to the consolidated financial statements as at 31 December 2023. Intellectual property is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life. The Group is required to perform an impairment test of goodwill at least on an annual basis, and to perform an impairment test of intellectual property when an indication of impairment exists. The impairment test is based on the recoverable amount of the cash-generating unit to which the goodwill is allocated, and the recoverable amount of each individual asset, which is applicable. The recoverable amount is the higher of the cash-generating unit's or asset's value in use and its fair value less costs of disposal. This matter was significant to our audit because the impairment test process was complex and involved significant judgements and estimates. The Group's disclosures about the impairment test of goodwill and intellectual property are included in notes 3, 4, 16 and 17 to the consolidated financial statements.	We evaluated the competence, capabilities and objectivity of the independent valuer. We evaluated management's identification of the cash-generating units and the allocation of goodwill within the Group. We also evaluated management's assessment of impairment indications and management's determination of the cash generating units to which the intellectual property belongs. We obtained and reviewed management's future forecasted cash flows and key assumptions used in the value-in-use calculation by comparing to the Group's development plan, budget and financial projections and analysis on the industry. We evaluated the key valuation parameters such as the discount rate calculation, the terminal growth rate applied and the valuation model with forecasted cash flows. For the intellectual property measured under market approach, we evaluated the reasonableness of the key inputs used in the valuation. We also focused on the adequacy of the disclosures in the consolidated financial statements.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Cut-off of research and development costs	
The Group incurred significant research and development ("R&D") cost of RMB524,915,000 in the consolidated financial statements for the year ended 31 December 2023, which mainly consisted of clinical trial expenses and service fees paid to outsourced service providers, staff costs and others. The R&D activities with these service providers were typically performed over an extended period. This matter was significant to our audit because the amount of research and development costs was significant and allocation of these costs to the appropriate reporting period based on the progress of the R&D projects involved judgement. The Group's disclosures about R&D costs are included in notes 3 and 4 to the consolidated financial statements.	We reviewed the key terms set out in agreements with the outsourced service providers. We evaluated the progress of the R&D projects based on inquiry with project managers, inspection of supporting documents and obtaining confirmations from the outsourced service providers, on a sample basis, to determine whether these costs were recorded in the appropriate reporting period. We also performed search for unrecorded liabilities procedure subsequent to the year ended 31 December 2023.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's 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 FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:
https://www.hkicpa.org.hk/en/Standards-setting/Standards/Our-views/auditre
This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Li Shun Fai
Audit Engagement Director
Practising Certificate Number P05498
Hong Kong, 26 April 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	6	**491,373**	406,461
Cost of sales		**(102,168)**	(92,463)
Gross profit		**389,205**	313,998
Other income and gains	6	**241,560**	147,988
Selling and distribution expenses		**(300,477)**	(260,382)
Research and development costs		**(524,915)**	(527,451)
Administrative expenses		**(153,786)**	(192,178)
Other expenses		**(314,040)**	(557,781)
Reversal of (impairment losses) on financial assets, net		**2,210**	(21,972)
Finance costs	8	**(62,716)**	(44,623)
Share of losses of:			
A joint venture		**(1,515)**	(4,092)
Associates		**(10,866)**	(9,851)
Loss before tax	7	**(735,340)**	(1,156,344)
Income tax credit	11	**6,284**	34,302
Loss for the year		**(729,056)**	(1,122,042)
Other comprehensive (loss)/income			
Other comprehensive income that may be reclassified to profit or loss in subsequently periods:			
Exchange differences on translation of foreign operations		**16,821**	118,952
Share of other comprehensive income of associates		**–**	737
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**16,821**	119,689

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequently periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value		**254**	(787)
Income tax effect		**(42)**	321
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequently periods		**212**	(466)
Other comprehensive income for the year, net of tax		**17,033**	119,223
Total comprehensive loss for the year		**(712,023)**	(1,002,819)
Loss attributable to:			
– Owners of the parent		**(703,754)**	(1,057,699)
– Non-controlling interests		**(25,302)**	(64,343)
		(729,056)	(1,122,042)
Total comprehensive loss attributable to:			
– Owners of the parent		**(687,274)**	(940,052)
– Non-controlling interests		**(24,749)**	(62,767)
		(712,023)	(1,002,819)
Loss per share			
Attributable to ordinary equity holders of the parent			
– Basic and diluted (RMB)	13	**(1.61)**	(2.42)

Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	14	**543,372**	318,139
Right-of-use assets	15(a)	**150,096**	143,144
Goodwill	16	**1,024,354**	1,238,535
Other intangible assets	17	**551,022**	611,171
Investment in a joint venture	18	**4,793**	2,728
Investment in associates	19	**60,554**	70,283
Deferred tax assets	32	**17,660**	9,941
Equity investments designated at fair value through other comprehensive income	20	**16,269**	15,747
Financial assets at fair value through profit or loss	25	**428,380**	388,322
Prepayments, other receivables and other assets	23	**9,147**	15,855
Total non-current assets		**2,805,647**	2,813,865
Current assets			
Inventories	21	**112,942**	104,396
Trade receivables	22	**290,607**	303,388
Prepayments, other receivables and other assets	23	**105,066**	119,868
Loans to former directors	24	**106,167**	34,400
Pledged deposit	26	**211,649**	27,487
Short-term bank deposit	26	**7,240**	–
Cash and cash equivalents	26	**774,396**	1,879,431
Total current assets		**1,608,067**	2,468,970
Current liabilities			
Trade payables	27	**33,855**	9,126
Lease liabilities	15(b)	**37,722**	23,457
Other payables and accruals	28	**244,914**	227,590
Interest-bearing bank borrowings	29	**456,978**	222,603
Government grants	30	**700**	1,370
Contract liabilities	31	**28,842**	2,952
Tax payable		**2,157**	5,006
Total current liabilities		**805,168**	492,104
Net current assets		**802,899**	1,976,866
Total assets less current liabilities		**3,608,546**	4,790,731

Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Interest-bearing bank borrowings	29	**248,929**	573,379
Other payables and accruals	28	**338,308**	487,826
Lease liabilities	15(b)	**82,557**	80,204
Deferred tax liabilities	32	**17,776**	17,411
Government grants	30	**1,630**	600
Total non-current liabilities		**689,200**	1,159,420
Net assets		**2,919,346**	3,631,311
EQUITY			
Equity attributable to owners of the parent			
Share capital	33	**441,012**	441,012
Reserves	34	**2,479,636**	3,166,852
		2,920,648	3,607,864
Non-controlling interests		**(1,302)**	23,447
Total equity		**2,919,346**	3,631,311

Director **Director** **Director**

Consolidated Statement of Changes in Equity

Year ended 31 December 2023

	Attributable to owners of the parent									
	Share capital RMB'000	Treasury shares* RMB'000	Share premium* RMB'000 (note 34)	Other reserve* RMB'000 (note 34)	Fair value reserve* RMB'000 (note 34)	Exchange fluctuation reserves* RMB'000 (note 34)	Accumulated losses* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022	441,012	(72,548)	5,112,276	268,195	(28,224)	(54,722)	(1,120,359)	4,545,630	86,214	4,631,844
Loss for the year	–	–	–	–	–	–	(1,057,699)	(1,057,699)	(64,343)	(1,122,042)
Other comprehensive income for the year:										
Exchange differences related to foreign operations	–	–	–	–	–	117,376	–	117,376	1,576	118,952
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	(466)	–	–	(466)	–	(466)
Share of other comprehensive income of associates	–	–	–	–	–	737	–	737	–	737
Total comprehensive loss for the year	–	–	–	–	(466)	118,113	(1,057,699)	(940,052)	(62,767)	(1,002,819)
Equity-settled share option arrangement in an associate	–	–	–	2,286	–	–	–	2,286	–	2,286
At 31 December 2022	441,012	(72,548)	5,112,276	270,481	(28,690)	63,391	(2,178,058)	3,607,864	23,447	3,631,311

	Attributable to owners of the parent									
	Share capital RMB'000	Treasury shares* RMB'000	Share premium* RMB'000 (note 34)	Other reserve* RMB'000 (note 34)	Fair value reserve* RMB'000 (note 34)	Exchange fluctuation reserves* RMB'000 (note 34)	Accumulated losses* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2023	441,012	(72,548)	5,112,276	270,481	(28,690)	63,391	(2,178,058)	3,607,864	23,447	3,631,311
Loss for the year	–	–	–	–	–	–	(703,754)	(703,754)	(25,302)	(729,056)
Other comprehensive income for the year:										
Exchange differences related to foreign operations	–	–	–	–	–	16,268	–	16,268	553	16,821
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	212	–	–	212	–	212
Total comprehensive loss for the year	–	–	–	–	212	16,268	(703,754)	(687,274)	(24,749)	(712,023)
Equity-settled share option arrangement in an associate	–	–	–	58	–	–	–	58	–	58
At 31 December 2023	441,012	(72,548)	5,112,276	270,539	(28,478)	79,659	(2,881,812)	2,920,648	(1,302)	2,919,346

* These reserve accounts comprise the consolidated reserves of RMB2,479,636,000 (2022: RMB3,166,852,000) in the consolidated statements of financial position.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Loss before taxation		**(735,340)**	(1,156,344)
Adjustments for:			–
Finance costs	8	**62,716**	44,623
Bank interest income	6	**(21,290)**	(19,230)
Other interest income	6	**(13,167)**	(15,418)
Fair value adjustments of contingent considerations	28	**(160,586)**	55,549
Loss on disposal of items of property, plant and equipment	7	**1,265**	130
Gain on termination of leases	15(c)	**(572)**	(689)
(Reversal of) impairment of trade and other receivables, net		**(2,210)**	21,972
Depreciation of property, plant and equipment	14	**35,623**	27,072
Depreciation of right-of-use assets	15	**35,792**	27,370
Amortisation of other intangible assets	17	**53,372**	57,910
Write-down (reversal of write-down) of inventories to net realisable value	21	**17,636**	(202)
Share of profits and losses of a joint venture and associates		**12,381**	13,943
Fair value (gains)/losses, net:			
Financial assets at fair value through profit or loss – mandatorily classified as such		**(21,288)**	189
Impairment of other intangible assets	17	**17,518**	111,735
Impairment of property, plant and equipment	14	**–**	4,197
Impairment of goodwill	16	**231,262**	304,301
Foreign exchange differences, net		**(2,259)**	(81,727)
		(489,147)	(604,619)
Increase in inventories		**(26,182)**	(13,675)
Decrease/(increase) in trade receivables		**14,209**	(7,847)
Decrease/(increase) in prepayments and other assets		**17,374**	(45,559)
Increase in other receivables		**–**	(3,038)
Increase in trade payables		**24,729**	375
Increase/(decrease) in other payables and accruals		**28,392**	(43,611)
Increase in contract liabilities		**25,890**	107
Decrease in refund liabilities		**–**	(14,106)
Increase/(decrease) in government grants		**360**	(13,023)
Increase in pledged time deposits		**(202,202)**	(1,947)

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Cash used in operations		**(606,577)**	(746,943)
Interest received		**–**	20,553
Net income tax paid		**(3,442)**	(3,069)
Net cash flow used in operating activities		**(610,019)**	(729,459)
Cash flows from investing activities			
Advances of loans to former directors		**(453,100)**	(703,285)
Purchases of items of property, plant and equipment		**(260,636)**	(169,980)
Purchases of financial assets at fair value through profit or loss		**(37,500)**	(91,835)
Placement of bank deposits with original maturity over three months		**(7,240)**	–
Purchase of a shareholding in a joint venture		**(3,541)**	(6,335)
Purchases of other intangible assets		**(2,272)**	(8,794)
Repayments of loans to former directors		**370,957**	705,625
Interest received		**21,290**	2,424
Proceeds from disposal of financial assets at fair value through profit or loss		**22,270**	–
Proceeds from disposal of items of property, plant and equipment		**2,913**	9,408
Acquisition of a subsidiary		**–**	(813,494)
Repayments of loans to third parties		**–**	4,000
Net cash flows used in investing activities		**(346,859)**	(1,072,266)
Cash flows from financing activities			
Repayment of bank borrowings	37(b)	**(513,578)**	(213,381)
Interest paid	37(b)	**(52,037)**	(38,405)
Principal portion of lease payments	37(b)	**(30,233)**	(24,076)
Interest portion of lease payments	37(b)	**(9,654)**	(5,402)
New bank borrowings	37(b)	**413,476**	939,141
Decrease/(increase) in pledged time deposits		**18,040**	(22,740)
Net cash (used in)/generated from financing activities		**(173,986)**	635,137

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Net decrease in cash and cash equivalents		**(1,130,864)**	(1,166,588)
Cash and cash equivalents at the beginning of the year		**1,879,431**	2,955,212
Effect of foreign exchange rate changes, net		**25,829**	90,807
Cash and cash equivalents at the end of the year		**774,396**	1,879,431
Analysis of balance of cash and cash equivalents			
Cash and bank balances		**632,652**	1,550,271
Non-pledged time deposits		**141,744**	329,160
Cash and cash equivalents as stated in the statement of cash flows and statement of financial position	26	**774,396**	1,879,431

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

1. CORPORATE INFORMATION

Venus Medtech (Hangzhou) Inc. (the "Company") is a joint stock company with limited liability established in the People's Republic of China (the "PRC"). The registered office of the Company is located at Room 311, 3/F, Block 2, No. 88, Jiangling Road, Binjiang District, Hangzhou, the PRC. The address of its principal place of business in Hong Kong is 40/F, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong.

During the year, the Group was principally engaged in the research and development, and the manufacture and sale of bioprosthetic heart valves.

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 December 2019.

In the opinion of the directors, the Company has no holding company, ultimate holding company or controlling shareholders.

These consolidated financial statements are presented in Renminbi ("RMB") and all vales are rounded to nearest thousand except when otherwise indicated.

Information about subsidiaries

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

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company				Principal activity
			2023		2022		
			Direct	Indirect	Direct	Indirect	
Venus Medtech (Hong Kong) Limited ("Venus HK")	Hong Kong 20 September 2018	Hong Kong dollars ("HK$") 10,000	**100%**	**-**	100%	–	Research and development
Venus Medtech of America	United States of America ("USA") 31 August 2012	United states dollars ("US$") 10,000,000	**100%**	**-**	100%	–	Research and development
Hangzhou Nuocheng Medical Technology Co., Ltd. ("Nuocheng")*	PRC/Mainland China 9 November 2017	RMB100,000,000	**-**	**100%**	–	100%	Research and development

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company				Principal activity
			2023		2022		
			Direct	Indirect	Direct	Indirect	
Keystone Heart Ltd. ("Keystone")	Israel 17 November 2004	Nil	-	**100%**	–	100%	Research and development and manufacture of heart valves
510 Kardiac Devices, Inc. ("510 Kardiac")	Israel 5 February 2015	US$2,166,364	-	**100%**	–	100%	Research and development
Mitraltech Holdings Ltd. ("MTH")	Israel 27 October 2016	Nil	-	**100%**	–	100%	Research and development
Jilin Venus Haoyue Medtech Limited ("Haoyue")*	PRC/Mainland China 14 October 2020	RMB100,000,000	-	**15%****	–	15%**	Research and development
JVH of America ("JVH")	USA 30 October 2020	US$1,000,000	-	**15%****	–	15%**	Research and development

* The entity is a limited liability enterprise established under the PRC law.

** Haoyue is accounted for as a subsidiary of the Group even though the Group has only a 15% equity interest in this company, as the Group has 60% of voting rights based on the contractual arrangement. JVH is a 100% owned subsidiary of Haoyue and, accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.

*** None of the subsidiaries had any debt securities subsisting at the end of the reporting period or at any time during the year ended 31 December 2023.

During the year ended 31 December 2022, the Group acquired MTH from independent third parties. Further details of this acquisition are included in note 36 to the consolidated financial statements.

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

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board (the "IASB") that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new IFRSs that have been issued but are not yet effective. The application of these new IFRSs will not have material impact on the consolidated financial statements of the Group.

3. MATERIAL ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB, accounting principles generally accepted in Hong Kong and the 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.

These consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policy set out below.

The material accounting policies applied in the preparation of the consolidated financial statements are set out below.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Consolidation (Continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Business combination and goodwill (Continued)

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income, the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Associates (Continued)

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has joint control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

In relation to its interest in a joint operation, the Group recognises in its consolidated financial statements, its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly, in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Joint arrangements (Continued)

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a joint venture's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's share of the net assets of that joint venture plus any remaining goodwill relating to that joint venture and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's 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 Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Foreign currency translation (Continued)

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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. All other repairs and maintenance are recognised in consolidated profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their costs less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Machinery	9%-32%
Office equipment	9%-32%
Motor vehicles	19%-24%
Leasehold improvements	10%-86%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in consolidated profit or loss.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Office premises	2 to 8 years
Motor vehicles	3 years
Leasehold land	50 years

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US$5,000.

Intangible assets (other than goodwill)

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation commences when the intangible assets are available for use. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives.

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Intellectual property

Purchased intellectual property is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 10 to 19 years, which is determined by considering the typical product life cycles for the intellectual property and the technical obsolescence.

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 2 to 10 years.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. 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.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from the Group's development is recognised only if all of the following conditions are met:

– An asset is created that can be identified (such as software and new processes);

– It is probable that the asset created will generate future economic benefits; and

– The development cost of the asset can be measured reliably.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in consolidated profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in consolidated profit or loss.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in consolidated profit or loss.

Financial assets of the Group are classified under the following categories:

– Financial assets at amortised cost;

– Equity investments at fair value through other comprehensive income; and

– Financial assets at fair value through profit or loss.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

(i) Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

– the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

– the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

(ii) Equity investments at fair value through other comprehensive income

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that are not held for trading as at fair value through other comprehensive income.

Equity investments at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair values recognised in other comprehensive income and accumulated in the equity investment revaluation reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the equity investment revaluation reserve are not reclassified to profit or loss.

Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

(iii) Financial assets at fair value through profit or loss

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Financial assets at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in consolidated profit or loss. The fair value gains or losses recognised in consolidated profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in consolidated profit or loss.

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost 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 reporting period.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Derivative financial instruments

Derivatives (including contingent considerations under business combinations) are initially recognised and subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Treasury shares

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

– the customer simultaneously receives and consumes the benefits provided by the Group's performance;

– the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

– the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

3. MATERIAL ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

(i) Sales rebates

The Group may provide retrospective sales rebates to certain distributors based on their purchase amount, which are recognised as basic sales rebates, and may also provide additional sales rebates when distributors meet their performance requirements, such as sales targets, as agreed in the distribution agreements between the Group and the distributors. Rebates are offset against amounts payable by the distributor arising from its purchase. The expected value method is used to estimate the amount of the additional sales rebates. The requirements on constraining estimates of variable consideration are applied.

(ii) Contract liabilities

A contract liability is the obligation to transfer goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Employee benefits

(i) Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

(ii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Share-based payments

The Group issues equity-settled share-based payments to certain employees and non-employees.

Equity-settled share-based payments to employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to non-employees are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in consolidated profit or loss in the period in which they are incurred.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in consolidated profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in consolidated profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

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

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;

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

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

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

3. MATERIAL ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Provisions and contingent liabilities (Continued)

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgments in applying accounting policies

In the process of applying the accounting policies, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) Research and development costs

Research and development costs are expensed in accordance with the accounting policy for research and development costs in note 3 to the consolidated financial statements. Determining the amounts to be capitalised or expensed requires management to make assumptions and judgements regarding the technical feasibility of completing the intangible asset, future economic benefits and so forth.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

Critical judgments in applying accounting policies (Continued)

(b) Consolidation of entities in which the Group holds less than a majority of equity interests

At 31 December 2023, the Group owned 15% of the shares of Haoyue and JVH, which is a 100% subsidiary of Haoyue. In accordance with the investment agreement signed between the Group and other shareholders of Haoyue, the Group held 60% of voting rights of Haoyue though it held only 15% of equity shares. Therefore, the directors of the Company believe that the Group obtained control of the operating and financial activities of Haoyue and JVH, indirectly, based on the contractual arrangement and could consolidated Haoyue and JVH's financial statements from the date the Group obtained control.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on ageing for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating).

The provision matrix is initially based on the historical observed default rates from listed companies in the same sector. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the medical industry sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

Key sources of estimation uncertainty (Continued)

(a) Provision for expected credit losses on trade receivables (Continued)

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast of economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 22 to the consolidated financial statements.

(b) Fair value of financial instruments

The Group has used valuation techniques such as recent transaction valuation, scenario analysis method, probability-weighted expected return method, market method and the discounted cash flow method for the valuation of the unlisted debt investments, unlisted equity investments and contingent consideration payables at the end of year as detailed in note 41 to the consolidated financial statements. These valuations require the Group to make estimates about risk-free rate, discount rate, equity volatility, discount for lack of marketability ("DLOM"), probability of initial public offering ("Probability of IPO") and market value versus research and development cost ("P/R&D"), and hence, they are subject to uncertainty. The Group classifies the fair value of these instruments as Level 2 and Level 3. Further details are included in notes 20, 25, 28 and 41 to the consolidated financial statements.

(c) Useful lives of intangible assets

The Group's finite life intangible assets primarily represent patents transferred from third parties. These intangible assets are amortised on a straight-line basis over their useful economic lives, which are estimated to be the patent life. If the Group's estimate of the duration of the sale of a product is shorter than the patent life, then the shorter period is used. Additional amortisation is recognised if the estimated useful lives of patents are different from the previous estimation. Useful lives are reviewed at the end of each reporting period based on changes in circumstances.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

Key sources of estimation uncertainty (Continued)

(d) Impairment of non-financial assets (other than goodwill)

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

(e) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires estimations of the recoverable amount of the cash-generating unit to which the goodwill is allocated, which is the higher of the cash-generating unit's value in use and its fair value less costs of disposal using cash flow projections based on a financial budget. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2023 was RMB1,024,354,000 (2022: RMB1,238,535,000). Further details are given in note 16 to the consolidated financial statements.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

Key sources of estimation uncertainty (Continued)

(f) Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Deferred tax assets have not been recognised in respect of these losses and deductible temporary differences as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Further details are included in note 11 to the consolidated financial statements.

5. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	2023 RMB'000	2022 RMB'000
Mainland China	**418,699**	354,567
Others	**72,674**	51,894
	491,373	406,461

The revenue information above is based on the locations of the customers.

5. OPERATING SEGMENT INFORMATION (Continued)

Geographical information (Continued)

(b) Non-current assets

	2023 RMB'000	2022 RMB'000
Mainland China	**726,200**	557,214
Israel	**502,648**	503,136
Hong Kong	**60,554**	66,584
USA	**26,900**	30,349
Netherlands	**490**	55
	1,316,792	1,157,338

The non-current asset information above is based on the locations of the assets and excludes goodwill, deferred tax assets and financial instruments.

Information about major customers

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's total revenue during the year (2022: Nil).

6. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers		
Sale of medical devices	**491,373**	406,461

Revenue from contracts with customers

(a) Disaggregated revenue information

	2023 RMB'000	2022 RMB'000
Geographical markets		
Mainland China	**418,699**	354,567
Others	**72,674**	51,894
Total revenue from contracts with customers	**491,373**	406,461
Timing of revenue recognition		
Goods transferred at a point in time	**491,373**	406,461

There was no revenue recognised during the year that was included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods.

6. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(b) Performance obligations

Information about the Group's performance obligation is summarised below:

Sale of medical devices

The performance obligation, which is part of a contract that has an original expected duration of one year or less, is satisfied upon acceptance of the goods and payment is generally due within six months to one year from acceptance.

An analysis of other income and gains is as follows:

	2023 RMB'000	2022 RMB'000
Other income		
Bank interest income	**21,290**	19,230
Other interest income	**13,167**	15,418
Government grants (note (a))	**18,894**	31,128
Others	**4,076**	485
	57,427	66,261
Gains		
Fair value adjustments of contingent considerations (note 28)	**160,586**	–
Fair value gain on a derivative financial instrument	**21,288**	–
Foreign exchange gains, net	**2,259**	81,727
	184,133	81,727
	241,560	147,988

Note:

(a) The government grants mainly represent incentives received from the local governments for the purpose of compensation for expenditure arising from research activities and clinical trial activities and awards for new valve product development and expenditure incurred on certain projects.

7. LOSS BEFORE TAX

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

	Notes	2023 RMB'000	2022 RMB'000
Cost of inventories sold		**100,401**	90,717
Research and development costs		**524,915**	527,451
Depreciation of property, plant and equipment*	14	**35,623**	27,072
Depreciation of right-of-use assets	15(a)	**35,792**	27,370
Amortisation of other intangible assets**	17	**53,372**	57,910
(Reversal of) impairment of trade receivables, net	22	**(1,428)**	6,555
(Reversal of) Impairment of other receivables	23	**(782)**	15,417
Impairment of property, plant and equipment	14	**–**	4,197
Write-down of/(reversal of write-down of) inventories to net realisable value	21	**17,636**	(202)
Impairment of other intangible assets	17	**17,518**	111,735
Impairment of goodwill	16	**231,262**	304,301
Auditor's remuneration		**5,725**	7,079
Government grants	6	**(18,894)**	(31,128)
Bank interest income	6	**(21,290)**	(19,230)
Other interest income	6	**(13,167)**	(15,418)
Loss on disposal of items of property, plant and equipment, net		**1,265**	130
Lease payments not included in the measurement of lease liabilities	15(c)	**2,432**	1,883

7. LOSS BEFORE TAX (Continued)

	Note	2023 RMB'000	2022 RMB'000
Fair value (gains)/losses, net:			
Financial assets at fair value through profit or loss			
– mandatorily classified as such		**(21,288)**	189
Fair value adjustments of contingent considerations	28	**(160,586)**	55,549
Foreign exchange differences, net		**(2,259)**	(81,727)
Employee benefit expenses*** (excluding directors', supervisors' and chief executive's remuneration (note 9)):			
Wages and salaries		**308,347**	310,145
Pension scheme contributions***		**30,734**	16,055
Staff welfare expenses		**27,358**	42,743
		366,439	368,943

* The depreciation of property, plant and equipment and employee benefit expense are included in "Cost of sales", "Selling and distribution expenses", "Administrative expenses" and "Research and development costs" on the face of the consolidated statement of profit or loss and other comprehensive income and in "Inventories" on the face of the consolidated statement of financial position.

** The amortisation of other intangible assets is included in "Cost of sales", "Selling and distribution expenses", "Administrative expenses" and "Research and development costs" on the face of the consolidated statement of profit or loss and other comprehensive income.

*** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 RMB'000	2022 RMB'000
Interest on bank loans	**58,623**	40,360
Interest on lease liabilities (note 15(b))	**9,654**	5,402
Total interest expense	**68,277**	45,762
Less: Interest capitalised	**(5,561)**	(1,139)
	62,716	44,623

The capitalisation rates used to determine the amount of borrowing costs eligible for capitalisation for the year are 5-year Loan Prime Rate in Mainland China ("LPR") minus 0.10% and 5-year LPR minus 0.15% (2022: 5-year LPR minus 0.10% and 5-year LPR minus 0.15%).

9. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors', supervisors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange, section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023 RMB'000	2022 RMB'000
Fees	**1,080**	1,081
Other emoluments:		
Salaries, allowances and benefits in kind	**3,274**	3,825
Performance related bonuses	**273**	550
Pension scheme contributions	**154**	215
	3,701	4,590
	4,781	5,671

The discretionary year-end performance bonus of executive directors and supervisors were based on their performance appraisal results in accordance with the Company's remuneration policy.

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

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2023 RMB'000	2022 RMB'000
Mr. Ting Yuk Anthony Wu	**360**	368
Mr. Wan Yee Joseph Lau [(1)]	**360**	368
Mr. Chi Wai Suen	**360**	345
	1,080	1,081

(1) Mr. Wan Yee Joseph Lau passed away on 7 February 2024.

(2) The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

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

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

(b) Executive directors

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2023				
Mr. Zhenjun Zi[(1)]	**221**	**–**	**19**	**240**
Mr. Lim Hou-Sen (Lin Haosheng)[(1)(3)]	**48**	**7**	**2**	**57**
Mr. Min Frank Zeng[(2)]	**1,049**	**–**	**42**	**1,091**
Ms. Meirong Liu[(3)]	**1,011**	**139**	**34**	**1,184**
Mr. Liqiao Ma[(2)]	**41**	**3**	**2**	**46**
	2,370	**149**	**99**	**2,618**
2022				
Mr. Zhenjun Zi[(1)]	763	83	37	883
Mr. Lim Hou-Sen (Lin Haosheng)[(3)]	1,078	148	37	1,263
Mr. Min Frank Zeng[(2)]	1,148	134	30	1,312
	2,989	365	104	3,458

(1) Mr. Zhenjun Zi resigned as the general manager and an executive director with effect from 20 November 2023 and Mr. Lim Hou-Sen (Lin Haosheng) was appointed as the general manager effect from 20 November 2023 and an executive director with effect from 15 December 2023.

(2) Mr. Min Frank Zeng resigned as the chairman and an executive director with effect from 15 December 2023 and Mr. Liqiao Ma was appointed as an executive director with effect from 15 December 2023.

(3) Mr. Lim Hou-Sen (Lin Haosheng) resigned as an executive director with effect from 30 January 2023 and Ms. Meirong Liu was appointed as an executive director with effect from 30 January 2023.

(4) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

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

(c) Chief executive

The Group did not appoint a chief executive, and the duty of chief executive was performed by the general manager.

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2023				
Mr. Lim Hou-Sen (Lin Haosheng)[1]	**175**	**24**	**8**	**207**

(1) Mr. Zhenjun Zi resigned as the general manager and an executive director with effect from 20 November 2023 end Mr. Lim Hou-Sen (Lin Haosheng) was appointed as the general manager effect from 20 November 2023 and an executive director with effect from 15 December 2023.

(2) The chief executive's emoluments shown above were for his services in connection with the management of the affairs of the Company and the Group.

(d) Non-executive director

There were no fees and other emoluments payable to the non-executive director during the year (2022: Nil).

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

(e) Supervisors

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2023				
Ms. Yue Li[(1)]	361	32	23	416
Ms. Min Shao[(2)]	309	17	21	347
Mr. Wei Wang[(3)]	–	–	–	–
Mr. Wei Chen[(3)]	59	51	3	113
	729	100	47	876
2022				
Ms. Yue Li[(1)]	326	86	37	449
Ms. Yan Xiao[(2)]	298	41	37	376
Ms. Min Shao[(2)]	212	58	37	307
Mr. Wei Wang[(3)]	–	–	–	–
Ms. Lingling Yang[(1)]	–	–	–	–
	836	185	111	1,132

(1) Ms. Lingling Yang resigned as a supervisor with effect from 26 April 2022 and Ms. Yue Li was appointed as a supervisor with effect from 26 April 2022.

(2) Ms. Yan Xiao resigned as a supervisor with effect from 31 August 2022 and Ms. Min Shao was appointed as a supervisor with effect from 31 August 2022.

(3) Mr. Wei Wang resigned as a supervisor with effect from 30 November 2023 and Mr. Wei Chen was appointed as a supervisor with effect from 30 November 2023.

(4) The supervisors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

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

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2022: no director), details of whose remuneration are set out in note 9 above. Details of the remuneration for the remaining three (2022: five) highest paid employees who are neither a director nor chief executive of the Company during the year are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	**2,957**	7,799
Performance related bonuses	**1,570**	4,829
Pension scheme contributions	**76**	161
	4,603	12,789

There were no other emoluments payable to the five highest paid employees during the year (2022: Nil).

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

	Number of employee	
	2023	2022
HK$1,000,001 to HK$1,500,000	**2**	–
HK$1,500,001 to HK$2,000,000	**–**	2
HK$2,000,001 to HK$2,500,000	**1**	1
HK$3,000,001 to HK$3,500,000	**–**	1
HK$5,000,001 to HK$5,500,000	**–**	1
	3	5

11. INCOME TAX

PRC

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations, the subsidiaries which operate in Mainland China are subject to corporate income tax at a rate of 25% on the taxable income. Preferential tax treatment is available to the Company, since it was recognised as a High and New Technology Enterprise in December 2023, and was entitled to a preferential tax rate of 15% during the year (2022: 15%). Certain subsidiaries of the Group are qualified as small and micro enterprises and are subject to a preferential income tax rate of 20% during the year with the first annual taxable income of RMB1,000,000 eligible for 87.5% reduction and the income between RMB1,000,000 and RMB3,000,000 eligible for 75% reduction.

USA

Pursuant to the relevant tax laws of the USA, federal corporation income tax was levied at the rate of 21% (2022: 21%) on the taxable income arising in the USA during the year.

Israel

Pursuant to the relevant tax laws of Israel, the corporate income tax was levied at 23% (2022: 23%) on the taxable income arising in Israel during the year.

United Kingdom ("UK")

Pursuant to the relevant tax laws of the UK, the principal federal tax was levied at the rate of up to 19% (2022: up to 19%) on the taxable income arising in the UK during the year.

Netherlands ("NL")

Pursuant to the relevant tax laws of the NL, the corporate income tax was levied at the rate of up to 19% (2022: up to 15%) on the taxable income arising in the NL during the year.

11. INCOME TAX (Continued)

Netherlands ("NL") (Continued)

The income tax credit of the Group during the year is analysed as follows:

	2023 RMB'000	2022 RMB'000
Current-PRC		
Charge for the year	**160**	1,707
Current-USA		
Charge for the year	**11**	949
Current-Israel		
Charge for the year	**–**	428
Current-NL		
Charge/(credit) for the year	**422**	(15)
Deferred (note 32)	**(6,877)**	(37,371)
	(6,284)	(34,302)

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

	2023 RMB'000	2022 RMB'000
Loss before tax	**(735,340)**	(1,156,344)
Tax at the statutory tax rate	**(144,170)**	(250,959)
Preferential income tax rates enacted by local authority	**24,790**	68,097
Expenses not deductible for tax	**10,909**	3,391
Income not subject to tax	**–**	(503)
Additional deductible allowance for research and development costs	**(18,827)**	(20,601)
Tax losses utilised from previous periods	**(3,296)**	(12,485)
Temporary differences and tax losses not recognised	**124,310**	178,758
Tax credit at the Group's effective tax rate	**(6,284)**	(34,302)

11. INCOME TAX (Continued)

Netherlands ("NL") (Continued)

Deferred tax assets have not been recognised in respect of the following items:

	2023 **RMB'000**	2022 RMB'000
Tax losses	**2,767,794**	2,218,410
Deductible temporary differences	**1,000,217**	937,225
	3,768,011	3,155,635

The Group has tax losses arising in Mainland China of RMB1,086,938,000 (2022: RMB852,101,000) that will expire in one to ten years for offsetting against taxable profits.

The Group has tax losses arising in the USA of US$929,000 (equivalent to RMB6,549,000) (2022: US$2,298,000 (equivalent to RMB15,455,000)) that have no limitation for offsetting against future taxable profits.

The Group has tax losses arising in Hong Kong of US$15,104,000 (equivalent to RMB106,432,000) (2022: US$13,452,000 (equivalent to RMB90,477,000)) that have no limitation for offsetting against future taxable profits.

The Group has tax losses arising in Israel of US$217,574,000 (equivalent to RMB1,533,180,000) (2022: US$185,391,000 (equivalent to RMB1,246,952,000)) that have no limitation for offsetting against future taxable profits.

The Group has tax losses arising in Netherlands of US$4,924,000 (equivalent to RMB34,695,000) (2022: US$1,996,000 (equivalent to RMB13,425,000)) that have no limitation for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

12. DIVIDEND

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

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

The calculation of the basic loss per share amount is based on the loss attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 437,897,443 (2022: 437,897,443) in issue during the year, as adjusted to reflect the shares purchased in 2021 which were treated as treasury shares.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

The calculation of basic loss per share is based on:

	2023 **RMB'000**	2022 RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent	**(703,754)**	(1,057,699)

	Number of shares	
	2023	2022
Shares		
Weighted average number of shares in issue during the year	**437,897,443**	437,897,443

14. PROPERTY, PLANT AND EQUIPMENT

	Machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2023						
At 1 January 2023:						
Cost	90,176	52,878	4,430	91,213	162,135	400,832
Accumulated depreciation	(24,436)	(22,492)	(1,302)	(34,463)	–	(82,693)
Net carrying amount	65,740	30,386	3,128	56,750	162,135	318,139
At 1 January 2023, net of accumulated depreciation	65,740	30,386	3,128	56,750	162,135	318,139
Additions	9,000	7,412	–	5,086	243,054	264,552
Disposals	(2,555)	(273)	(1,350)	–	–	(4,178)
Depreciation provided during the year (note 7)	(10,985)	(12,365)	(343)	(11,930)	–	(35,623)
Transfers	7,883	2,711	–	–	(10,594)	–
Exchange realignment	1	330	–	151	–	482
At 31 December 2023, net of accumulated depreciation and impairment	69,084	28,201	1,435	50,057	394,595	543,372
At 31 December 2023:						
Cost	104,515	63,369	3,080	96,618	394,595	662,177
Accumulated depreciation and impairment	(35,431)	(35,168)	(1,645)	(46,561)	–	(118,805)
Net carrying amount	69,084	28,201	1,435	50,057	394,595	543,372

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2022						
At 1 January 2022:						
Cost	58,341	21,498	3,807	44,259	54,888	182,793
Accumulated depreciation	(16,250)	(6,206)	(1,244)	(16,856)	–	(40,556)
Net carrying amount	42,091	15,292	2,563	27,403	54,888	142,237
At 1 January 2022, net of accumulated depreciation	42,091	15,292	2,563	27,403	54,888	142,237
Additions	34,865	15,598	1,353	6,140	146,744	204,700
Acquisition of a subsidiary (note 36)	–	4,959	–	5,199	–	10,158
Disposals	(2,675)	(1,108)	(36)	(3,783)	(1,936)	(9,538)
Depreciation provided during the year (note 7)	(8,731)	(6,692)	(752)	(10,897)	–	(27,072)
Impairment	–	–	–	–	(4,197)	(4,197)
Transfers	175	1,434	–	32,134	(33,743)	–
Exchange realignment	15	903	–	554	379	1,851
At 31 December 2022, net of accumulated depreciation and impairment	65,740	30,386	3,128	56,750	162,135	318,139
At 31 December 2022:						
Cost	90,176	52,878	4,430	91,213	162,135	400,832
Accumulated depreciation and impairment	(24,436)	(22,492)	(1,302)	(34,463)	–	(82,693)
Net carrying amount	65,740	30,386	3,128	56,750	162,135	318,139

During the year ended 31 December 2022, the directors considered that certain items of property, plant and equipment of the Group were subject to impairment loss because of the cease of operation of Keystone. The recoverable amounts of the property, plant and equipment were assessed to be zero since the management estimated that there was no other use of the property, plant and equipment.

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of office premises and motor vehicles used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of office premises generally have lease terms between 2 and 8 years, while motor vehicles generally have lease terms of 3 years. Other office premises generally have lease terms of 12 months or less. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land RMB'000	Office premises RMB'000	Motor vehicles RMB'000	Total RMB'000
As at 1 January 2022	43,286	64,465	759	108,510
Additions	–	32,578	–	32,578
Additions as a result of acquisition of a subsidiary (note 36)	–	48,595	–	48,595
Depreciation charge (note 7)	(909)	(25,702)	(759)	(27,370)
Reductions as a result of termination of leases	–	(21,001)	–	(21,001)
Exchange realignment	–	1,832	–	1,832
As at 31 December 2022 and 1 January 2023	**42,377**	**100,767**	**–**	**143,144**
Additions	**–**	**53,246**	**–**	**53,246**
Depreciation charge (note 7)	**(868)**	**(34,924)**	**–**	**(35,792)**
Reductions as a result of termination of leases	**–**	**(12,306)**	**–**	**(12,306)**
Exchange realignment	**–**	**1,804**	**–**	**1,804**
As at 31 December 2023	**41,509**	**108,587**	**–**	**150,096**

15. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

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

	2023 RMB'000	2022 RMB'000
Carrying amount as at 1 January	**103,661**	65,875
New leases	**53,246**	32,578
Additions as a result of acquisition of a subsidiary (note 36)	**–**	48,595
Reductions as a result of termination of leases	**(12,878)**	(21,690)
Accretion of interest recognised during the year (note 8)	**9,654**	5,402
Exchange realignment	**6,483**	2,379
Payment	**(39,887)**	(29,478)
Carrying amount as at 31 December	**120,279**	103,661
Analysed into:		
Current portion	**37,722**	23,457
Non-current portion	**82,557**	80,204

The maturity analysis of lease liabilities is disclosed in note 41 to the consolidated financial statements.

15. LEASES (Continued)

The Group as a lessee (Continued)

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

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities	**9,654**	5,402
Depreciation charge of right-of-use assets	**35,792**	27,370
Gain on termination of leases, net	**(572)**	(689)
Expense relating to short-term leases (included in cost of sales, selling and distribution expenses, research and development costs and administrative expenses) (note 7)	**2,432**	1,883
Total amount recognised in profit or loss	**47,306**	33,966

(d) The total cash outflow for leases is disclosed in note 37(c) to the consolidated financial statements.

16. GOODWILL

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

– Keystone cash-generating unit ("Keystone unit");

– 510 Kardiac cash-generating unit ("510 Kardiac unit");

– Nuocheng cash-generating unit ("Nuocheng unit"); and

– MTH cash-generating unit ("MTH unit").

16. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

The carrying amounts of goodwill allocated to each of the cash-generating units are as follows:

	Keystone unit RMB'000	510 Kardiac unit RMB'000	Nuocheng unit RMB'000	MTH unit RMB'000	Total RMB'000
Cost and net carrying amount at 1 January 2022	250,617	37,832	231,262	–	519,711
Acquisition of a subsidiary (note 36)	–	–	–	921,943	921,943
Impairment during the year (note 7)	(264,389)	(39,912)	–	–	(304,301)
Exchange realignment	13,772	2,080	–	85,330	101,182
Net carrying amount at 31 December 2022	–	–	231,262	1,007,273	1,238,535
At 31 December 2022:					
Cost	461,490	41,327	231,262	1,007,273	1,741,352
Accumulated impairment	(461,490)	(41,327)	–	–	(502,817)
Net carrying amount	–	–	231,262	1,007,273	1,238,535
Cost at 1 January 2023, net of accumulated impairment	**–**	**–**	**231,262**	**1,007,273**	**1,238,535**
Impairment during the year (note 7)	**–**	**–**	**(231,262)**	**–**	**(231,262)**
Exchange realignment	**–**	**–**	**–**	**17,081**	**17,081**
Net carrying amount at 31 December 2023	**–**	**–**	**–**	**1,024,354**	**1,024,354**
At 31 December 2023:					
Cost	**461,490**	**41,327**	**231,262**	**1,024,354**	**1,758,433**
Accumulated impairment	**(461,490)**	**(41,327)**	**(231,262)**	**–**	**(734,079)**
Net carrying amount	**–**	**–**	**–**	**1,024,354**	**1,024,354**

16. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Keystone unit and 510 Kardiac unit

Keystone unit principally focused on the development of cerebral protection devices to reduce the risk of stroke, neurocognitive decline and dementia caused by brain damage associated with cardiovascular procedures. Keystone's product candidate, TriGUARD3 cerebral embolic protection device ("Keystone Product"), obtained the CE marking in March 2020. Management filed for the Food and Drug Administration (the "FDA") 510 (k) clearance in the USA in March 2021 which has been suspended in September 2021. The Company also filed for a marketing application of Keystone Product to the China National Medical Products Administration (the "NMPA") in October 2021 which has been suspended in November 2022.

510 Kardiac unit principally focused on development of cardiovascular devices. It provides Lim Transseptal System (LTS), a surgical instrument designed to provide control and visibility for cardiologists targeting specific locations within the structures of the heart ("510 Kardiac Product"). Management filed for FDA 510 (k) clearance in the USA for 510 Kardiac Product in December 2020 and the FDA 510 (k) clearance was obtained in December 2020. As of 31 December 2022, 510 Kardiac Product has not commenced commercialisation yet.

During the year ended 31 December 2022, profitability generated by Keystone unit and 510 Kardiac unit was lower than the management's expectation and had a negative impact on the Group's financial performance. Moreover, the management considered that they would experience deterioration in performance going ahead. Therefore, the management resolved to terminate business operations of Keystone unit and 510 Kardiac unit, including any further research and development activities related to Keystone Product and 510 Kardiac Product. Based on the impairment assessments, the management estimated that the recoverable amounts of Keystone unit and 510 Kardiac unit as at year end were both assessed to be nil. For the year ended 31 December 2022, impairment losses of goodwill of RMB264,388,000 and RMB39,913,000 were recognised in profit or loss for Keystone unit and 510 Kardiac unit, respectively.

16. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Nuocheng unit

Nuocheng unit principally focused on development of Liwen RF® ablation system for the treatment of hypertrophic cardiomyopathy ("Nuocheng Product"). In March 2023, the Liwen RF® ablation system has successfully enrolled one patient at West China Hospital, Sichuan University, thus completing the enrollment of patients for confirmatory clinical trial in China. During the year ended 31 December 2023, design validation of the Liwen RF® ablation system for NMPA has been completed, and enrollment and most of the follow-up in confirmatory clinical trials have been completed. Excellent clinical performance has been demonstrated in early exploratory clinical trials as well as confirmatory clinical trials. However, the commercialisation and full profitability of the Liwen RF® ablation system will still require a longer period of time and significant capital investment, including but not limited to follow-up for confirmatory clinical trials, patient education, marketing, quality system construction and registration related expenses. The management has made a prudent decision not to make further business planning for the Liwen RF® ablation system and to only maintain the patents related to core technology of the product, after taking into account of the domestic and overseas market conditions (such as the potential effect on the competitive products with Nuocheng Product to be launched), as well as the Group's product layout and long-term development strategy. This decision is based on the prioritisation of internal resources of the Group, with a focus on investing more resources in the ongoing development of the interventional heart valve business in the coming years. In light of these circumstances, the Group has ultimately decided to make full impairment on relevant goodwill for the year ended 31 December 2023 and reevaluate the value of relevant intangible assets. There were remarkable signs that the new technologies and products had huge potential and might achieve success when the Group determined on whether to conduct research and development and market new technologies and products. However, these impairment events were related to the rapidly changing market environment, the Group's internal resource allocation, product layout and adjustments to corporate strategy, which could not have been anticipated at the time of initial recognition.

The recoverable amount of Nuocheng unit has been determined based on value in use calculation. As Nuocheng has ceased its operation during the year, the expected future economic benefits from Nuocheng unit are considered to be minimal. As a result, the management estimated that the recoverable amount of Nuocheng unit is zero and a full impairment of the goodwill related to Nuocheng unit have been made this year.

16. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

MTH unit

MTH unit principally focused on development of mitral valve and tricuspid valve replacement products ("MTH Products"). Goodwill acquired through the business combination of MTH Group is allocated to MTH unit for impairment testing. Further details are included in note 36 to the consolidated financial statements.

The recoverable amount of the MTH cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on a financial budget covering a 13-year period approved by senior management. Management considers that using a 13-year forecast period for a financial budget in the goodwill impairment test is appropriate because the useful life of MTH's relevant intellectual property is longer than thirteen years, and it generally takes longer for a medical device company, compared to companies in other industries, to reach a perpetual growth mode despite that the market of such products has substantial growth potential, especially when its product is still under clinical trial and the commercialisation of such product has not been commenced. Hence, financial budgets covering a 13-year period were used as management believes that a forecasted period longer than five years is feasible and reflects a more accurate entity value.

Key assumptions used in the calculation are as follows:

	2023	2022
Revenue (% compound growth rate)	**43.87%**	38.08%
Gross margin (% of revenue)	**49.75%-59.39%**	44.00%-66.82%
Net margin (% of revenue)	**-56.80%-28.38%**	-45.53%-31.97%
Terminal growth rate	**0.00%**	0.00%
Pre-tax discount rate	**22.30%**	22.30%

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

16. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

MTH unit (Continued)

Revenue – The basis used to determine the budgeted revenue is based on management's expectation of when to launch MTH's product and also the expectation of the future market. MTH Products are at clinical trial stage and expected to commence commercialization in 2026. Management expects to submit a filing application for the tricuspid valve replacement products to the CE MDR in 2025 and the NMPA for review and approval in 2026, and expects to submit a filing application for the mitral valve replacement products to the CE Medical Device Regulation in Europe (the "CE MDR") in 2026 and the NMPA for review and approval in 2027. The compound growth rate of revenue was estimated based on information available at the time of assessment, disregarding information that became available after the assessment. Such information includes current industry overview and estimated market development of related products.

Gross margin – The basis used to determine the value assigned to the budgeted gross margin is the average gross margin expected to achieve in the year when to launch MTH Products, increased for expected efficiency improvements and expected market development.

Net margin – The basis used to determine the value assigned to the budgeted net margin is the average net margin expected to achieve in the year when to launch MTH Products, increased for expected efficiency improvements and expected market development.

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

Pre-tax discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

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

16. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

MTH unit (Continued)

Based on the impairment assessment conducted by the Group utilising the above key assumptions, the recoverable amount of the cash-generating unit estimated from the cash flow forecast is US$224,565,000 (2022: US$262,176,000) which exceeded the carrying amount of the cash-generating unit by US$31,631,000 (2022: US$54,529,000) and no impairment was considered necessary.

If the pre-tax discount rate rose to 23.42% (2022:24.07%), the gross margin decreased to the range from 46.85% to 56.47% (2022: from 38.76% to 61.58%), or the compound growth rate of revenue decreased to 42.95% (2022: 34.56%) (with other assumptions remaining unchanged), the recoverable amount of the cash-generating unit would be decreased to the carrying amount of the cash-generating unit. Except for these, any reasonable possible changes in the other key assumptions used in the value-in-use assessment model would not affect management's view on impairment as at 31 December 2023 and 2022.

17. OTHER INTANGIBLE ASSETS

	Intellectual property RMB'000	Software RMB'000	Total RMB'000
31 December 2023			
Cost at 1 January 2023, net of accumulated amortisation and impairment	**571,367**	**39,804**	**611,171**
Additions	**1,200**	**2,074**	**3,274**
Amortisation provided during the year (note 7)	**(48,113)**	**(5,259)**	**(53,372)**
Impairment during the year (note 7)	**(17,518)**	**–**	**(17,518)**
Exchange realignment	**7,467**	**–**	**7,467**
At 31 December 2023	**514,403**	**36,619**	**551,022**
At 31 December 2023:			
Cost	**859,540**	**51,833**	**911,373**
Accumulated amortisation and impairment	**(345,137)**	**(15,214)**	**(360,351)**
Net carrying amount	**514,403**	**36,619**	**551,022**
31 December 2022			
Cost at 1 January 2022, net of accumulated amortisation and impairment	271,628	33,116	304,744
Additions	–	10,678	10,678
Acquisition of a subsidiary (note 36)	419,449	–	419,449
Amortisation provided during the year (note 7)	(53,920)	(3,990)	(57,910)
Impairment during the year (note 7)	(111,735)	–	(111,735)
Exchange realignment	45,945	–	45,945
At 31 December 2022	571,367	39,804	611,171
At 31 December 2022:			
Cost	847,160	49,761	896,921
Accumulated amortisation and impairment	(275,793)	(9,957)	(285,750)
Net carrying amount	571,367	39,804	611,171

17. OTHER INTANGIBLE ASSETS (Continued)

During the year ended 31 December 2022, the directors considered that certain items of intellectual property of the Group were subject to impairment loss because of decreasing production outputs and the under-performing cash-generating units, Keystone unit and 510 Kardiac unit, to which the intellectual properties belong.

The recoverable amounts of the intellectual property were assessed to be zero since the business operations of Keystone unit and 510 Kardiac unit, including the research and development activities related to Keystone Product and 510 Kardiac's product, were ceased and the management estimated that there was no other use of the intellectual property.

During the year ended 31 December 2023, as mentioned in note 16, Nuocheng unit has ceased its operation but only maintain the patents related to core technology of the Nuocheng Product. The related patents are included in intellectual property. The recoverable amounts of the intellectual property have been determined based on fair value less costs of disposal as the expected future economic benefits from Nuocheng unit are considered to be minimal. The Group engaged an independent qualified valuer, Hangzhou PG Advisory Co., Ltd., to perform the valuation based on market approach – market multiple method which is a commonly used valuation method in the market. The key assumption used in the valuation is enterprise value to research and development cost ratio. Based on the valuation, an impairment provision of RMB15,847,000 have been made on the intellectual property related to Nuocheng Product.

During the year ended 31 December 2023, total impairment provision of RMB17,518,000 (2022: RMB111,735,000) in relation to other intangible assets were recognised in profit or loss.

18. INVESTMENT IN A JOINT VENTURE

	2023 RMB'000	2022 RMB'000
Share of net assets	**4,793**	2,728

The following table illustrates the financial information of the Group's joint venture that is not individually material:

	2023 RMB'000	2022 RMB'000
Share of the joint venture's loss for the year	**(1,515)**	(4,092)
Share of the joint venture's total comprehensive loss	**(1,515)**	(4,092)
Aggregate carrying amount of the Group's investment in the joint venture	**4,793**	2,728

19. INVESTMENT IN ASSOCIATES

	2023 RMB'000	2022 RMB'000
Share of net assets	**60,554**	70,283

The Group's shareholdings in these associates comprise equity shares held through a wholly-owned subsidiary of the Company. The Group's investments in associates are accounted for under the equity method of accounting because the Group has significant influence over these entities by way of representation on the board of directors or equivalent governing body of the investee and participation in the policy making process, despite the fact that the Group's direct equity interest in these entities was lower than 20% for the years ended 31 December 2023 and 2022.

19. INVESTMENT IN ASSOCIATES (Continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2023 RMB'000	2022 RMB'000
Share of the associates' loss for the year	**(10,866)**	(9,851)
Share of the associates' other comprehensive income	**–**	737
Share of the associates' total comprehensive loss	**(10,866)**	(9,114)
Aggregate carrying amount of the Group's investments in the associates	**60,554**	70,283

20. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 RMB'000	2022 RMB'000
Unlisted equity investments, at fair value		
Opus Medical Therapies, LLC ("Opus")	**16,269**	15,747

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers the investment to be strategic in nature.

The fair value adjustment on the unlisted equity investment measured at fair value through other comprehensive income for the year was in an amount of gain of RMB254,000 (2022: an amount of loss of RMB787,000).

21. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	**66,575**	43,660
Work in progress	**16,907**	6,436
Finished goods	**49,283**	56,487
	132,765	106,583
Provision for impairment of inventories	**(19,823)**	(2,187)
	112,942	104,396

The movements in provision for impairment of inventories are as follows:

	2023 RMB'000	2022 RMB'000
At beginning of year	**2,187**	2,389
Provision, net (note 7)	**17,636**	(202)
At end of year	**19,823**	2,187

22. TRADE RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	**302,277**	316,486
Impairment	**(11,670)**	(13,098)
	290,607	303,388

The Group's trading terms with its customers are mainly on credit. The credit period is generally six months to one year. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2023 RMB'000	2022 RMB'000
Within 6 months	**201,096**	164,808
7 to 12 months	**61,509**	83,811
1 to 2 years	**24,839**	54,429
Over 2 years	**3,163**	340
	290,607	303,388

22. TRADE RECEIVABLES (Continued)

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

	2023 RMB'000	2022 RMB'000
At beginning of year	**13,098**	6,543
(Reversal of) impairment losses, net (note 7)	**(1,428)**	6,555
	11,670	13,098

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The expected credit loss rate was reviewed, and adjusted if appropriate, as at the end of the reporting period. The provision matrix is initially based on the historical observed default rates from listed companies in the same sector. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	Less than 1 year	1 to 2 years	2 to 3 years	Total
As at 31 December 2023				
Expected credit loss rate	**1.41%**	**16.74%**	**48.11%**	**3.86%**
Gross carrying amount (RMB'000)	**266,348**	**29,833**	**6,096**	**302,277**
Expected credit losses (RMB'000)	**3,743**	**4,994**	**2,933**	**11,670**
As at 31 December 2022				
Expected credit loss rate	1.25%	15.17%	38.29%	4.14%
Gross carrying amount (RMB'000)	251,769	64,166	551	316,486
Expected credit losses (RMB'000)	3,150	9,737	211	13,098

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023 RMB'000	2022 RMB'000
Non-current:		
Prepayments for purchase of items of other intangible assets	**131**	1,133
Long-term deposits	**2,192**	3,982
Prepayments for purchase of items of property, plant and equipment	**6,824**	10,740
	9,147	15,855
Current:		
Other receivables	**44,759**	34,902
Prepayments	**46,516**	72,443
Value-added tax recoverable	**28,972**	27,396
Prepaid rental expenses	**279**	1,071
	120,526	135,812
Impairment of other receivables	**(15,460)**	(15,944)
	105,066	119,868

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts.

The Group has applied the general approach to provide for expected credit losses for non-trade other receivables under IFRS 9. For rental deposits included in other receivables, the balances were settled within 12 months and had no historical default. Except for the above balances, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data in calculating the expected credit loss rate.

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (Continued)

The movements in provision for impairment of other receivables are as follows:

	2023 RMB'000	2022 RMB'000
At beginning of year	**15,944**	16
(Reversal of) impairment losses, net (note 7)	**(782)**	15,417
Exchange realignment	**298**	511
At end of year	**15,460**	15,944

24. LOANS TO FORMER DIRECTORS

Loans to former directors, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name	At 31 December 2023 RMB'000	Maximum amount outstanding during the year RMB'000	At 31 December 2022 and 1 January 2023 RMB'000	Maximum amount outstanding during the prior year RMB'000	At 1 January 2022 RMB'000	Security held
Mr. Zhenjun Zi	97,480	455,490	28,293	360,595	–	None
Mr. Min Frank Zeng	8,687	23,140	6,107	268,254	–	None
	106,167(note)		34,400		–	

During the year, the advances of loans granted to former directors bear interest at 3% (2022: 3%) per annum are unsecured and repayable on demand.

Note: The amount mainly consists of the loan to Jiangsu Wuzhong amounted to RMB80,000,000, interest receivables arising from the loan to former directors with interest at 3% per annum and exchange difference arising from certain foreign currency loans. Pursuant to the repayment agreement entered into amongst the Company, its subsidiaries and Mr. Zi, Mr. Zi has agreed to voluntarily repay the outstanding amount due from Jiangsu Wuzhong and the relevant interest receivables for and on behalf of Jiangsu Wuzhong. Besides, Mr. Zi also agreed to take full responsibility of the outstanding balance of loans to former directors, accordingly, as at 31 December 2023, the outstanding principal and relevant interest receivables amounted to RMB106,167,000 will be repaid by Mr. Zi.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
Unlisted debt investments, at fair value		
Valgen Holding Corporation	**118,656**	100,736
Pi-Cardia Ltd.	**95,213**	89,321
Unicorn Holding Partners LP	**89,582**	88,262
Opus	**73,242**	69,597
Hangzhou Linzhongrui Enterprise Management Partnership (Limited Partnership)	**–**	25,000
Hangzhou Yingzhiqin No.1 Equity Investment Partnership Enterprise (Limited Partnership)	**37,500**	–
Healium Medical Ltd	**12,508**	10,099
Atom Semiconductor Ltd.	**1,679**	5,307
	428,380	388,322

The above unlisted debt investments were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

26. CASH AND CASH EQUIVALENTS

	2023 RMB'000	2022 RMB'000
Cash and bank balances	**632,652**	1,550,271
Time deposits	**360,633**	356,647
	993,285	1,906,918
Less: Pledged for rent deposits	**(3,412)**	(4,747)
Less: Pledged for bank loans (note 29)	**(4,700)**	(22,740)
Less: Pledged for others (note)	**(203,537)**	–
Less: Time deposit over 3 months	**(7,240)**	–
Cash and cash equivalents	**774,396**	1,879,431
Denominated in:		
RMB	**485,540**	1,065,021
HK$	**35,065**	407,775
US$	**408,264**	357,824
New Israel Shekel ("NIS")	**58,011**	71,150
EUR	**6,405**	5,148
Total cash and bank balances and pledged deposits	**993,285**	1,906,918

Note: The amount mainly represents (i) the deposits of RMB200,000,000 previously pledged to certain banks during the year to secure loans to a related party and (ii) certain deposit interest income related to such deposits. As at the date of this report, the pledged deposits of RMB200,000,000 had been released by the relevant bank.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for periods of between seven days and three months depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

27. TRADE PAYABLES

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

	2023 RMB'000	2022 RMB'000
Within 3 months	**33,420**	8,980
3 to 6 months	**32**	50
6 to 12 months	**1**	65
Over 12 months	**402**	31
	33,855	9,126

Trade payables are non-interest-bearing and are normally settled on 30-day terms.

28. OTHER PAYABLES AND ACCRUALS

	2023 RMB'000	2022 RMB'000
Non-current:		
Contingent consideration payables	**325,996**	481,338
Payroll payable	**12,312**	6,488
	338,308	487,826
Current:		
Other payables	**209,792**	182,677
Payroll payable	**35,122**	44,913
	244,914	227,590
	583,222	715,416

Other payables are non-interest-bearing and repayable on demand.

28. OTHER PAYABLES AND ACCRUALS (Continued)

As part of the share purchase agreements, portions of the consideration for business combination were determined to be contingent. The movement of the fair value of contingent consideration payables is as follows:

	2023 RMB'000	2022 RMB'000
At 1 January	**481,338**	167,480
Arising from acquisition of MTH (note 36)	**–**	234,933
Fair value changes#* (note 7)	**(160,586)**	55,549
Exchange realignment	**5,244**	23,376
At 31 December	**325,996**	481,338
# Include gains or losses for liabilities held at the end of reporting period	**16,454**	55,549

* The amounts mainly represent the fair value changes on the contingent consideration arising from the acquisition of Nuocheng in the prior year. As detailed in note 16, Nuocheng ceased its operation during the year, in the opinion of the directors of the Company, the conditions for the contingent consideration are not able to be fulfilled. Accordingly, no further consideration have to be paid by the Group.

The fair values of the contingent consideration payables were determined using the discounted cash flow method and are within Level 3 fair value measurement. Significant unobservable valuation inputs for the fair value measurement of the contingent considerations are as follows:

	2023	2022
Discount rate	**20.00%**	19.88%~22.30%
Discount for own non-performance risk	**15.00%~20.00%**	10.00%~20.00%

29. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	2023 RMB'000	2022 RMB'000
Current				
Floating interest rate:				
Bank loans – unsecured	1-year LPR plus 0.45%	2023	–	100,115
Bank loan – secured				
Current portion of long-term bank loan of US$45,000,000 (note (a))	LIBOR* plus 1.65%	2024	**320,144**	122,488
Bank loans – unsecured	1-year LPR plus 0.40%	2024	**100,113**	–
Bank loans – unsecured	1-year LPR plus 0.20%	2024	**29,721**	–
Fixed interest rate:				
Bank loans – unsecured	3.30%	2024	**7,000**	–
			456,978	222,603
Non-current				
Floating interest rate:				
Bank loan – secured	LIBOR* plus 1.65%	2024-2025	–	501,451
Non-current portion of long-term bank loan of US$45,000,000 (note (a))				
Bank loans – secured (note (b))	5-year LPR minus 0.10%	2026-2036	**170,720**	61,915
Bank loans – secured (note (c))	5-year LPR minus 0.15%	2026-2037	**78,209**	10,013
			248,929	573,379
			705,907	795,982

29. INTEREST-BEARING BANK BORROWINGS (Continued)

	2023 RMB'000	2022 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**456,978**	222,603
In the second year	**–**	188,044
In the third to fifth years, inclusive	**46,205**	385,335
over five years	**202,724**	–
	705,907	795,982

* London Interbank Offered Rate ("LIBOR")

Notes:

(a) The bank loan of US$45,000,000 is secured by:

(i) credit guarantee from the Company; and

(ii) mortgages over the Group's equity interests in certain of its subsidiaries, namely Venus HK, Athena Medtech Holding Ltd. and MTH.

(b) The bank loan of RMB170,720,000 is secured by mortgage over the Group's leasehold land, which had a net carrying value at the end of the reporting period of RMB29,184,000.

(c) The bank loan of RMB78,209,000 is secured by mortgage over the Group's leasehold land, which had a net carrying value at the end of the reporting period of RMB12,323,000.

(d) Except for the bank loan of US$45,000,000 which is denominated in US$, all loans are in RMB.

(e) During the year ended 31 December 2023, one of the subsidiaries of the Group breach the loan covenant since Mr. Zi Zhenjun resigned as a director of the Company. The subsidiary need to early repaid the loan amounted to US$45,000,000 which is originally matured in 2025.

30. GOVERNMENT GRANTS

	2023 RMB'000	2022 RMB'000
Government grants		
Current	**700**	1,370
Non-current	**1,630**	600
	2,330	1,970

The movements in government grants during the year are as follows:

	2023 RMB'000	2022 RMB'000
At beginning of year	**1,970**	14,993
Grants received	**1,310**	1,020
Recognised as income	**(950)**	(14,043)
At end of year	**2,330**	1,970
Analysed into:		
Current portion	**700**	1,370
Non-current portion	**1,630**	600

The grants are related to the subsidies received from the local government for the purpose of compensation for expenses arising from research activities and clinical trials, and awards for new valve product development and capital expenditure incurred on certain projects.

31. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities:

	31 December 2023 RMB'000	31 December 2022 RMB'000	1 January 2022 RMB'000
Short-term advances received from customers			
Sale of products	**28,842**	2,952	2,845

Contract liabilities represented the obligations to transfer goods to customers for which the Group has received consideration. Revenue of RMB2,886,000 (2022: RMB1,244,000) was recognised related to contract liabilities which were carried forward.

32. DEFERRED TAX LIABILITIES

The following are the major deferred tax movements thereon during the year:

2023

Deferred tax liabilities

	Fair value adjustments of equity investments at fair value through other comprehensive income RMB'000	Fair value adjustments of financial assets of fair value through profit or loss RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Right-of use assets RMB'000	Total RMB'000
At 1 January 2023	300	–	8,911	9,399	18,610
Deferred tax charged to profit or loss during the year (note 11)	–	3,803	8,518	11,363	23,684
Deferred tax charged to other comprehensive income during the year	42	–	–	–	42
Exchange realignment	5	–	–	–	5
Gross deferred tax liabilities at 31 December 2023	347	3,803	17,429	20,762	42,341

2023

Deferred tax assets

	Unrealised profits from inter-company transactions RMB'000	Lease liabilities RMB'000	Tax loss RMB'000	Total RMB'000
At 1 January 2023	1,618	9,522	–	11,140
Deferred tax credited to profit or loss during the year (note 11)	435	11,188	18,938	30,561
Exchange realignment	–	–	524	524
Gross deferred tax assets at 31 December 2023	2,053	20,710	19,462	42,225

32. DEFERRED TAX LIABILITIES (Continued)

2022

Deferred tax liabilities

	Fair value adjustments of equity investments at fair value through other comprehensive income RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Right-of use assets RMB'000	Total RMB'000
At 1 January 2022	568	45,432	11,983	57,983
Deferred tax charged/(credited) to profit or loss during the year (note 11)	–	(36,386)	(2,751)	(39,137)
Deferred tax credited to other comprehensive income during the year	(321)	–	–	(321)
Exchange realignment	53	(135)	167	85
Gross deferred tax liabilities at 31 December 2022	300	8,911	9,399	18,610

32. DEFERRED TAX LIABILITIES (Continued)

2022

Deferred tax assets

	Unrealised profits from inter-company transactions RMB'000	Lease liabilities RMB'000	Loss available for offsetting against future taxable profits RMB'000	Total RMB'000
At 1 January 2022	–	11,933	769	12,702
Deferred tax credited/(charged) to profit or loss during the year (note 11)	1,618	(2,573)	(811)	(1,766)
Exchange realignment	–	162	42	204
Gross deferred tax assets at 31 December 2022	1,618	9,522	–	11,140

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

	2023 RMB'000	2022 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**17,660**	9,941
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(17,776)**	(17,411)
Net deferred tax liabilities	**(116)**	(7,470)

33. SHARE CAPITAL

	Number of shares	RMB'000
Issued and fully paid:		
ordinary shares of RMB1.00 each		
At 1 January 2022, 1 January 2023 and 31 December 2023	441,011,443	441,012

34. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the Group.

a) Share premium

The share premium of the Group represents the share premium contributed by the shareholders of the Company after its conversion into a joint stock company in November 2018.

b) Other reserves

Other reserves of the Group represent the share premium contributed by the shareholders of the Company before its conversion into a joint stock company in November 2018, and also the share-based compensation reserve due to equity-settled share awards.

c) Fair value reserves

The fair value reserve represents the fair value of equity investments at fair value through other comprehensive income.

d) Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of entities of which the functional currency is not RMB.

35. SHARE AWARD

The Company granted share award to certain personnel in order to recognise and reward the contribution of certain specialists to the growth and development of the Group, and to retain certain eligible employees for the continual operation and development of the Group through an award of the Company's shares in prior years. During the year, the Company did not grant any new share award.

During the year, no share award expense (2022: Nil) was charged to profit or loss.

36. BUSINESS COMBINATIONS

On 25 January 2022, the Group acquired a 94.38% equity interest in MTH, which is a private company incorporated in Israel and engaged in the design, development and commercialisation of medical devices, and its subsidiaries (the "MTH Group") at a consideration of US$170,457,000 (equivalent to RMB1,086,594,000). The acquisition was made as part of the Group's strategy to further improve the Group's research and development business and expand the business of the Group's medical services.

The acquisition was completed on 25 January 2022 when the Group obtained control of the operating and financial activities of MTH Group.

36. BUSINESS COMBINATIONS (Continued)

The fair values of the identifiable assets and liabilities of MTH Group as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Cash and cash equivalent		38,167
Pledged deposits		3,230
Other receivables and other assets		1,880
Property, plant and equipment	14	10,158
Right-of-use assets	15(a)	48,595
Other intangible assets	17	419,449
Other non-current assets		4,091
Other payables and accruals		(247,657)
Lease liabilities	15(b)	(48,595)
Total identifiable net assets at fair value		229,318
Goodwill on acquisition	16	921,943
The fair value of 5.62% shareholding interest in MTH Group previously held		(64,667)
Total consideration		1,086,594
Satisfied by:		
Cash consideration paid during the year ended 31 December 2022		851,661
Contingent consideration payable as at 31 December 2022 (note 28)		234,933
		1,086,594

The fair value of the other receivables as at the date of acquisition amounted to RMB696,000 and the gross contractual amount of the other receivables was RMB696,000.

The Group incurred transaction costs of RMB15,799,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

36. BUSINESS COMBINATIONS (Continued)

The goodwill of RMB921,943,000 recognised above is due to the new markets entered into by the Group to achieve product and business diversification. The above factor is neither separable nor contractual and therefore it does not meet the criteria for recognition as intangible assets under IAS 38 Intangible Assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the leases relative to market terms.

As part of the share purchase agreement, contingent consideration is payable, which is dependent on the occurrence of milestone events, including the achievement of any of the NMPA approval, the FDA approval or CE Marking and medical device registration of MTH Mitral Valve Product ("Milestone 1"), the achievement of any of the NMPA approval, the FDA approval or CE mark and CE MDR of MTH Tricuspid Valve Product ("Milestone 2") and the achievement of certain successful implantation and survival of patients in mainland China using the two product mentioned above ("Milestone 3"). The initial amount recognised was US$36,855,000 (equivalent to RMB234,933,000) which was determined using the discounted cash flow model and is within Level 3 fair value measurement.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration paid	(851,661)
Cash and bank balances acquired	38,167
Net outflow of cash and cash equivalents included in cash flows from investing activities	(813,494)
Transaction costs of the acquisition included in cash flows from operating activities	(15,799)
	(829,293)

36. BUSINESS COMBINATIONS (Continued)

Since the acquisition, MTH Group has not contributed any revenue to the Group and has caused loss of RMB161,027,000 to the Group's consolidated loss for the year ended 31 December 2022.

Had the combination taken place at the beginning of the year ended 31 December 2022, the revenue of the Group and the loss of the Group for the year would have been RMB406,461,000 and RMB1,134,925,000, respectively.

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB53,246,000 (2022: RMB32,578,000) and RMB53,246,000 (2022: RMB32,578,000), respectively, in respect of lease arrangements for office premises (2022: office premises).

(b) Changes in liabilities arising from financing activities

2023

	Lease liabilities RMB'000	Interest-bearing bank borrowings RMB'000	Total RMB'000
At 1 January 2023	103,661	795,982	899,643
Changes from financing cash flows			
– Proceeds from bank borrowings	–	413,476	413,476
– Repayment of bank borrowings	–	(513,578)	(513,578)
– Interest paid	–	(52,037)	(52,037)
– Principal portion of lease payments	(30,233)	–	(30,233)
– Interest portion of lease payments	(9,654)	–	(9,654)
Interest on bank loans	–	53,062	53,062
Interest on lease liabilities	9,654	–	9,654
New leases	53,246	–	53,246
Foreign exchange movement	6,483	9,002	15,485
Reductions as a result of termination of leases	(12,878)	–	(12,878)
At 31 December 2023	120,279	705,907	826,186

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

(b) Changes in liabilities arising from financing activities (Continued)

2022

	Lease liabilities RMB'000	Interest-bearing bank borrowings RMB'000	Total RMB'000
At 1 January 2022	65,875	4,900	70,775
Changes from financing cash flows			
– Proceeds from bank borrowings	–	939,141	939,141
– Repayment of bank loans	–	(213,381)	(213,381)
– Interest paid	–	(38,405)	(38,405)
– Principal portion of lease payments	(24,076)	–	(24,076)
– Interest portion of lease payments	(5,402)	–	(5,402)
Interest on bank loans	–	39,221	39,221
Interest on lease liabilities	5,402	–	5,402
New leases	32,578	–	32,578
Foreign exchange movement	2,379	64,506	66,885
Reductions as a result of termination of leases	(21,690)	–	(21,690)
Increase arising from acquisition of a subsidiary (note 36)	48,595	–	48,595
At 31 December 2022	103,661	795,982	899,643

(c) Total cash outflow for leases

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

	2023 RMB'000	2022 RMB'000
Within operating activities	**2,432**	1,883
Within financing activities	**39,887**	29,478
	42,319	31,361

38. COMMITMENTS

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

	2023 RMB'000	2022 RMB'000
Contracted, but not provided for:		
Purchases of items of property, plant and equipment	**3,484**	4,475
Purchases of other intangible assets	**225**	750
	3,709	5,225

39. RELATED PARTY TRANSACTIONS

Name	Relationship with the Company
Mr. Zhenjun Zi	Shareholder and former director
Mr. Min Frank Zeng	Shareholder and former director

(a) In addition to the transactions detailed in notes 9, 24 and 26 to the consolidated financial statements, the Group had the following transactions with related parties during the year.

	2023 **RMB'000**	2022 RMB'000
Advances of loans to:		
Mr. Zhenjun Zi	**432,000**	468,309
Mr. Min Frank Zeng	**21,100**	234,976
	453,100	703,285
Repayment of loans to:		
Mr. Zhenjun Zi	**353,250**	449,919
Mr. Min Frank Zeng	**17,707**	255,706
	370,957	705,625
Interest from loans to:		
Mr. Zhenjun Zi	**8,356**	8,521
Mr. Min Frank Zeng	**4,811**	6,847
	13,167	15,368
Repayment of interest from loans to:		
Mr. Min Frank Zeng	**–**	999

39. RELATED PARTY TRANSACTIONS (Continued)

During the year ended 31 December 2023, the Group had made advances of loans to the Company's former directors and shareholders, Mr. Zhenjun Zi and Mr. Min Frank Zeng, in the total principal amounts of RMB432,000,000 and RMB21,100,000, respectively, which should have been approved by the board or independent shareholders in advance, if applicable. The loans bore interest at 3% per annum and were unsecured and repayable on demand.

During the year ended 31 December 2022, the Group had made advances of loans to the Company's former directors and shareholders, Mr. Zhenjun Zi and Mr. Min Frank Zeng, in the total principal amounts of RMB468,309,000 and RMB234,976,000, respectively, which should have been approved by the board or independent shareholders in advance, if applicable. The loans bore interest at 3% per annum and were unsecured and repayable on demand. The outstanding loan and interest receivables of RMB34,400,000 as at 31 December 2022 were fully settled as of the date of this report. Further details are included in note 24 to the consolidated financial statements.

(b) The Group had following outstanding balances with related parties:

	2023 **RMB'000**	2022 RMB'000
Loans to former directors:		
Mr. Zhenjun Zi	**97,480**	28,293
Mr. Min Frank Zeng	**8,687**	6,107
	106,167	34,400

The balances with former directors are non-trade in nature, unsecured and repayable on demand. Further details are included in note 39(a) to the consolidated financial statements.

39. RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation of key management personnel of the Group:

	2023 RMB'000	2022 RMB'000
Salaries, bonuses, allowances and benefits in kind	**9,392**	11,380
Pension scheme contributions	**230**	300
Total compensation paid to key management personnel	**9,622**	11,680

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

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2023

Financial assets

		Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	
	Financial assets at amortised cost RMB'000	Mandatorily classified as such RMB'000	Equity instruments RMB'000	Total RMB'000
Equity investments designated at fair value through comprehensive income	–	–	16,269	16,269
Loans to former directors	106,167	–	–	106,167
Financial assets at fair value through profit or loss	–	428,380	–	428,380
Trade receivables	290,607	–	–	290,607
Financial assets included in prepayments, other receivables and other assets	31,491	–	–	31,491
Pledged deposits	211,649	–	–	211,649
Short-term bank deposit	7,240	–	–	7,240
Cash and cash equivalents	774,396	–	–	774,396
	1,421,550	428,380	16,269	1,866,199

40. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2023

Financial liabilities

	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	–	33,855	33,855
Financial liabilities included in other payables and accruals	–	209,792	209,792
Interest-bearing bank borrowings	–	705,907	705,907
Contingent consideration payables	325,996	–	325,996
	325,996	949,554	1,275,550

40. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2022

Financial assets

		Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	
	Financial assets at amortised cost RMB'000	Mandatorily classified as such RMB'000	Equity instruments RMB'000	Total RMB'000
Equity investments designated at fair value through comprehensive income	–	–	15,747	15,747
Loans to directors	34,400	–	–	34,400
Financial assets at fair value through profit or loss	–	388,322	–	388,322
Trade receivables	303,388	–	–	303,388
Financial assets included in prepayments, other receivables and other assets	22,940	–	–	22,940
Pledged deposits	27,487	–	–	27,487
Cash and cash equivalents	1,879,431	–	–	1,879,431
	2,267,646	388,322	15,747	2,671,715

40. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2022

Financial liabilities

	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	–	9,126	9,126
Financial liabilities included in other payables and accruals	–	182,677	182,677
Interest-bearing bank borrowings	–	795,982	795,982
Contingent consideration payables	481,338	–	481,338
	481,338	987,785	1,469,123

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

All the carrying amounts of the Group's financial instruments approximate to their fair values. Management has assessed that the fair values of cash and cash equivalents, pledged deposits, current portion of financial assets included in prepayments, other receivables and other assets, loans to former directors, trade receivables, current portion of interest-bearing bank borrowings, trade payables and current portion of financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

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

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

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

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

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

The Group has also invested in unlisted debt investments which fair value is determined on a recent transaction valuation. The Group classifies the fair value of these investments as Level 2.

For Level 3 financial assets, the Group adopts the valuation techniques to determine the fair value. Valuation techniques include the scenario analysis for unlisted debt investments, the probability-weighted expected return method for unlisted debt investments, and market method for an unlisted debt investment and an unlisted equity investment. The fair value measurement of these financial instruments may involve unobservable inputs such as the risk-free rate, discount rate, equity volatility, DLOM, Probability of IPO and P/R&D. The Group periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial assets in Level 3.

The fair values of the contingent consideration payables were determined using the discounted cash flow method and are within Level 3 fair value measurement.

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

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2023 and 2022:

2023

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of fair value to the input
Financial assets at fair value through profit or loss	Scenario analysis	Risk-free rate	4.79%	1% increase/(decrease) in the risk-free rate would result in a (decrease)/increase in fair value by RMB(227,000)/RMB227,000
		Discount rate	16.94%	5% increase/(decrease) in the discount rate would result in a (decrease)/increase in fair value by RMB(2,026,000)/RMB2,201,000
Financial assets at fair value through profit or loss	Scenario analysis	Risk-free rate	4.14%-4.40%	1% increase/(decrease) in the risk-free rate would result in a (decrease)/increase in fair value by RMB(843,000)/RMB864,000
		Discount rate	15.13%-15.45%	5% increase/(decrease) in the discount rate would result in a (decrease)/increase in fair value by RMB(4,497,000)/RMB5,156,000
Financial assets at fair value through profit or loss	Market method	Risk-free rate	3.84%	1% increase/(decrease) in the risk-free rate would result in a (decrease)/increase in fair value by RMB(7,000)/RMB7,000
		Equity volatility	36.74%	10% increase/(decrease) in the equity volatility would result in an increase/(decrease) in fair value by RMB71,000/RMB(21,000)
		DLOM	16.74%	1% increase/(decrease) in the DLOM would result in a (decrease)/increase in fair value by RMB(21,000)/RMB21,000

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

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of fair value to the input
		Probability of IPO	20.00%	5% increase/(decrease) in the probability of IPO would result in a (decrease)/increase in fair value by RMB(85,000)/RMB78,000
Financial assets at fair value through profit or loss	Market method	Risk-free rate	3.84%	1% increase/(decrease) in the risk-free rate would result in a (decrease)/increase in fair value by RMB(418,000)/RMB453,000
		Equity volatility	28.90%	10% increase/(decrease) in the equity volatility would result in an increase/(decrease) in fair value by RMB220,000/RMB(397,000)
		DLOM	6.46%	1% increase/(decrease) in the DLOM would result in a (decrease)/ increase in fair value by RMB(135,000)/RMB135,000
		Probability of IPO	20.00%	5% increase/(decrease) in the probability of IPO would result in a (decrease)/increase in fair value by RMB(276,000)/RMB276,000
Financial assets at fair value through other comprehensive income	Market method	DLOM	26.00%	1% increase/(decrease) in the DLOM would result in a (decrease)/ increase in fair value by RMB(220,000)/RMB220,000
		P/R&D	3.95	10% increase/(decrease) in the P/ R&D would result in an increase/ (decrease) in fair value by RMB1,317,000/(RMB1,317,000)
Financial assets at fair value through profit or loss	Probability weighted expected return method	Risk-free rate	4.09%	1% increase/(decrease) in the risk-free rate would result in a (decrease)/increase in fair value by RMB(2,521,000)/RMB2,131,000

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

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of fair value to the input
		Equity volatility	32.54%	10% increase/(decrease) in the equity volatility would result in an increase/(decrease) in fair value by RMB2,061,000/RMB(1,863,000)
		DLOM	4.96%	1% increase/(decrease) in the DLOM would result in a (decrease)/ increase in fair value by RMB(1,232,000)/RMB1,239,000
		Probability of IPO	30.00%	5% increase/(decrease) in the probability of IPO would result in a (decrease)/increase in fair value by RMB(3,053,000)/RMB3,060,000
Contingent consideration payables	Discounted cash flow method	Discount rate	20.00%	1% increase/(decrease) in the discount rate would result in a (decrease)/increase in fair value by RMB(10,086,000)/RMB10,518,000
		Discount for own non-performance risk for Milestone 1	15.00%	5% increase/(decrease) in discount risk would result in a (decrease)/ increase in fair value by RMB(3,138,000)/RMB3,131,000
		Discount for own non-performance risk for Milestone 2	20.00%	5% increase/(decrease) in discount risk would result in a (decrease)/ increase in fair value by RMB(6,799,000)/RMB6,799,000
		Discount for own non-performance risk for Milestone 3	20.00%	5% increase/(decrease) in discount risk would result in a (decrease)/ increase in fair value by RMB(10,249,000)/RMB10,242,000

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

2022

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of fair value to the input
Financial assets at fair value through profit or loss	Scenario analysis	Risk-free rate	5.39%-5.50%	1% increase/(decrease) in the risk-free rate would result in a (decrease)/increase in fair value by RMB(1,519,000)/RMB1,580,000
		Discount rate	13.82%-14.06%	5% increase/(decrease) in the discount rate would result in a (decrease)/increase in fair value by RMB(4,210,000)/RMB5,050,000
Financial assets at fair value through profit or loss	Scenario analysis	Risk-free rate	4.41%	1% increase/(decrease) in the risk-free rate would result in a (decrease)/increase in fair value by RMB(648,000)/RMB667,000
		Discount rate	15.55%	5% increase/(decrease) in the discount rate would result in a (decrease)/increase in fair value by RMB(2,670,000)/RMB3,040,000
Financial assets at fair value through profit or loss	Probability weighted expected return method	Risk-free rate	4.15%	1% increase/(decrease) in the risk-free rate would result in a (decrease)/increase in fair value by RMB(273,000)/RMB235,000
		Equity volatility	30.72%	10% increase/(decrease) in the equity volatility would result in a (decrease)/increase in fair value by RMB(371,000)/RMB161,000
		DLOM	3.79%	1% increase/(decrease) in the DLOM would result in a (decrease)/increase in fair value by RMB(100,000)/RMB100,000
		Probability of IPO	20.00%	5% increase/(decrease) in the probability of IPO would result in a (decrease)/increase in fair value by RMB(341,000)/RMB341,000

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

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of fair value to the input
Financial assets at fair value through profit or loss	Probability weighted expected return method	Risk-free rate	4.15%	1% increase/(decrease) in the risk-free rate would result in a (decrease)/increase in fair value by RMB(2,402,000)/RMB2,488,000
		Equity volatility	40.13%	10% increase/(decrease) in the equity volatility would result in a (decrease)/increase in fair value by RMB(2,473,000)/RMB1,486,000
		DLOM	7.45%	1% increase/(decrease) in the DLOM would result in a (decrease)/increase in fair value by RMB(1,031,000)/ RMB1,031,000
		Probability of IPO	30.00%	5% increase/(decrease) in the probability of IPO would result in a (decrease)/increase in fair value by RMB(3,592,000)/RMB3,592,000
Financial assets at fair value through profit or loss	Market method	Risk-free rate	4.23%	1% increase/(decrease) in the risk-free rate would result in a (decrease)/ increase in fair value by RMB(84,000)/ RMB71,000
		Equity volatility	40.60%	10% increase/(decrease) in the equity volatility would result in a (decrease)/increase in fair value by RMB(342,000)/RMB324,000
		DLOM	8.06%	1% increase/(decrease) in the DLOM would result in a (decrease)/increase in fair value by RMB(55,000)/ RMB55,000
		Probability of IPO	20.00%	5% increase/(decrease) in the probability of IPO would result in a (decrease)/increase in fair value by RMB(213,000)/RMB213,000

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

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of fair value to the input
Financial assets at fair value through other comprehensive income	Market method	DLOM	20.00%	1% increase/(decrease) in the DLOM would result in a (decrease)/increase in fair value by RMB(190,000)/ RMB190,000
		P/R&D	4.40	10% increase/(decrease) in the P/R&D would result in a (decrease)/increase in fair value by RMB(1,462,000)/ RMB1,462,000
Contingent consideration payables	Discounted cash flow method	Discount rate	19.88%	1% increase/(decrease) in the discount rate would result in a (decrease)/increase in fair value by RMB(4,228,000)/RMB4,380,000
		Discount for own non-performance risk for milestone 1	10.00%	5% increase/(decrease) in discount risk would result in a (decrease)/increase in fair value by RMB(9,836,000)/ RMB9,836,000
		Discount for own non-performance risk for milestone 2	20.00%	5% increase/(decrease) in discount risk would result in a (decrease)/increase in fair value by RMB(1,676,000)/ RMB1,676,000

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

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of fair value to the input
Contingent consideration payables	Discounted cash flow method	Discount rate	22.30%	1% increase/(decrease) in the discount rate would result in a (decrease)/increase in fair value by RMB(9,852,000)/RMB10,295,000
		Discount for own non-performance risk for Milestone 1	15.00%	5% increase/(decrease) in discount risk would result in a (decrease)/increase in fair value by RMB(2,975,000)/RMB2,975,000
		Discount for own non-performance risk for Milestone 2	20.00%	5% increase/(decrease) in discount risk would result in a (decrease)/increase in fair value by RMB(6,457,000)/RMB6,457,000
		Discount for own non-performance risk for Milestone 3	20.00%	5% increase/(decrease) in discount risk would result in a (decrease)/increase in fair value by RMB(8,749,000)/RMB8,749,000

The DLOM represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

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

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2023

	Fair value measurement using			
	Quoted price in active market (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	–	16,269	16,269
Financial assets at fair value through profit or loss – Unlisted debt investments	–	127,082	301,298	428,380
	–	127,082	317,567	444,649

As at 31 December 2022

	Fair value measurement using			
	Quoted price in active market (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	–	15,747	15,747
Financial assets at fair value through profit or loss – Unlisted debt investments	–	113,262	275,060	388,322
	–	113,262	290,807	404,069

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

Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

The movements in fair value measurements within Level 3 during the year are as follows:

	2023 RMB'000	2022 RMB'000
Financial assets at fair value through profit or loss		
As at 1 January	**275,060**	146,845
Transfer from level 2	**–**	110,348
Exchange realignment	**2,044**	23,554
Total gains/(losses) recognised in profit or loss included in other expense#	**24,194**	(5,687)
As at 31 December	**301,298**	275,060
# Include gains or losses for assets held at the end of reporting period	**24,194**	(5,687)
Equity investments designated at fair value through other comprehensive income		
As at 1 January	**15,747**	–
Transfer from level 2	**–**	16,194
Exchange realignment	**268**	–
Total gain/(loss) recognised in other comprehensive loss	**254**	(447)
As at 31 December	**16,269**	15,747

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

Fair value hierarchy (Continued)

Liabilities measured at fair value:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Contingent consideration payables	–	–	**325,996**	**325,996**

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Contingent consideration payables	–	–	481,338	481,338

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

During the year, there were no transfers into or out of Level 3 for financial assets (2022: there were transfers into or out of Level 3 for financial assets) and there were no transfers into or out of Level 3 for financial liabilities (2022: Nil).

The Group's principal financial instruments comprise cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables, trade and other payables and bank borrowings, which arise directly from its operations.

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

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings with a floating interest rate.

The Group's policy is to manage its interest cost using variable rate debts.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's loss before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before tax RMB'000	(Decrease)/ increase in equity RMB'000
31 December 2023			
US$	**50**	**1,601**	**(1,601)**
US$	**(50)**	**(1,601)**	**1,601**
RMB	**50**	**1,894**	**(1,894)**
RMB	**(50)**	**(1,894)**	**1,894**
31 December 2022			
US$	50	3,117	(3,117)
US$	(50)	(3,117)	3,117
RMB	50	396	(396)
RMB	(50)	(396)	396

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

Foreign currency risk

The Group has transactional currency exposures. Such exposures mainly arise from investing and financing activities of the Company and purchasing activities of operating entities in currencies other than the entities' functional currencies. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the foreign currency exchange rates, with all other variables held constant, of the Group's loss before tax and the Group's equity. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates.

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

Foreign currency risk (Continued)

	Increase/ (decrease) in rate of foreign currency %	Increase/ (decrease) in loss before tax RMB'000	Decrease/ (increase) in equity RMB'000
2023			
If the RMB weakens against the US$	**5**	**(10,821)**	**(9,190)**
If the RMB strengthens against the US$	**(5)**	**10,821**	**9,190**
If the RMB weakens against the HK$	**5**	**1,844**	**1,535**
If the RMB strengthens against the HK$	**(5)**	**(1,844)**	**(1,535)**
If the RMB weakens against the EUR	**5**	**2,175**	**1,849**
If the RMB strengthens against the EUR	**(5)**	**(2,175)**	**(1,849)**
If the RMB weakens against the NIS	**5**	**2,870**	**2,267**
If the RMB strengthens against the NIS	**(5)**	**(2,870)**	**(2,267)**
2022			
If the RMB weakens against the US$	5	(12,485)	(13,501)
If the RMB strengthens against the US$	(5)	12,485	13,501
If the RMB weakens against the HK$	5	16,382	13,834
If the RMB strengthens against the HK$	(5)	(16,382)	(13,834)
If the RMB weakens against the EUR	5	799	834
If the RMB strengthens against the EUR	(5)	(799)	(834)
If the RMB weakens against the NIS	5	20	20
If the RMB strengthens against the NIS	(5)	(20)	(20)

Credit risk

The Group trades mainly with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

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

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on ageing information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Loans to former directors	106,167	–	–	–	106,167
Trade receivables*	–	–	–	302,277	302,277
Financial assets included in prepayments, other receivables and other assets					
– Normal**	31,873	–	–	–	31,873
– Doubtful**	–	–	15,078	–	15,078
Pledged deposits					
– Not yet past due	211,649	–	–	–	211,649
Short-term bank deposit					
– Not yet past due	7,240	–	–	–	7,240
Cash and cash equivalents					
– Not yet past due	774,396	–	–	–	774,396
	1,131,325	–	15,078	302,277	1,448,680

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

Maximum exposure and year-end staging (Continued)

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Loans to former directors	34,400	–	–	–	34,400
Trade receivables*	–	–	–	316,486	316,486
Financial assets included in prepayments, other receivables and other assets					
– Normal**	23,037	–	–	–	23,037
– Doubtful**	–	–	15,847	–	15,847
Pledged deposits					
– Not yet past due	27,487	–	–	–	27,487
Cash and cash equivalents					
– Not yet past due	1,879,431	–	–	–	1,879,431
	1,964,355	–	15,847	316,486	2,296,688

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 22 to the consolidated financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Since the Group trades mainly with recognised and creditworthy third parties, there is no requirement for collateral.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables and other receivables are disclosed in notes 22 and 23 to the consolidated financial statements.

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

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2023					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	435	33,420	–	–	–	33,855
Financial liabilities included in other payables and accruals	209,792	–	–	–	–	209,792
Lease liabilities	–	17,513	23,134	94,526	2,746	137,919
Contingent consideration payables	–	–	–	467,458	354,135	821,593
Interest-bearing bank borrowings	–	36,957	460,564	88,824	249,068	835,413
	210,227	87,890	483,698	650,808	605,949	2,038,572

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

Liquidity risk (Continued)

	As at 31 December 2022					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	147	8,979	–	–	–	9,126
Financial liabilities included in other payables and accruals	182,677	–	–	–	–	182,677
Lease liabilities	–	6,780	22,468	85,361	2,747	117,356
Contingent consideration payables	–	–	–	804,590	348,230	1,152,820
Interest-bearing bank borrowings	–	232,524	17,773	528,435	78,964	857,696
	182,824	248,283	40,241	1,418,386	429,941	2,319,675

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure, which includes equity attributable to owners of the parent, and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 31 December 2022.

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

Capital management (Continued)

	2023 RMB'000	2022 RMB'000
Interest-bearing bank borrowings	**705,907**	795,982
Lease liabilities	**120,279**	103,661
Total debt	**826,186**	899,643
Total equity	**2,919,346**	3,631,311
Gearing ratio	**28%**	25%

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**501,280**	274,323
Right-of-use assets	**67,648**	85,889
Other intangible assets	**48,025**	54,473
Investments in subsidiaries	**2,135,433**	1,897,511
Financial assets at fair value through profit or loss	**168,455**	158,918
Prepayments, other receivables and other assets	**9,147**	12,343
Total non-current assets	**2,929,988**	2,483,457
CURRENT ASSETS		
Inventories	**106,103**	98,211
Trade receivables	**327,867**	288,568
Prepayments, other receivables and other assets	**58,645**	49,724
Loans to former directors	**3,110**	4,137
Due from subsidiaries	**1,426,503**	1,106,668
Pledged deposits	**5,210**	22,740
Cash and cash equivalents	**307,291**	697,949
Total current assets	**2,234,729**	2,267,997

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

	2023 RMB'000	2022 RMB'000
CURRENT LIABILITIES		
Trade payables	**39,308**	7,261
Lease liabilities	**11,455**	13,687
Other payables and accruals	**164,425**	148,595
Interest-bearing bank borrowings	**136,833**	100,115
Government grants, current	**700**	1,370
Contract liabilities	**28,842**	2,952
Tax payable	**1,140**	–
Due to subsidiaries	**1,041,642**	480,307
Total current liabilities	**1,424,345**	754,287
NET CURRENT ASSETS	**810,384**	1,513,710
TOTAL ASSETS LESS CURRENT LIABILITIES	**3,740,372**	3,997,167
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**248,929**	71,927
Lease liabilities	**14,343**	29,847
Government grants	**1,630**	600
Total non-current liabilities	**264,902**	102,374
Net assets	**3,475,470**	3,894,793
EQUITY		
Share capital	**441,012**	441,012
Reserves (note)	**3,034,458**	3,453,781
Total equity	**3,475,470**	3,894,793

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

Note:

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

	Treasury shares	Share premium	Other reserves	Accumulated losses	Total
At 1 January 2022	(72,548)	5,112,276	268,195	(1,170,324)	4,137,599
Total comprehensive loss for the year	–	–	–	(683,818)	(683,818)
At 31 December 2022 and 1 January 2023	(72,548)	5,112,276	268,195	(1,854,142)	3,453,781
Total comprehensive loss for the year	–	–	–	(419,323)	(419,323)
At 31 December 2023	**(72,548)**	**5,112,276**	**268,195**	**(2,273,465)**	**3,034,458**

43. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 26 April 2024.

Definitions

"2022 AGM"	the 2022 annual general meeting of the Company held on May 30, 2022
"2023 Fourth EGM"	the 2023 fourth extraordinary general meeting of the Company held on December 15, 2023, as referred to in the section headed "Corporate Information" in this annual report
"2023 Third EGM"	the 2023 third extraordinary general meeting of the Company held on November 30, 2023, as referred to in the section headed "Corporate Information" in this annual report
"Adoption Date"	July 12, 2023, being the date on which the adoption of the Share Option Scheme was approved by the Shareholders
"AGM"	the annual general meeting of the Company for the Reporting Period
"AS"	Aortic Stenosis
"Articles of Association"	the articles of association of the Company
"Audit Committee"	the audit committee of the Board
"Board"	the board of directors of the Company
"Cardiovalve"	Cardiovalve Ltd. (formerly known as Mitraltech Ltd.), a private company incorporated under the laws of Israel, which is a wholly-owned subsidiary of the Target Company
"CE MDR"	a certification mark that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area
"CE MDR Marking"	a mark of CE MDR
"CEP"	cerebral embolic protection, the function of the devices designed to capture or deflect embolism traveling to the brain during TAVR procedures in order to protect the supra-aortic vessels from embolic debris
"China" or "the PRC"	the People's Republic of China, excluding, for the purpose of this annual report, Hong Kong, Macau Special Administrative Region and Taiwan

"Company", "our Company" or "Venus Medtech"	Venus Medtech (Hangzhou) Inc. (杭州啓明醫療器械股份有限公司), a limited liability company incorporated in the PRC on July 3, 2009 and converted into a joint stock limited liability company incorporated in the PRC on November 29, 2018, whose H Shares are listed on the Stock Exchange (Stock Code: 2500)
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
"CSRC"	the China Securities Regulatory Commission
"Directors"	the director(s) of the Company
"Disclosed Fund Flows"	the Mr. Zi Loans and the Mr. Zeng Loans and certain discloseable and connected transactions in relation to the provision of financial assistance contemplated thereunder as disclosed in the announcement of the Company dated May 8, 2023
"Domestic Share(s)"	the issued ordinary share(s) of the Company with a par value of RMB1.00 each, which are subscribed for and paid up in Renminbi
"Employee Incentive Scheme"	the employee incentive scheme of our Company approved and adopted by our Board on March 10, 2017, a summary of the principal terms of which is set forth in "Appendix VI – Statutory and General Information – Further information about our Directors, management and substantial shareholders – 5. Employee Incentive Scheme" of the Prospectus
"Employee Participant"	any PRC or non-PRC director (including executive, non-executive and independent non-executive director) and employee (whether full-time or part-time) of the Company or any of its subsidiaries, and any person who are granted options as an inducement to enter into employment contracts with the Company or any of its subsidiaries (including nominees and/or trustees of any employee benefit trust established for them)
"ESG Report"	environmental, social and governance report
"ESG Reporting Guide"	the Environmental, Social and Governance Reporting Guide in Appendix C2 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited

"EU"	the European Union
"FDA"	U.S. Food and Drug Administration
"Forensic Consultant"	Deloitte Advisory (Hong Kong) Limited, the forensic consultant formally engaged by the Special Committee to carry out the Forensic Investigation into matters concerning the Disclosed Fund Flows and potentially additional fund flows to related entities of Mr. Zi or Mr. Zeng
"Forensic Investigation"	has the meaning ascribed to it in the Forensic Investigation Announcement
"Forensic Investigation Announcement"	the announcement of the Company published on February 25, 2024 in relation to, among others, the key findings of the Forensic Investigation
"GMP"	good manufacturing practices, the aspect of quality assurance that ensures that medicinal products are consistently produced and controlled to the quality standards appropriate to their intended use and as required by the product specification
"Group", "We" or "us"	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require)
"H Share(s)"	the overseas listed foreign shares with a nominal value of RMB1.0 each in the share capital of the Company, which are listed on the Hong Kong Stock Exchange and subscribed for and traded in Hong Kong dollars
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hangzhou Kuntai"	Hangzhou Kuntai Biotechnology Co., Ltd., a company controlled by Mr. Zi and as referred to in the Forensic Investigation Announcement
"Hangzhou Qijin"	Hangzhou Qijin Equity Investment Co., Ltd., a wholly-owned subsidiary of the Company and as referred to in the Forensic Investigation Announcement
"Hangzhou Qiyi"	Hangzhou Qiyi Enterprise Management Co., Ltd., a wholly-owned subsidiary of the Company and as referred to in the Forensic Investigation Announcement

"HCM"	hypertrophic cardiomyopathy
"Healium"	Healium Medical Ltd, a high-tech company in Israeli
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HOCM"	hypertrophic obstructive cardiomyopathy
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IASB"	the International Accounting Standards Board
"IDE"	Investigational Device Exemption
"IFRS"	International Financial Reporting Standards
"Independent Third Party(ies)"	person(s) who, to the best knowledge of the Directors having made all reasonable enquiries, are not connected person(s) (as defined under the Listing Rules) of the Company
"Jiangsu Wuzhong"	Jiangsu Wuzhong Real Estate Group Co., Ltd., as further described in the Forensic Investigation Announcement
"Keystone"	Keystone Heart Ltd. (a wholly owned subsidiary of the Company which as of the date of this annual report, owns 799,433 Series C Preferred Shares of the Target Company) and its subsidiaries
"KOLs"	Acronym for Key Opinion Leaders who are doctors that influence their peers' medical practice, including but not limited to prescribing behavior
"KPIs"	key performance indicators
"Latest Practicable Date"	April 26, 2024, being the latest practicable date for ascertaining the contents set out in this annual report
"Listing"	the listing of the H Shares on the Main Board of the Stock Exchange on December 10, 2019
"Listing Date"	December 10, 2019, being the date on which the shares were listed on the Main Board

"Listing Rules"	the Rules governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Liwen RF"	Liwen RF ablation system, one of our product candidates
"LVOT"	left ventricular outflow tract. the anatomic structure through which the left ventricular stroke volume passes towards the aorta
"Main Board"	the Main Board of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
"Mr. Zeng"	Mr. Min Frank Zeng (曾敏), a former executive Director
"Mr. Zi"	Mr. Zhenjun Zi (訾振軍), a former executive Director
"NL"	the Netherlands
"NMPA"	National Medical Products Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局)
"Nomination Committee"	the Nomination Committee of the Board
"Nuocheng"	Hangzhou Nuocheng Medical Technology Co., Ltd. (杭州諾誠醫療科技有限公司), a wholly-owned subsidiary of the Company
"Offshore Employee Entities"	Blue Summit Management Limited, Mercury Holding Limited and Jupiter Holding Limited, which are limited liability companies incorporated in the Cayman Islands and the beneficial interests of which are offered to certain key employees of our Company pursuant to the Employee Incentive Scheme
"PI"	principle investigator

"PRC Employee Entities"	Hangzhou Qichu Investment Partnership (Limited Partnership) (杭州啓初投資合夥企業(有限合夥)), Hangzhou Mingnuo Investment Partnership (Limited Partnership) (杭州明諾投資合夥企業(有限合夥)), Hangzhou Qifei Investment Partnership (Limited Partnership) (杭州啓非投資合夥企業(有限合夥)), Hangzhou Qihe Investment Partnership (Limited Partnership) (杭州啓和投資合夥企業(有限合夥)), Hangzhou Qilai Investment Partnership (Limited Partnership) (杭州啓來投資合夥企業(有限合夥)), Hangzhou Qili Investment Partnership (Limited Partnership) (杭州啓立投資合夥企業(有限合夥)), Hangzhou Qinuo Investment Partnership (Limited Partnership) (杭州啓諾投資合夥企業(有限合夥)), Hangzhou Qisheng Investment Partnership (Limited Partnership) (杭州啓勝投資合夥企業(有限合夥)) and Hangzhou Qixin Investment Partnership (Limited Partnership) (杭州啓心投資合夥企業(有限合夥)), the beneficial interests of which are offered to certain key employees of the Company pursuant to the Employee Incentive Scheme
"Prospectus"	the prospectus published by the Company on November 28, 2019 in relation to its Hong Kong public offering
"Purchaser"	Athena Medtech Holding Ltd, a private company incorporated under the laws of Israel and wholly-owned by Venus HK, which is in turn wholly-owned by the Company
"R&D"	research and development
"RDN"	renal artery denervation
"Remuneration and Assessment Committee"	the Remuneration and Assessment Committee of the Board
"Renaly"	Renaly Ltd, a 51% owned subsidiary established by the Company and Healium
"Reporting Period"	the one-year period from January 1, 2023 to December 31, 2023
"Resumption Guidance"	the guidance for the resumption of trading in the shares of the Company set forth by the Stock Exchange in its letters of December 20, 2023 and February 9, 2024, as disclosed in the announcements of the Company dated December 27, 2023 and February 16, 2024, respectively

"Review Period"	December 1, 2019 to November 24, 2023
"RMB" or "Renminbi"	Renminbi Yuan, the lawful currency of China
"RVOT"	right ventricular outflow tract, an infundibular extension of the ventricular cavity which connects to the pulmonary artery
"RVOTD"	the dysfunction of RVOT
"Scheme Limit"	the maximum limit on the number of H Shares which may be issued upon exercise of option(s) and vesting of award(s), if any, under the Share Option Scheme and all other share scheme(s) of the Company (excluding options or awards lapsed in accordance with relevant scheme rules), which must not exceed 10% of the total number of issued H Shares as of the date of the Shareholders' approval of the Scheme Limit
"Series C Preferred Shares"	the Series C preferred shares of the Target Company
"Service Providers"	any advisor and consultant (natural person or corporate entity) who provide services to the Group on a continuing and recurring basis in the ordinary course of business of the Group that are in the interests of the long-term growth of the Group
"Service Provider Sublimit"	a sublimit under the Scheme Limit on the number of H Shares which may be issued to Service Providers upon exercise of option(s) and vesting of award(s), if any, under the Share Option Scheme and all other share scheme(s) of the Company (excluding options or awards lapsed in accordance with relevant scheme rules), which must not exceed 1% of the total number of H Shares in issue as of the date of the Shareholders' approval of the Service Provider Sublimit
"SFO"	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share(s)" or "share(s)"	ordinary share(s) in the capital of our Company with a nominal value of RMB1.0 each
"Shareholder(s)"	holders of shares of the Company

"Share Option Scheme"	the H Share option scheme of the Company adopted on June 30, 2023, the principal terms of which are set out in Appendix I to the circular of the Company on June 21, 2023 and the sub-section headed "Share Option Scheme" in this annual report
"Special Committee"	the special committee of the Board, which consists of Mr. Chi Wai Suen (an independent non-executive Director), Mr. Ting Yuk Anthony Wu (an independent non-executive Director), Mr. Wan Yee Joseph Lau (an independent non-executive Director, who passed away in February 2024), Ms. Nisa Bernice Wing-Yu Leung (a former non-executive Director), and Mr. Ao Zhang (a non-executive Director)
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Supervisor(s)"	member(s) of the supervisory committee of the Company
"Target Company"	Mitraltech Holdings Ltd., a private company incorporated under the laws of Israel
"TAV0"	TAV0 Balloon Aortic Valvuloplasty Catheter, one of our balloon transluminal aortic valvuloplasty catheter system products
"TAV8"	TAV8 Balloon Aortic Valvuloplasty Catheter, one of our balloon transluminal aortic valvuloplasty catheter system products
"TAVR"	transcatheter aortic heart valve replacement, a catheter-based technique to implant a new aortic valve in a minimally invasive procedure that does not involve open chest surgery to correct severe aortic stenosis
"TMVR"	transcatheter mitral valve replacement, a catheter-based technique to implant a new mitral valve in a minimally invasive procedure that does not involve open-chest surgery
"ToF"	tetralogy of fallot, a congenital abnormality of the heart characterized by pulmonary stenosis, an opening in the interventricular septum, malposition of the aorta over both ventricles, and hypertrophy of the right ventricle

"TPVR"	transcatheter pulmonary valve replacement, a catheter-based technique to implant a new pulmonary valve in a minimally invasive procedure that does not involve open-chest surgery
"TriGUARD3"	TriGUARD3 Cerebral Embolic Protection Device, our CEP product
"TTVR"	transcatheter tricuspid valve replacement, a catheter-based technique to implant a new tricuspid valve in a minimally invasive procedure that does not involve open-chest surgery
"UK"	the United Kingdom
"Unauthorized Transactions	has the meaning ascribed to it in the section headed "Scope of the Forensic Investigation" in the Forensic Investigation Announcement
"Undisclosed Fund Flows"	has the meaning ascribed to it in the section headed "Scope of the Forensic Investigation" in the Forensic Investigation Announcement
"Unlisted Foreign Share(s)"	the issued ordinary share(s) of the Company with a par value of RMB1.00 issued to overseas investors, which are subscribed for and paid up in currencies other than Renminbi and not listed on any stock exchange
"U.S.", "the USA" or "United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"US$"	United States dollars, the lawful currency of the United States of America
"V8"	V8, one of our balloon transluminal aortic valvuloplasty catheter system products
"Venus HK"	Venus Medtech (Hong Kong) Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
"Venus-PowerX"	Venus-PowerX Valve, one of our TAVR product candidates
"Venus-Vitae"	Venus-Vitae Valve, one of our TAVR product candidates
"VenusA-Pilot"	VenusA-Pilot System, one of our TAVR product candidates

"VenusA-Plus"	VenusA-Plus System, one of our TAVR products
"VenusA-Pro"	VenusA-Pro System, one of our TAVR products
"VenusA series"	VenusA-Valve, VenusA-Plus and VenusA-Pro
"VenusA-Valve"	VenusA-Valve System, one of our TAVR products
"VenusP-Valve"	VenusP-Valve System, our TPVR product candidate
"Zhonghui Anda"	ZHONGHUI ANDA CPA Limited, auditor of the Company

In this annual report, the terms "associate", "connected transaction", "controlling shareholder" and "subsidiary" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

* *For identification purposes only.*