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

(A joint stock company incorporated in the People's Republic of China with limited liability)
(於中華人民共和國註冊成立的股份有限公司)
Stock Code 股份代號：6609

2021
ANNUAL REPORT
年度報告

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

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

### Non-executive Directors

Mr. DING Kui
Mr. LIU Yanbin *(resigned on December 10, 2021)*
Mr. CHEN Gang
Mr. OUYANG Xiangyu

### Independent Non-executive Directors

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## SUPERVISORS

Mr. ZHOU Baolei
Mr. MEI Jianghua
Mr. XING Tingyu

## JOINT COMPANY SECRETARIES

Mr. ZHANG Han
Mr. AU-YEUNG Wai Ki, Joseph *(resigned on March 24, 2022)*
Ms. KWOK Siu Ying Sarah *(ACG, HKACG) (appointed on March 24, 2022)*

## AUTHORIZED REPRESENTATIVES

Mr. WANG Guohui
Mr. ZHANG Han
Alternate to authorized representatives
Mr. AU-YEUNG Wai Ki, Joseph *(resigned on March 24, 2022)*
Ms. KWOK Siu Ying Sarah *(appointed on March 24, 2022)*

## HEADQUARTERS AND REGISTERED OFFICE

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

# Corporate Information (Continued)

## LEGAL ADVISERS

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

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

## H SHARE REGISTRAR

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

## PRINCIPAL BANK

China Merchants Bank Co., Ltd.
Shanghai Zhangjiang Sub-Branch 1/F
88 Keyuan Road, Shanghai
PRC

## STOCK CODE

6609

## COMPANY'S WEBSITE

www.heartcare.com.cn

## LISTING DATE

August 20, 2021

## AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

## COMPLIANCE ADVISER

Somerley Capital Limited
20/F China Building
29 Queen's Road Central
Central
Hong Kong, the PRC

# Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last three financial years(Note 1) is set out below:

| | Year ended 31 December | | |
|---|---|---|---|
| | **2021** | 2020 | 2019 |
| | **RMB'000** | RMB'000 | RMB'000 |
| **REVENUE** | **90,089** | 14,562 | – |
| **Gross profit** | **54,950** | 7,087 | – |
| **LOSS BEFORE TAX** | **(197,906)** | (216,183) | (75,498) |
| **LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | **(197,906)** | (216,183) | (75,498) |
| **Loss and total comprehensive loss attributable to:** | | | |
| **Owners of the parent** | **(194,225)** | (213,664) | (75,498) |
| **Non-controlling interests** | **(3,681)** | (2,519) | – |
| **LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | | | |
| **Basic and diluted (RMB)** | **(5.82)** | (9.78) | (4.02) |

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | 2020 | 2019 |
| | **RMB'000** | RMB'000 | RMB'000 |
| **Total non-current assets** | **172,324** | 111,849 | 27,014 |
| **Total current assets** | **1,332,324** | 661,782 | 64,269 |
| **Total current liabilities** | **55,388** | 36,612 | 4,313 |
| **Total non-current liabilities** | **76,709** | 45,984 | 5,897 |
| **Non-controlling interests** | **–** | 9,667 | – |
| **Total equity** | **1,372,551** | 691,035 | 81,073 |

*Note :* The Shares of the Company were listed on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on August 20, 2021.

# Chairman's Statement

Dear Shareholders who have followed and grown with HeartCare,

First of all, appreciated for your concern about and support for HeartCare. On behalf of the Board of Directors, I am pleased to present the annual report of the Group for the year ended December 31, 2021.

In August 2021, the Company was successfully listed on the Stock Exchange (Stock Code: 6609), attracting lots of high-quality investors to become our Shareholders. In the year of 2021, we launched commercial sales of our neuro-interventional devices as well as the next stage of our strategic development plan and further enhanced our execution.

In 2021, the Company achieved annual revenue of approximately RMB90.1 million, a significant increase of 517% compared with approximately RMB14.6 million as recorded in 2020, and initially established the brand recognition of HeartCare as a comprehensive neuro-interventional device solution provider in China market. We have completed the market-access procedure for our full-set thrombectomy device in almost all provinces (including municipalities and autonomous regions) of China, established a sales network which consists of more than 100 distributors and over 100 sales force, and greatly promoted the prevalence of our products with a sales channels covering about 1,400 hospitals across 31 provinces in China. Leveraging the commercialization advantage, our neurovascular stenosis treatment product pipelines approved in 2021 also delightfully contributed to our revenue in last year.

In terms of research and development, by adhering to the philosophy of efficient innovation, we have achieved a series of milestones in the research, development and registration of our product pipelines. As of the date of the announcement of annual result, the Company has obtained a total of 11 neuro-interventional devices approved by the NMPA, achieving a full coverage of the three major mainstream neuro-interventional procedures (including acute ischemic stroke thrombectomy treatment, neurovascular stenosis treatment and hemorrhagic stroke treatment) and related neuro-interventional access devices. We provide a comprehensive solution to physicians with our full set thrombectomy products. At the same time, with the NMPA approval of our intracranial and carotid artery balloon dilatation catheter and embolization protection system, we have formed a broad product portfolio and market-competitive solutions in the field of neurovascular stenosis treatment. We had also obtained the NMPA approval for our embolic coil, and launched clinical trials for our vascular reconstruction stent and flow diverter device for hemorrhagic stroke treatment. Meanwhile, in the access device market, we recently obtained the NMPA approval for our domestic-first vascular closure device, which is widely used in various interventional procedures through femoral artery puncture, and is expected to establish a first-mover advantage in the market. In 2021, two of our products have received 510K clearance from US FDA, indicating our business launching in the international market.

In the near future, we expected to obtain the NMPA approval for more than a dozen products in the field of neuro-intervention, including Aspiration Catheter, Left Atrial Appendage Occluder, Drug-eluting Balloon Catheter coated with rapamycin, and Aneurysm Embolization System.

# Chairman's Statement (Continued)

In 2021, the Company also focused on building a stable and reliable supply chain to meet the rapidly growing medical demands for stroke treatment and prevention in China. Our manufacturing facility newly established in Lin-gang, Shanghai, has obtained Medical Device Manufacturing License. We are looking forward to further enhancing our leading position in market with sufficient and stable supply of high-quality medical device products.

Since foundation in 2016, the Company has been committed to improving the accessibility of innovative medical technologies and growing into a medical device company that safeguards lives and health. In addition to neuro-interventional business, leveraging the Company's highly efficient R&D platform and experienced technical team, we plan to develop a comprehensive solution including LAA Occluder, electrophysiology and coronary artery intervention robot in Cardiac intervention, covering various fields with huge clinical needs, such as the treatment of atrial fibrillation, stroke prevention, structural heart diseases and heart failure. Currently, the Company has a product pipeline of approximately 20 innovative products in development. At the same time, we continue to advance the development of multiple pipelines of innovative medical devices in the fields of Pulmonary intervention and Computer-assisted technology. In the future, the Company will promote the synergistic development of multi-platform technologies, strive to build a high-level execution team in the industry, and achieve the integration of technology platforms and innovative products.

Looking ahead, we are aiming to becoming the market leader in China's neuro-interventional medical device market and developing into a competitive domestic device company in several innovative medical device markets within China. In the coming years, we will continue to improve our brand recognition in the neuro-interventional market, expand sales and market share of our commercialized products, enhance our manufacturing capabilities for stale and highly reliable supply of products and rapidly advance our product candidates into commercialization in the field of cardiac intervention, looking forward to the early provision of a comprehensive commercialized product portfolio and solution.

On behalf of the Board of Directors, I would like to take this opportunity to express my sincere gratitude to all Shareholders and all sectors of society who have shown interest in HeartCare, and thank you once more for your support to and trust in HeartCare.

**Mr. WANG Guohui**
*Chairman and Chief Executive Officer*

# Management Discussion and Analysis

## I. BUSINESS

### Overview

We are an innovative medical device company committed to improving the accessibility of innovative medical technologies and protecting lives and health. Over the period of more than five years, we have established a pioneering leadership position in China's neuro-interventional market, and successfully provided the first domestic one-stop solution for stroke treatment and prevention. Leveraging our advantage in R&D, manufacturing and commercialization, we strive to fulfill the unmet needs of clinicians and patients in China while operating a variety of emerging business units extending from Neuro-intervention, Cardiac intervention, Pulmonary intervention to Computer-assisted technology, and more.

In the above therapeutic fields and medical markets with tremendous opportunities, we aim to redefine the standard of care, reduce mortality rate, and improve prognosis by continuously launching innovative medical devices.

In 2021, the Company recorded revenue of RMB90.1 million by virtue of its commercialized neuro-interventional device products and expanding sales network, which consists of more than 100 distributors, covering 31 provinces (including municipalities and autonomous regions) in China. In response to the fast-growing domestic medical needs for stroke treatment and prevention, our manufacturing facility newly established in Lin-gang, Shanghai, has obtained Medical Device Manufacturing License, ensuring sufficient and stable supply of medical device products.

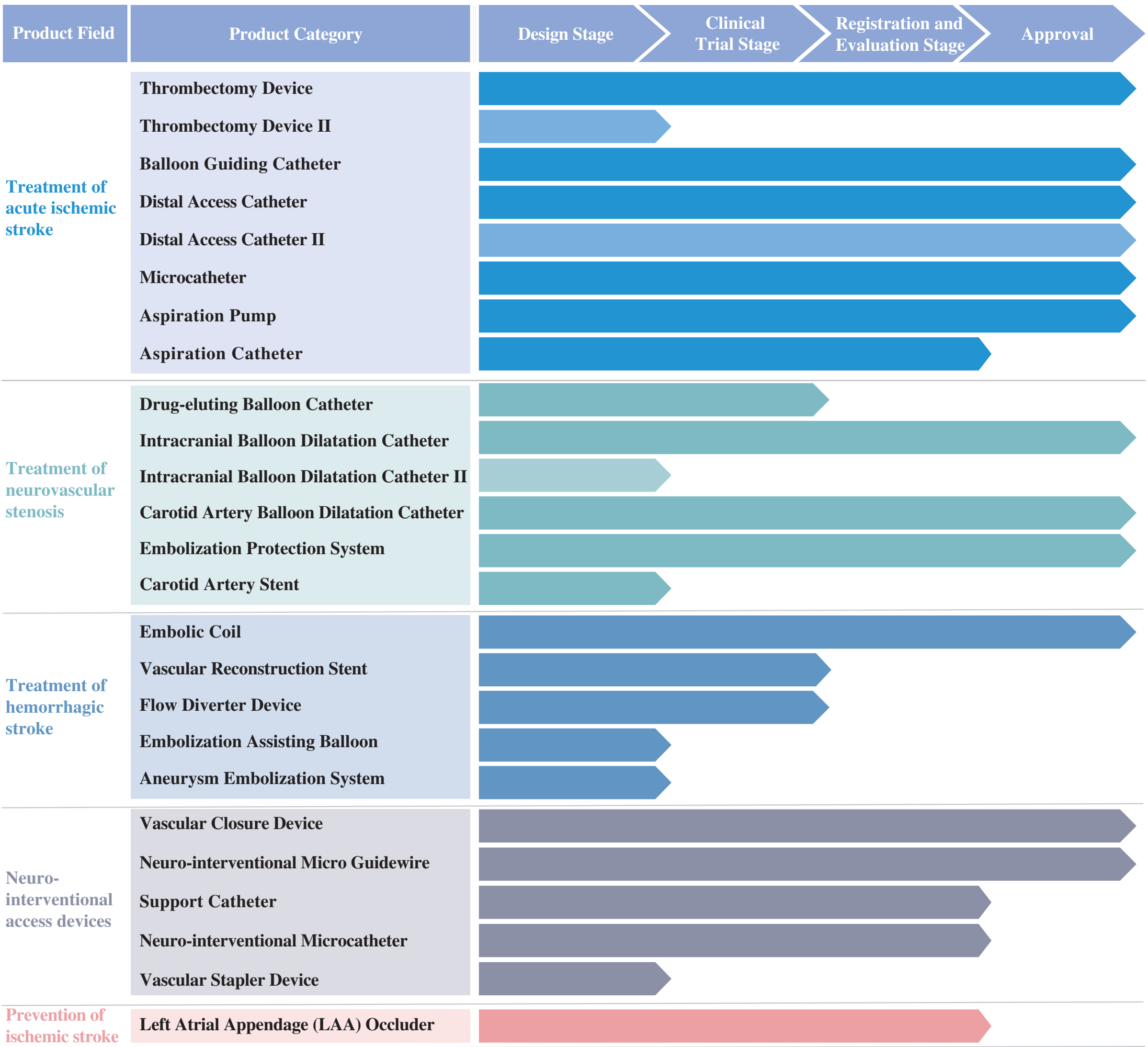
Promising strides have been made in our product development and registration last year. As of the date of this annual report, 11 neuro-interventional devices have obtained registration approval by NMPA, covering the mainstream products in four major fields of neuro-interventional medical devices; and two products have received 510K clearance from US FDA. In addition, we have three neuro-interventional products in the clinical trial stage and four in the registration and evaluation stage.

### Products and Pipeline

As of the date of this annual report, we have a full-set neuro-interventional portfolio including 11 NMPA approved products and broad product pipelines in the late-stage of R&D covering acute ischemic stroke and neurovascular stenosis treatment, ischemic stroke prevention, hemorrhagic stroke treatment, and interventional access. Meanwhile, we are launching pioneering projects of innovative product candidates in Cardiac intervention and other emerging therapeutic fields with high potential growth market.

# Management Discussion and Analysis (Continued)

The following diagram summarizes the development status of our neuro-interventional pipeline as of the date of this annual report:



# Management Discussion and Analysis (Continued)

## Our Key Neuro-interventional Products and Product Candidates

*Ischemic stroke thrombectomy devices*

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

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

Aside from Captor, we have three commercialized products, namely the ExtraFlex™ distal access, the SupSelek™ microcatheter and Fullblock™ balloon guiding catheter, which together can form a product suite for stent retrieving thrombectomy procedures when used in combination with Captor.

**Aspiration catheter and pump** are used in the aspiration thrombectomy procedure to retrieve the thrombus and restore blood flow in occluded cerebral vessels for AIS-LVO patients. We received the NMPA approval for our aspiration pump in July 2021 and our aspiration catheter was in NMPA registration review as of the date of this annual report.

*Intracranial Stenosis Treatment Devices*

**Intracranial drug-eluting balloon catheter (intracranial DEB)** is designed to deliver an anti-proliferative drug to the lesion to prevent fibrosis and vessel occlusion. We initiated a registration clinical trial for intracranial DEB in May 2020. As of the date of this annual report, our intracranial DEB was in the registration clinical trial and we had completed the patient enrollment. We aim to complete the trial, submit NMPA registration application and receive the NMPA approval in 2022.

*Hemorrhagic Stroke Treatment Devices*

**Embolic coil** can be released at the location of the aneurysm, filling the aneurysm to isolate the aneurysm from normal blood circulation and prevent the aneurysm from further expanding and breaking. We received the NMPA approval for our embolic coil in March 2022.

*Vascular Access Devices*

We are also developing various vascular access devices for use in interventional procedures, including our vascular closure device. As of the date of this annual report, we have received NMPA approvals for vascular closure device and micro guidewire.

# Management Discussion and Analysis (Continued)

*Ischemic stroke prevention devices*

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

**WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR LAA OCCLUDER SUCCESSFULLY.**

In addition, we had several other product candidates in the design stage covering different product categories of neuro-interventional devices, which further supplements our full-set product portfolio for the treatment and prevention of stroke, including our Carotid artery stent and vascular stapler device.

For details of our products and product candidates, please refer to our prospectus dated August 10, 2021 (the "Prospectus").

## Research and Development

We have built the R&D platforms leveraging our advanced technologies and engineering techniques for the development of medical devices. Our technology platforms comprehensively cover our product development, manufacturing and quality control.

As of March 31, 2022, we had 50 registered patents in China, including 13 invention patents, 36 utility models and 1 industrial design patent. As of the date of this annual report, we had also 124 pending patent applications in China, including 103 invention patents, 19 utility models and two design patents.

## Manufacturing

As of the date of this annual report, we carried out manufacturing activities at our manufacturing facilities located in our leased properties in Lin-gang Special Area and Zhangjiang, Shanghai, and we had obtained production permit for our products at our Lin-gang manufacturing facility.

Meanwhile, we plan to construct additional production facility in Lin-gang Special Area to accommodate the growing demand for our products going forward.

# Management Discussion and Analysis (Continued)

## Commercialization

We have built an in-house sales and marketing team of highly experienced sales personnel. As of the date of this annual report, we had a sales and marketing team of over 100 employees.

As of the date of this annual report, we have built an established, extensive and growing distribution network comprising over 100 distributors covering over 1,400 hospitals across 31 provinces in China, which laid a solid foundation for our revenue increase.

## Intellectual Property Infringement Claims

In April 2021, we were notified by the Intermediate Court of Ningbo City, Zhejiang Province about certain intellectual property infringement claims brought against us by Medtronic, Inc., a medical technology company incorporated in the United States. For details, please refer to the Prospectus. As of the date of this annual report, there was no material updates in relation to this claim.

## Future and Outlook

We aim to become an undisputable leader in the neuro-interventional medical device market in China, and to develop into a competitive domestic device company in several innovative medical device markets within China. We plan to implement the following strategies to achieve this goal:

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

- Further enhance our manufacturing capabilities for highly reliable supply of products;

- Develop a full suite of innovative medical devices and solutions in the cardiac-interventional device market to form a second business unit with a competitive commercialized product portfolio in addition to our neuro-interventional business; and

- Promote the development of innovative medical devices in emerging therapeutic fields with high potential growth market.

# Management Discussion and Analysis (Continued)

## II. FINANCIAL REVIEW

For the years ended December 31, 2021 and 2020, we narrowed net losses to RMB197.9 million from RMB216.2 million. It is highly possible to incur net losses in the near future as we continued to invest in R&D of, seek regulatory approval for, and commercialize our pipeline.

### Revenue

For the year ended December 31, 2021, all our revenue was generated from the sales of our commercialized neuro-interventional devices.

Revenue increased by 517% from RMB14.6 million for the year ended December 31, 2020 to RMB90.1 million for the year ended December 31, 2021. The increase in revenue was attributable to: (i) significantly increased sales revenue of the full suite of commercialized ischemic stroke thrombectomy devices mainly including the Company's Captor™ thrombectomy device and ExtraFlex™ distal access catheter; and (ii) additional revenue generated by the commercialization of intracranial stenosis treatment devices including OpenVas intracranial balloon dilatation catheter and ThruVas carotid artery balloon dilatation catheter.

### Cost of Sales

Cost of sales increased from RMB7.5 million for the year ended December 31, 2020 to RMB35.1 million for the year ended December 31, 2021, which was in line with the increase in our revenue.

### Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased from RMB7.1 million for the year ended December 31, 2020 to RMB55.0 million for the year ended December 31, 2021. Gross profit margin is calculated as gross profit divided by revenue. Our gross profit margin increased from 49% for the year ended December 31, 2020 to 61% for the year ended December 31, 2021, primarily attributed to increased production volume, and the corresponding and gradual reflection of such.

### Other Income and Gains

Other income and gains increased from RMB6.0 million for the year ended December 31, 2020, to RMB18.3 million for the year ended December 31, 2021, primarily attributable to (i) an increase in bank interest income as a result of the increase in cash and bank balances in relation to our financing activities, (ii) the increase in our government grants, and (iii) the increase in fair value gains on financial assets at FVTPL as a result of our investment in wealth management products.

# Management Discussion and Analysis (Continued)

## Research and Development Costs

Research and development costs increased from RMB51.1 million for the year ended December 31, 2020, to RMB76.3 million for the year ended December 31, 2021, primarily due to the increase in research and development costs incurred for our medical device candidates.

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

| | Year ended December 31, 2021 | | Year ended December 31, 2020 | |
|---|---|---|---|---|
| | RMB million | % | RMB million | % |
| Staff costs | 30.3 | 39.7 | 27.3 | 53.4 |
| Depreciation | 5.8 | 7.6 | 3.6 | 7.0 |
| Third party contracting costs | 20.5 | 26.9 | 12.5 | 24.5 |
| Raw materials and consumables | 14.5 | 19.0 | 5.6 | 11.0 |
| Others | 5.2 | 6.8 | 2.1 | 4.1 |
| **Total** | 76.3 | 100 | 51.1 | 100 |

## Administrative Expenses

Administrative expenses decreased from RMB141.9 million for the year ended December 31, 2020 to RMB83.9 million for the year ended December 31, 2021, primarily attributed to a decrease in the equity-settled share award expenses.

## Selling and Distribution Expenses

Selling and Distribution expenses increased from RMB14.3 million for the year ended December 31, 2020 to RMB51.1 million for the year ended December 31, 2021, primarily attributed to increasing staff costs as the sale forces expanded.

## Other Expenses

For the year ended December 31, 2021, we incurred other expenses of RMB25.5 million, which was primarily in relation to foreign exchange losses and donations to charity, which amounted to RMB2.3 million.

## Finance Costs

Finance costs increased from RMB1.6 million for the year ended December 31, 2020, to RMB2.4 million for the year ended December 31, 2021, primarily due to the increase in the interest on lease liabilities.

# Management Discussion and Analysis (Continued)

## Listing Expenses

For the year ended December 31, 2021, we incurred listing expenses of RMB32.0 million, as compared to RMB11.8 million for the year ended December 31, 2020.

## Gearing Ratio

Gearing ratio is calculated by dividing total debt by total equity multiplying by 100.0%. As of December 31, 2021, our gearing ratio decreased to 3.1% from 3.6% as of December 31, 2020.

## Liquidity and Financial Resources

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

Our cash and bank balances as of December 31, 2021 were RMB1,217.7 million, representing an increase of 92.6% compared to RMB632.4 million as of December 31, 2020. Such increase was primarily due to the capital from the Global Offering.

Our net current assets as of December 31, 2021 was RMB1,276.9 million, as compared to RMB625.2 million as of December 31, 2020.

## Capital Expenditure

For the year ended December 31, 2021, our total capital expenditure amounted to approximately RMB54.5 million, which was used in the purchase of equipment, machinery and software.

## Contingent Liabilities

As of December 31, 2021, the Group did not have any material contingent liabilities.

## Significant Investments, Material Acquisitions and Disposals

For the year ended December 31, 2021, we did not make any significant investments or conduct any material acquisitions and disposals of subsidiaries, associates and joint ventures.

## Pledge of Assets

As of December 31, 2021, the Group had no pledge of assets.

# Management Discussion and Analysis (Continued)

## USE OF PROCEEDS FROM THE GLOBAL OFFERING

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

Details of the planned applications of net proceeds from the listing, the reason for conducting the Global Offering and other information regarding the Global Offering were disclosed in the Prospectus. As at December 31, 2021, the utilisation of the net proceeds from the Global Offering are as follows:

| Use of proceeds | Planned applications (HK$ million) | Actual utilisation as at December 31, 2021 (HK$ million) | Balance as at December 31, 2021 (HK$ million) | Expected timeline for full utilisation of the unutilised net proceeds |
|---|---|---|---|---|
| R&D, manufacturing and marketing of our Core Products | 459.7 | 59.0 | 400.7 | December 31, 2025 |
| R&D, product registration, manufacturing and marketing of other product candidates in our pipeline | 404.9 | 50.4 | 354.5 | December 31, 2025 |
| Improvements to our R&D capacities and our continued expansion of product portfolio through internal research | 48.7 | 15.8 | 32.9 | December 31, 2023 |
| Working capital and general corporate purposes | 101.5 | 18.9 | 82.6 | December 31, 2023 |
| **Total** | **1,014.8** | **144.1** | **870.7** | |

## COVID-19 IMPACT AND RESPONSE

The management of the Company currently expected that clinical trials in Mainland China will not be significantly affected by the outbreak of COVID-19. The Directors believe that, based on the information available as of the date of this annual report, the outbreak of COVID-19 would not result in a material disruption to the Group's business operations or a material impact on the financial position or financial performance of the Group.

It is uncertain when, and whether, COVID-19 could be contained. The above analysis is made by our management team based on currently available information concerning COVID-19. Management of the Company cannot guarantee that the outbreak of COVID-19 will not further escalate or have a material adverse effect on our results of operations.

# Management Discussion and Analysis (Continued)

## HUMAN RESOURCES

As of December 31, 2021, we had 389 employees in total, who were all based in China. The total employee benefit expenses (including Directors' emoluments) amounted to RMB114.3 million for the year ended December 31, 2021, as compared to RMB157.9 million for the year ended December 31, 2020. The decrease is primarily due to a decrease in the equity-settled share award expenses. The remuneration policy for the Directors and senior management is based on their responsibility and general market conditions. Any discretionary and performance bonus are linked to the general performance of the Group and the individual performances of the Directors and senior management.

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

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

The 2021 H Share Incentive Scheme was approved at the extraordinary general meeting of the Company held on November 1, 2021. For further details, please refer to the section headed "Other Events – Adoption of the 2021 H Share Incentive Scheme" below. Eligible participants who may participate in the 2021 H Share Incentive Scheme include any PRC or non-PRC individual, who is a Director, senior management, key operating team member, employee, or, consultant of the Group.

## OTHER EVENTS

### Adoption of the 2021 H Share Incentive Scheme

The 2021 H Share Incentive Scheme was approved at the extraordinary general meeting of the Company held on November 1, 2021. The 2021 H Share Incentive Scheme Limit shall be the maximum number of H Shares that will be acquired by the Trustee through on-market transactions from time to time at the prevailing market price, and in any case being 750,000 H Shares.

The 2021 H Share Incentive Scheme involves no issue of new shares or granting of options for any new securities of the Company. Thus, it does not constitute a share option scheme as defined and regulated under Chapter 17 of the Listing Rules.

# Management Discussion and Analysis (Continued)

### Source of Award Shares and acquisition of H Shares by the Trustee

The source of the Award Shares under the 2021 H Share Incentive Scheme shall be H Shares to be acquired by the Trustee through on-market transactions at the prevailing market price. The 2021 H Share Incentive Scheme will be funded by the internal funds of the Company and will not be funded by proceeds from the Global Offering.

### Share Purchase pursuant to the 2021 H Share Incentive Scheme

During the Reporting Period, the Trustee purchased a total number of 274,450 Shares (the "Share Purchase") on the market, at an average price of HK$94 per Share and a total consideration of approximately HK$25.8 million in aggregate (exclusive of brokerage and other expenses), pursuant to the 2021 H Share Incentive Scheme as a long-term equity incentive for employees in the future.

For details of the 2021 H Share Incentive Scheme, please refer to the Company's announcements dated October 6, 2021 and December 20, 2021, and the circular dated October 11, 2021.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSET

Save as disclosed in this annual report, the Prospectus and other announcements of the Company, we had not authorized any plan for the material investments or acquisition of capital asset as of the date of this report.

## SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

On February 8, 2022, Shanghai Weiqi Medical Devices Co., Ltd., a wholly owned subsidiary of the Group, entered into an agreement with a close family member of an executive director and a close family member of a non-executive director to acquire 36% of equity interest of IasoCardiac Medical Technology Co., Ltd. (上海御瓣醫療科技有限公司) and make the capital injection into the target company in exchange for newly additional registered capital at a total consideration of RMB34,800,000. RMB4,800,000 has been paid in March 2022.

Pursuant to the 2021 H Share Incentive Scheme, 175,550 shares were purchased on the Hong Kong Stock Exchange by the trustee under the scheme for a total consideration of RMB14,813,000 before expenses.

Pursuant to the 2021 H Share Incentive scheme, the Group granted 386,700 shares to its employees in January 2022.

## FOREIGN EXCHANGE EXPOSURE

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

# Directors, Supervisors and Senior Management

## DIRECTORS

### Executive Directors

**Mr. WANG Guohui (王國輝),** aged 44, is one of our single largest Shareholders and founders. As our Director and chief executive officer since the establishment of our Company in June 2016, he was redesignated as our executive Director and appointed as our chairman of the Board on November 23, 2020. He is primarily responsible for the overall management of our Company.

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

# Directors, Supervisors and Senior Management (Continued)

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

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

**Ms. ZHANG Kun (張坤),** aged 45 and formerly named Zhang Ye (張葉), was redesignated as our executive Director and appointed as our deputy general manager on November 23, 2020. She joined our Company as a Supervisor in April 2018 and has served as a Director of our Company since September 2019. She is primarily responsible for the clinical trials, cardiac interventional business and central marketing department of our Company.

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

# Directors, Supervisors and Senior Management (Continued)

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

## Non-executive Directors

**Mr. DING Kui (丁魁)**, aged 39, joined our Company in April 2018 as a Director and was redesignated as our non-executive Director on November 23, 2020. He is primarily responsible for providing strategic advice and recommendations on the operations and management of our Company.

Mr. Ding has more than 15 years' experience in financial and healthcare industries. From August 2005 to August 2012, Mr. Ding worked in Sinolink Securities Corporation Limited (國金證券股份有限公司) as a business director. He has been serving as the deputy general manager and the secretary of the board of directors at Shanghai Kinetic Medical Corporation Limited (上海凱利泰醫療科技股份有限公司, the "Kinetic") since August 2012, where he was primarily responsible for the management of the office of the board of directors, the investment and development department and legal department. Since he joined Kinetic, Mr. Ding has also been serving as non-executive directors and supervisors in various companies Kinetic invested in.

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

# Directors, Supervisors and Senior Management (Continued)

**Mr. CHEN Gang (陳剛),** aged 38, joined our Company in June 2020 as a Director and was redesignated as our non-executive Director on November 23, 2020. He is primarily responsible for providing strategic advice and recommendations on the operations and management of our Company.

Mr. Chen has over 14 years' experience in financial industry. From 2007 to 2011, Mr. Chen served as a project leader at L.E.K. Consulting (Shanghai) Co., Ltd. (艾意凱諮詢(上海)有限公司). Where he was primarily responsible for business strategy, merger and acquisition advisories for healthcare and life sciences clients. From 2013 to 2015, Mr. Chen worked at Vivo Capital Equity Investment Management (Shanghai) Co., Ltd. (維梧股權投資管理(上海)有限公司), where he was primarily responsible for investment due diligence, deal executions and portfolio management.

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

- From June 2015 to March 2017, as international business development at Shanghai Aland Nutrition Co. Ltd. (上海艾蘭得營養品有限公司);
- From June 2015 to November 2019, as a director in Cardiolink Science (ShenZhen) Medical Technology Development Co.,Ltd (科睿馳(深圳)醫療科技發展有限公司);
- From June 2018 to December 2020, as a supervisor at Sino Medical Sciences Technology Inc. (賽諾醫療科學技術股份有限公司);
- From January 2018 to April 2022, as a director of Beijing BaiCare Biotechnology Co., Ltd. (北京百康芯生物科技有限公司);
- From October 2020 to September 2021, as a director at Hangzhou Sciwind Biotech Co., Ltd. (杭州先為達生物科技有限公司);
- From November 2020 to June 2021, as a director at Birdo Tech (Shanghai) Medical Technology Corporation Limited (都創(上海)醫藥科技股份有限公司).

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

- Since July 2018, as a director of Beijing Anngeen Biotechnology Co.,Ltd. (北京安智因生物技術有限公司);
- Since July 2018, Mr. Chen served as a director in Hangzhou Kangji Medical Equipment Co., Ltd. (杭州康基醫療器械股份有限公司);
- Since May 2020, as director of Shanghai Zhenge Biotech Co., Ltd. (上海臻格生物技術有限公司), a company primarily engaged in biologics CDMO service for biopharma and biotech companies;
- Since September 2020, as a director of Nanjing Yoko Pharma Biotechnology Medicine Corporation Limited (南京優科生物醫藥股份有限公司);

# Directors, Supervisors and Senior Management (Continued)

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

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

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

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

- Since January 2021, as supervisor at LYFE Equity Investment Management (Shanghai) Co. Ltd. (洲嶺私募基金管理(上海)有限公司, previously known as 濟峰股權投資管理(上海)有限公司), an investment company focused on growth stage healthcare company investments in China and US.

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

**Mr. OUYANG Xiangyu (歐陽翔宇),** aged 57, joined our Company in June 2020 as a Director and was redesignated as our non-executive Director on November 23, 2020. He is primarily responsible for providing strategic advice and recommendations on the operations and management of our Company.

Mr. Ouyang has extensive experience in high technology and financial industries. Before joining our Company, Mr. Ouyang worked in high technology industry and served as a managing director of an affiliated company of Legend Capital Management Co., Ltd. (君聯資本管理股份有限公司, the" Legend Capital") until 2018. In March 2018, he founded Zhuhai Sherpa Equity Investment Management Corporation Limited (珠海夏爾巴股權投資管理有限公司, the" Sherpa"). Since he founded Sherpa, Mr. Ouyang has also been serving as non-executive directors and supervisors in various companies Sherpa invested in.

Mr. Ouyang obtained his bachelor's degree in electrical engineering from Wuhan University (武漢大學) in the PRC in July 1986 and his master's degree in electrical engineering was obtained from Tsinghua University in the PRC in July 1992.

Mr. Ouyang was a director from February 2011 to October 2018 at Aisaike (Beijing) Internet Technology Corporation Limited (愛賽客(北京)網絡技術有限公司, the "Aisaike"), whose business license was revoked in October 2018 due to long-time suspension of business. As confirmed by Mr. Ouyang, there is no fraudulent act or misfeasance on his part leading to the revocation of the business license of Aisaike as its non-executive director representing Legend Capital which was then an investor of Aisaike.

# Directors, Supervisors and Senior Management (Continued)

## Independent Non-executive Directors

**Mr. GUO Shaomu (郭少牧),** aged 56, has been our independent non-executive Director since November 23, 2020. He is primarily responsible for providing independent advice on the operations and management of our Company to our Board.

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

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

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

# Directors, Supervisors and Senior Management (Continued)

**Mr. FENG Xiangqian (馮向前),** aged 35, has been our independent non-executive Director since November 23, 2020. He is primarily responsible for providing independent advice on the operations and management of our Company to our Board.

Mr. Feng has over 14 years' experience in financial industry. Mr. Feng was a senior manager of Caitong Securities Corporation Limited (財通證券股份有限公司) from July 2007 to October 2010 where he was primarily responsible for initial public offering affairs. He was a business director of the investment banking department of Donghai Securities Corporation Limited (東海證券股份有限公司) from November 2010 to February 2014. He worked at Shenzhen Stock Exchange from March 2014 to March 2017. From August 2017 to July 2018, Mr. Feng was the vice president of the investment banking division of China Merchants Pingan AMC (深圳市招商平安資產管理有限責任公司). Since April 2019, he has been the general manager of the Shenzhen branch of Xiangcai Securities Corporation Limited (湘財證券股份有限公司深圳分公司).

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

**Mr. GONG Ping (龔平),** aged 35, has been our independent non-executive Director since January 11, 2021. He is primarily responsible for providing independent advice on the operations and management of our Company to our Board.

Mr. Gong has over 12 years' experience in auditing and financial management. Mr. Gong was the audit manager of the Shanghai branch of Ernst & Young Hua Ming (LLP) (安永華明會計師事務所(上海分所)特殊普通合夥) from December 2009 to March 2015. He then served as the deputy director of capital market division of Broad Greenstate Ecological Construction Group Company Limited (博大綠澤生態建設集團有限公司) from March 2015 to April 2018. Since April 2018, Mr. Gong has been the chief financial officer of Dook Media Group Limited (讀客文化股份有限公司).

Mr. Gong obtained his bachelor's degree in international accounting (U.S. division) from Shanghai University of Finance and Economics (上海財經大學) in July 2009, and his Master of Business Administration from Shanghai Jiao Tong University (上海交通大學) in March 2021. Mr. Gong has been a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會, the "CICPA") since June 2015 and a member of Certified Public Accountants Association of Australia since February 2015.

# Directors, Supervisors and Senior Management (Continued)

## SUPERVISORS

**Mr. ZHOU Baolei (周寶磊),** aged 36, joined our Company in September 2019 and was redesignated as our Supervisor on November 23, 2020. Mr. Zhou is primarily responsible for monitoring the operations of our Company.

Mr. Zhou was a sales engineer of Beijing Neotrident Technology Corporation Limited (北京創騰科技有限公司), a company primarily engaged in providing digital solutions to biotech companies, from June 2012 to February 2014. He then worked as research analyst and project manager of Hainan Gang'ao Information Corporation Limited (海南港澳資訊產業股份有限公司), a company primarily engaged in providing securities investment consulting services from February 2014 to June 2015. Mr. Zhou has been the senior investment manager of Shanghai Sharewin Equity Investment Funds Management Corporation Limited (上海盛宇股權投資基金管理有限公司) since June 2015, and has been promoted to the role of investment director since January 2021. Since June 2018, he has also been the director of Genhouse Biomedical (Suzhou) Corporation Limited (勤浩醫藥(蘇州)有限公司) a company mainly engaged in the R&D of innovative drugs.

Mr. Zhou obtained his bachelor's degree in chemical engineering and technology from Taishan Academy (泰山學院) in the PRC in July 2009. He received his master's degree in applied chemistry from Hunan Agricultural University (湖南農業大學) in the PRC in June 2012.

**Mr. MEI Jianghua (梅江華),** aged 44, joined our Company in September 2019 and was redesignated as our Supervisor on November 23, 2020. Mr. Mei is primarily responsible for monitoring the operations of our Company.

Mr. Mei worked in Shanghai Institute of Materia Medica, Chinese Academy of Sciences (中科院上海藥物研究所) from September 2003 to December 2004. From December 2004 to August 2010, he worked in Roche Group, a healthcare company. Between April 2011 and May 2012, he worked in VSTONE Yangtze Capital (凱石長江投資管理有限公司). He has been the partner and director of the investment division of Shanghai Grandyangtze Capital Co., Ltd. (上海長江國弘投資管理有限公司) since June 2016. From December 2014 to November 2018, Mr. Mei was a director of Pharmablock Sciences (Nanjing), Inc. (南京藥石科技股份有限公司), a company primarily engaged in R&D of pharmaceuticals and listed on the Shenzhen Stock Exchange (stock code: 300725.sz).

Mr. Mei obtained his bachelor's degree in chemistry from Zhejiang University in the PRC in June 2000. He received his master's degree in chemistry from Zhejiang University in March 2003 and his master's degree in business administration from Shanghai Jiao Tong University (上海交通大學) in the PRC in March 2015.

# Directors, Supervisors and Senior Management (Continued)

**Mr. XING Tingyu (邢庭瑀),** aged 36, joined our Company in August 2019 and was redesignated as our employee Supervisor on November 23, 2020. He has been the director of the marketing department of our Company since August 2019. Mr. Xing is primarily responsible for monitoring the operations of our Company on behalf of the employees of our Company.

Mr. Xing worked as a regional sales manager of MicroPort NeuroTech (Shanghai) Co., Ltd. (微創神通醫療科技(上海)有限公司), a subsidiary of MicroPort Scientific, from July 2016 to December 2017. Between January 2018 to August 2019, he was a senior regional manager of Hong Yi Medical Devices (Shanghai) Corporation Limited (泓懿醫療器械(上海)有限公司), a company principally engaged in the diagnosis and treatment of stroke.

Mr. Xing obtained his bachelor's degree in medicine from Guangxi Medical University (廣西醫科大學) in the PRC in June 2008.

## SENIOR MANAGEMENT

**Mr. WANG Guohui (王國輝),** aged 44, has been our chief executive officer since the establishment of our Company in June 2016 and our chairman of the Board since November 23, 2020. For further details, please see the paragraphs headed "Directors, Supervisors and Senior Management – Directors – Executive Directors" in this section.

**Ms. ZHANG Kun (張坤),** aged 45 and formerly named Zhang Ye (張葉), has been our deputy general manager since November 23, 2020. For further details, please see the paragraphs headed "Directors, Supervisors and Senior Management – Directors – Executive Directors" in this section.

**Dr. LI Zhigang,** aged 60, has been our deputy general manager since November 2020.

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

Dr. Li was a staff engineer of Johnson & Johnson from 1999 to 2008. He was a manager responsible for R&D in West Pharma Services, Inc. from 2008 to 2013. He was the principal engineer of the vascular therapy department of Covidien (China) Medical Devices Technology Corporation Limited (柯惠(中國)醫療器材技術有限公司, the "Covidien"), a subsidiary of Medtronic plc, from 2013 to 2017. While at Covidien, Dr. Li was mainly responsible for the R&D project management of Covidien's R&D center in China and was not involved in the R&D of Solitaire FR (which had been approved by the FDA in March 2012 before Dr. Li's joining Covidien), or the registration of the '114 Patent and the '871 Patent (which were filed in September 2009 and November 2013, respectively), and was not aware of the underlying design or technology of Solitaire FR beyond information that is already in the public domain.

# Directors, Supervisors and Senior Management (Continued)

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

**Mr. WEI Jiawei (韋家威),** aged 44, has been our deputy general manager since November 23, 2020

Mr. Wei joined our Company in September 2020 and was appointed as the deputy general manager on November 23, 2020. He is primarily responsible for sales management of our Company.

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

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

**Mr. ZHANG Han (張涵),** aged 35, has been our chief financial officer since November 23, 2020.

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

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

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

# Directors, Supervisors and Senior Management (Continued)

## JOINT COMPANY SECRETARIES

**Mr. ZHANG Han (張涵),** aged 35, was appointed as a joint company secretary of our Company on December 22, 2020. Mr. Zhang is also the chief financial officer of our Company. For further details, please see the paragraphs headed "Directors, Supervisors and Senior Management – Senior Management" in this section.

**Ms. KWOK Siu Ying Sarah (郭兆瑩),** aged 38, was appointed as a joint company secretary of our Company on March 24, 2022. Ms. Kwok is currently a manager of corporate services of Vistra Corporate Services (HK) Limited. She has over six years of experience in the corporate services industry.

Ms. Kwok obtained a bachelor's degree in Business Studies from University College Dublin, National University of Ireland in June 2012 and a master's degree in Corporate Governance from Hong Kong Metropolitan University (香港都會大學) (formerly known as The Open University of Hong Kong) in November 2017 and has been an associate member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and an associate member of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom since 2018. Furthermore, Ms. Kwok is currently a joint company secretary of Shanghai Bio-heart Biological Technology Co., Ltd., a company listed on the Stock Exchange (stock code: 2185).

## CHANGES IN DIRECTORS' INFORMATION

Save as disclosed herein, as the date of this annual report, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

# Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for the year ended December 31, 2021.

## CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders of the Company as a whole. The Company has adopted the code provisions as set out in the Corporate Governance Code (version up to December 31, 2021) (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), as its own code to govern its corporate governance practices. The Company will adopt the new CG Code (version with effect from January 1, 2022), the requirement under which shall apply to the Company's corporate governance report in the forthcoming financial year ending December 31, 2022.

As the shares of the Company were listed on the Stock Exchange with effect from the Listing Date, the CG Code did not apply to the Company during the period before the Listing Date. In addition, 2 Audit Committee meetings and 2 Remuneration Committee meetings were held during the period from the Listing Date up to December 31, 2021.

Except for code provision A.2.1 and A.2.7 set out below, in the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code during the period from the Listing Date up to the date of this annual report.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

# Corporate Governance Report (Continued)

## BOARD MEETINGS

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

There had not been any meeting held by the chairman with the independent non-executive Directors without the presence of other Directors during the period from the Listing Date and up to December 31, 2021. The Chairman intends to hold at least one meeting per year with the independent non-executive Directors without the presence of other Directors.

## DIRECTORS' AND SUPERVISORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding dealings in the securities of the Company by the Directors, Supervisors and the Company's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company's securities.

Upon specific enquiry, all Directors and Supervisors confirmed that they have complied with the Model Code during the period from the Listing Date up to December 31, 2021. In addition, the Company is not aware of any non-compliance with the Model Code by the senior management of the Group during the period from the Listing Date up to December 31, 2021.

## BOARD OF DIRECTORS

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

### Executive Directors

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

### Non-executive Directors

Mr. DING Kui
Mr. LIU Yanbin *(Note)*
Mr. CHEN Gang
Mr. OUYANG Xiangyu

### Independent Non-executive Directors

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

*Note:* Mr. LIU Yanbin has resigned as a non-executive Director on December 10, 2021.

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

## CONFIRMATION OF INDEPENDENCE BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

During the period from the Listing Date up to December 31, 2021, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing no less than one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

## APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

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

None of the Directors has or is proposed to have entered into any service contract with any member of the Group (excluding agreements expiring or determinable by any member of the Group within one year without payment of compensation other than statutory compensation).

Pursuant to the Articles of Association, the Directors are elected and appointed by the Shareholders at a Shareholders' meeting for a term of three years, which is renewable upon re-election and re-appointment.

The Company may, in accordance with the Articles of Association, by ordinary resolution remove any Director before the expiration of his/her term of office notwithstanding anything to the contrary in the Articles of Association or in any agreement between the Company and such Director.

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

# Corporate Governance Report (Continued)

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

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

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

## RESPONSIBILITIES OF THE DIRECTORS

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

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

## DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENTS' LIABILITY INSURANCE

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

# Corporate Governance Report (Continued)

## CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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

During the Reporting Period, all Directors, namely Mr. WANG Guohui, Ms. ZHANG Kun, Mr. DING Kui, Mr. CHEN Gang, Mr. OUYANG Xiangyu, Mr. GUO Shaomu, Mr. FENG Xiangqian and Mr. GONG Ping were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. All Directors have been updated with the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary. All Directors are encouraged to attend relevant training courses at the Company's expenses and required to submit a signed training records to the Company on an annual basis.

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

# Corporate Governance Report (Continued)

## BOARD COMMITTEES

We have established an audit committee, a remuneration committee, and a nomination committee on our Board. The committees operate in accordance with the terms of reference established by our Board.

### Audit Committee

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

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

2 Audit Committee meetings were held during the period from the Listing Date and up to December 31, 2021.

The main work of the Audit Committee carried out during the Reporting Period involved the following:

– Review of the Company's 2021 Interim Report; and

– Review of audit planning for 2021 annual audit.

### Remuneration Committee

Our Company has established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The remuneration committee consists of one executive Director, Mr. Wang, and two independent non-executive Directors, Mr. Guo Shaomu and Mr. Gong Ping. Mr. Guo Shaomu is the chairman of the remuneration committee. The primary duties of the remuneration committee include, but are not limited to, the following: (i) presenting recommendations to our Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for development policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; and (iii) reviewing and approving, if appropriate, performance-based remuneration by reference to corporate goals and objects resolved by our Board on a regular basis.

# Corporate Governance Report (Continued)

2 Remuneration Committee meetings were held during the period from the Listing Date and up to December 31, 2021, to review the Company's 2021 H Share Incentive Scheme and related grant plan. Details of the remuneration payable to each Director for the year ended December 31, 2021 are set out in Note 9 to the financial statements.

The remuneration of the members of senior management (including 2 Directors) of the Group by band for the year ended December 31, 2021 is set out below:

| **Remuneration bands (RMB)** | **Number of Senior Management** |
|---|---|
| 20,000,000-30,000,000 | 1 |
| 10,000,000-20,000,000 | 1 |
| 1,000,000-10,000,000 | 3 |
| **Total** | 5 |

## Nomination 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 nomination committee consists of one executive Director, Mr. Wang, and two independent non-executive Directors, Mr. Guo Shaomu and Mr. Feng Xiangqian. Mr. Wang is the chairman of the nomination committee. The primary functions of the nomination committee include, without limitation, reviewing the structure, size and composition of our Board, assessing the independence of our independent non-executive Directors and making recommendations to our Board on matters relating to the appointment of Directors.

The Company did not hold any Nomination Committee meeting during the period from the Listing Date and up to December 31, 2021.

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

# Corporate Governance Report (Continued)

## NOMINATION POLICY

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

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

## BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy in order to enhance the effectiveness of our Board and to maintain high standard of corporate governance. The Board Diversity Policy sets out the criteria for selecting candidates for our Board, including but not limited to gender, age, cultural and educational background and professional experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Our Directors have a balanced mixed of knowledge and skills, including but not limited to overall management and strategic development, finance and accounting, as well as relevant professional experiences.

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

The Nomination Committee is responsible for compliance with relevant codes governing board diversity under the Corporate Governance Code. After the Listing Date, the Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the Board Diversity Policy on an annual basis.

## KEY TERMS OF EMPLOYMENT CONTRACTS

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

### Confidentiality

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

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

(b) any information obtained or to be obtained by our Company which is owned by third parties.

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

*Confidential period*. The confidentiality obligation shall continue in force after the cessation of the employee's employment with our Company, until the confidential information, either (i) is publicly disclosed by our Company, or (ii) has been rendered public without the employee's breach of obligations stated herein.

### Non-competition covenants

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

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

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

# Corporate Governance Report (Continued)

## CORPORATE GOVERNANCE FUNCTION

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

The Board had reviewed:

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

## BOARD MEETINGS AND COMMITTEE MEETINGS

The Company became listed on August 20, 2021. The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Both the Nomination Committee and the Remuneration Committee shall meet at least once every year; and the Audit Committee shall meet at least twice a year. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other Board and committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or committee members at least three days before the intended date of the meeting to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman of the board or the committee members prior to the meeting. Minutes of meetings are kept by the Joint Company Secretaries with copies circulated to relevant Board or Board Committee for comments and records.

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

Due to the fact that the Company was listed on August 20, 2021, 6 Board meetings; 2 Audit Committee meetings, and 2 Remuneration Committee meetings were held during the period from the Listing Date up to December 31, 2021. The Company expects to continue to convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the CG Code.

# Corporate Governance Report (Continued)

A summary of the attendance record of the Directors at Board meetings and committee meetings during the period from the Listing Date and up to December 31, 2021 is set out in the following table below:

| | Number of meeting(s) attended/number of meeting(s) held during the period from the Listing Date and up to December 31, 2021 | | | |
|---|---|---|---|---|
| **Name of Director** | **Board** | **Audit Committee** | **Remuneration Committee** | **Nomination Committee** (Note 2) |
| **Executive Directors:** | | | | |
| Mr. WANG Guohui | 6/6 | N/A | 2/2 | 0/0 |
| Ms. ZHANG Kun | 6/6 | N/A | N/A | N/A |
| **Non-executive Directors:** | | | | |
| Mr. DING Kui | 6/6 | 2/2 | N/A | N/A |
| Mr. LIU Yanbin(Note 1) | 6/6 | N/A | N/A | N/A |
| Mr. CHEN Gang | 6/6 | N/A | N/A | N/A |
| Mr. OUYANG Xiangyu | 6/6 | N/A | N/A | N/A |
| **Independent Non-executive Directors:** | | | | |
| Mr. GUO Shaomu | 6/6 | N/A | 2/2 | 0/0 |
| Mr. FENG Xiangqian | 6/6 | 2/2 | N/A | 0/0 |
| Mr. GONG Ping | 6/6 | 2/2 | 2/2 | N/A |

*Note 1:* Mr. LIU Yanbin has resigned as a non-executive Director on December 10, 2021.

*Note 2:* During the period from the Listing Date to December 31, 2021, the Nomination Committee did not hold any meeting. Subsequent to the year end, the Nomination Committee held a meeting on March 25, 2022 to, among others, recommend the Board for consideration the appointment of Mr. Wei Jiawei as an executive Director.

## GENERAL MEETING

The Company became listed on August 20, 2021. One extraordinary general meeting was held on November 1, 2021. Mr. WANG Guohui and Mr. DING Kui attended. For details, please refer to the Company's prior announcements.

# Corporate Governance Report (Continued)

## DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended December 31, 2021 in accordance with statutory requirements and applicable accounting standards. The Directors also acknowledge their responsibilities to ensure that the financial statements of the Company are published in a timely manner.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements of the Group on a going concern basis.

## AUDITORS' RESPONSIBILITY AND REMUNERATION

The Company appointed Ernst & Young, Certified Public Accountants and Registered Public Interest Entity Auditor as the auditors for the year ended December 31, 2021. A statement by Ernst & Young about their reporting responsibilities for the financial statements is included in the Independent Auditors' Report on pages 95 to 97.

Audit fees of the Group for the year ended December 31, 2021 payable to the external auditors were approximately RMB8.58 million and the Group incurred approximately RMB0.45 million in 2021 for non-audit services related to internal control review.

Details of the fees paid or payable to the Company's auditors, in respect of the audit and non-audit services for the year ended December 31, 2021 are set out in the table below:

| Services rendered for the Company | RMB '000 |
|---|---|
| **Audit services:** | |
| – Annual Audit Service | 3,900,000 |
| – Initial Public Offerings Service | 4,680,000 |
| **Non-audit services:** | |
| – Internal Control Review | 450,000 |
| Total | 9,030,000 |

# Corporate Governance Report (Continued)

## JOINT COMPANY SECRETARIES

The Company engaged Mr. AU-YEUNG Wai Ki, Joseph (resigned on March 24, 2022) and Ms. KWOK Siu Ying, Sarah, the manager of Corporate Services of Vistra Corporate Services (HK) Limited (a company secretarial service provider) (appointed on March 24, 2022), as joint company secretaries of the Company. Mr. ZHANG Han is another joint company secretary of the Company.

Mr. AU-YEUNG Wai Ki, Joseph ceased to serve as a joint company secretary of the Company, an alternate authorized representative of the Company pursuant to Rule 3.05 of the Listing Rules and an agent for the service of process and notices on behalf of the Company in Hong Kong under the Rule 19A.13(2) of the Listing Rules and Part 16 of the Companies Ordinance with effect from March 24, 2022. For details of the waiver granted to the Company by the Stock Exchange from strict compliance with the requirements of Rules 3.28 and 8 .17 of the Listing Rules in relation to Mr. Zhang's eligibility to act as a joint company secretary of the Company, please refer to the announcement of the Company dated March 24, 2022.

Mr. Zhang, the chief financial officer and a joint company secretary of the Company, is the primary corporate contact person of Mr. Au-Yeung and Ms. Kwok at the Company.

In compliance with Rule 3.29 of the Listing Rules, each of Mr. ZHANG Han, Mr. AU-YEUNG Wai Ki, Joseph and Ms. KWOK Siu Ying, Sarah undertook not less than 15 hours of relevant professional training to update their skills and knowledge during the Reporting Period.

## SHAREHOLDERS' RIGHTS

### Rights to Convene Extraordinary General Meeting

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

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

Pursuant to Article 66 of the Articles of Association, the general meeting shall be convened by the Board. If the Board is unable or fails to fulfill the obligation of convening the meetings of the general meeting, the Board of Supervisors shall convene such meetings. If the Board of Supervisors does not convene such meetings, the Shareholders individually or jointly holding more than 10% of the Company's shares for more than 90 consecutive days may convene such meetings on their own.

# Corporate Governance Report (Continued)

### Procedures for Putting Forward a Proposal at the General Meeting

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

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

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

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

### Right to Put Enquiries to the Board

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

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

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

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

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

# Corporate Governance Report (Continued)

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

## DIVIDEND POLICY

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

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

## CHANGES IN CONSTITUTIONAL DOCUMENTS

The Articles of Association has been amended and restated with effect from November 1, 2021 and is available on the respective websites of the Stock Exchange and the Company.

## RISK MANAGEMENT AND INTERNAL CONTROL

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

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

# Corporate Governance Report (Continued)

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

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

- We have engaged Somerley Capital Limited as our compliance adviser to provide advice to our Directors and management team until the end of the first fiscal year after the Listing regarding matters relating to the Listing Rules.

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

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

During the year ended December 31, 2021, our internal audit department reviewed the effectiveness of our internal controls associated with our major business processes, identified deficiencies and improvement opportunities, provided recommendations on remedial actions and reviewed the implementation status of these remedial actions. As a result, we have not identified any material deficiencies in our internal control system.

# Corporate Governance Report (Continued)

As part of our risk management measures, we have implemented specific measures against corruption and bribery. We require our employees, especially those involved in procurement, distribution and sales, and other business functions which are more susceptible to bribery and corruption, to abide by our compliance requirements, and make necessary representations and warranties to the Company. Our distributors are also contractually required to adhere to relevant laws and regulations and are expressly prohibited from engaging in corruption, bribery or any similar acts. We have established a system of supervision that allows complaints and reports to be submitted to management regarding non-compliant behavior of our employees and external distributors and suppliers.

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

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

The Board has reviewed the risk management and internal control system of the Group for the year ended December 31, 2021, which covers financial, operational, compliance procedural and risk management functions, and considers them efficient and adequate. Upon review, the Board was also of the view that there were adequate resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting function.

# Environmental, Social and Governance Report

## 1 ENVIRONMENTAL, SOCIAL AND GOVERNANCE OVERVIEW

### 1.1 ESG REPORT

#### 1.1.1 Company Profile

Shanghai HeartCare Medical Technology Corporation Limited (the "Group") is an innovative medical device company committed to improving the accessibility of innovative medical technologies and protecting lives and health. Over the period of more than five years, the Group has established a pioneering leadership position in China's neuro-interventional market, and successfully provided the first domestic one-stop solution for stroke treatment and prevention. Leveraging the Group's advantage in R&D, manufacturing and commercialization, the Group strives to fulfill the unmet needs of clinicians and patients in China while operating a variety of emerging business units extending from Neuro-intervention, Cardiac intervention, Pulmonary intervention to Computer-assisted technology, and more.

#### 1.1.2 Report Preparation Principles

This Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The contents of this Report have been defined and disclosed based on the principles of materiality, quantitativeness, balance and consistency.

Through repeated discussions and direct communications with stakeholders, the Group has understood the core issues of concern to stakeholders, identified important environmental, social and governance factors, and thus formulated corresponding strategies, goals, plans and measures to promote sustainable development of the Group's business. The key performance indicators (KPIs) in this Report are prepared with reference to the relevant calculation standards and methodologies provided in the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This Report has adopted the calculation methods and reporting coverage consistent with the annual report, and has avoided selections, omissions, or presentation formats that may inappropriately influence readers' decisions or judgments.

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

# Environmental, Social and Governance Report (Continued)

### 1.1.3 Reporting Coverage

This Report summarizes the Group's annual performance in environmental, social and governance aspects, so that all interested parties can better understand the Group's sustainable development philosophy, management methods, measures and related performance. This Report clarifies the principles that the Group upholds in fulfilling its corporate social responsibility, and sets forth the Group's vision and commitment to corporate social responsibility. The content of the ESG report mainly focuses on the core business of the Group and the overall performance of the Group in practicing sustainable development and fulfilling corporate social responsibility in 2021. This Report covers a period from January 1, 2021 to December 31, 2021.

### 1.1.4 Mission and Vision

As a medical device company committed to improving the accessibility of innovative medical technologies and protecting lives and health, the Group researches, develops and manufactures innovative medical device products in response to unmet medical needs in China, aiming to define new treatment standards, significantly reduce disease mortality rate and improve prognosis.

With the first domestic one-stop solution for stroke treatment and prevention, the Group aims to become a leader in China's neuro-interventional market and provide domestic medical workers with innovative devices with reliable quality, stable supply and more cost-effectiveness, so as to improve the popularity of neuro-interventional surgery, save more patients and fulfill the Group's corporate responsibility of giving back to the society.

In August 2021, the Shares of the Group were listed on the Stock Exchange. As a public company, the Group will more actively promote the sustainable development of the Group in environmental protection, social and corporate governance while developing its business. The Board of Directors of the Group will regularly monitor the Group's ESG development and strive to coordinate the impact of the Group's business development and its business on the environment and society adhering to the concept of sustainable development. In the future, the Group will further root the ESG concept in all aspects of the Group's strategy and operation while devoting itself to the innovation of medical products and technologies, fulfill its commitments to customers, employees, investors, society and the environment, and contribute to human health and the development of the environment and society.

## 1.2 GROUP HONORS AND INTERESTED PARTIES

### 1.2.1 Corporate Honor Overview

In 2021, the Group has won various titles and honors, such as the High and New Technology Enterprise, the "Specialised, Sophisticated, Special and New" Small and Medium-sized Enterprise in Shanghai, the Technology-based Small and Medium-sized Enterprise and the"Star of Science and Technology" in Lingang Park. The Group's products have also been recommended by several industry catalogues such as the Shanghai High-tech Achievement Transformation Project and the Recommended Catalogue of Shanghai Innovative Products.

# Environmental, Social and Governance Report (Continued)

### 1.2.2 Interested Party Engagement

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

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

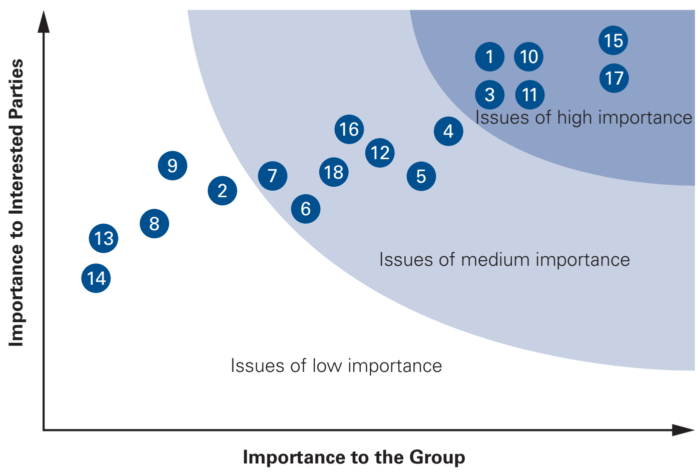
# Environmental, Social and Governance Report (Continued)

### 1.2.3 Materiality Assessment

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

**RELATED TOPICS**

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



# Environmental, Social and Governance Report (Continued)

## 2 CORPORATE ENVIRONMENTAL PERFORMANCE ANALYSIS

### 2.1 CORPORATE EMISSION RELATED ANALYSIS

The Group adheres to the path of green development, earnestly implements various national environmental protection policies, and focuses on long-term development in order to achieve sustainable business growth. The Group strictly manages emissions to the environment and adopts new technologies and equipment to achieve the goal of energy conservation and emission reduction. The Group strictly abides by relevant laws, regulations, standards and provincial, municipal and local environmental protection management measures that have a significant effect on the Group in respect of exhaust and greenhouse gas emissions, pollutant discharge to water and land, generation of hazardous and non-hazardous waste, etc., including but not limited to the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Air Pollution, the Law of the People's Republic of China on the Prevention and Control of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, the Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution, Comprehensive Sewage Discharge Standard (DB31/199-2018), Industrial Enterprise Boundary Environmental Noise Discharge Standard (GB12348-2008), General Industrial Solid Waste Storage and Landfill Pollution Control Standard (GB18599-2020), Hazardous Waste Storage Pollution Control Standards (GB18597-2001) and its amendment (in 2013), Technical Specifications for Hazardous Waste Collection, Storage and Transportation (HJ2025-2012) and the Implementation Plan on Further Strengthening the Prevention and Control of Hazardous Waste Pollution in Shanghai (Hu Huan Tu (2020) No. 50).

#### 2.1.1 Analysis of Corporate Emission Related Indicators

**Total emission volume and density of corporate exhaust**

The exhaust produced by the Group's business due to the combustion of fossil fuels mainly includes nitrogen oxides (NOx), sulfur oxides (SOx) and suspended particulate matter (PM). In 2021, the Group emitted a total of approximate 17.3 kilograms of exhaust, with an emission density of approximate 19.2 kilograms/RMB100 million of revenue.

The volume and density of the Group's emissions in 2021 by type of exhaust are shown in the table below:

| Type of Exhaust | Emissions (kg) | Emission Density (kg/RMB100 million of revenue) |
|---|---|---|
| Nitrogen oxides ($NO_x$) | 15.6 | 17.3 |
| Sulfur oxides ($SO_x$) | 0.2 | 0.2 |
| Suspended particulate matter (PM) | 1.5 | 1.7 |
| Total | 17.3 | 19.2 |

*Note: Exhaust emitted mainly include the exhaust generated by the Group's own vehicles.*

# Environmental, Social and Governance Report (Continued)

### Total emission volume and intensity of corporate greenhouse gases

The Group's business has caused direct and indirect emissions of greenhouse gases due to the consumption of fossil fuels and the use of resources such as electricity. In 2021, the Group emitted a total of approximate 1,124.4 tons of carbon dioxide equivalent, with an emission intensity of approximate 1,248.1 tons of carbon dioxide equivalent/RMB100 million of revenue.

The Group's emissions in 2021 by type and source of greenhouse gases are shown in the table below:

### Direct greenhouse gas emissions

| Type of greenhouse gas | Emissions (ton of carbon dioxide equivalent) | Emission density (ton of carbon dioxide equivalent/RMB100 million of revenue) |
|---|---|---|
| Carbon dioxide ($CO_2$) | 3.80 | 4.22 |
| Methane ($CH_4$) | 0.01 | 0.01 |
| Nitrous oxide ($N_2O$) | 0.55 | 0.61 |
| Total | 4.36 | 4.84 |

### Indirect greenhouse gas emissions

| Indirect emission sources | Emissions (ton of carbon dioxide equivalent) | Emission density (ton of carbon dioxide equivalent/RMB100 million of revenue) |
|---|---|---|
| Electricity resource usage | 1,120.0 | 1,243.3 |
| Total | 1,120.0 | 1,243.3 |

*Note: The direct emissions of greenhouse gases mainly include the greenhouse gases generated by the Group's own vehicles.*

### Total discharge volume and density of corporate wastewater and solid waste

The Group attaches great importance to the management and control of waste discharge, and minimizes the possible impact of waste discharge on the environment. The Group advocates energy conservation and waste reduction, and all wastes discharged are properly disposed of in accordance with relevant national environmental protection policies and regulations. The wastes discharged by the Group in 2021 mainly include 150 used dry batteries, 1.2 tons of laboratory waste liquid, 0.6 tons of laboratory contaminated solid waste, 20.1 kgs of laboratory waste chemical reagents, 1,000 sheets of office paper, 0.3 tons of cardboard boxes, 2.0 tons of domestic waste, 92.4 cubic meters of production wastewater and 198.9 cubic meters of domestic sewage.

# Environmental, Social and Governance Report (Continued)

The discharge volume and intensity of the Group's wastes by type in 2021 are shown in the table below:

| Type of waste | Unit | |
|---|---|---|
| **Hazardous waste** | | |
| Used dry battery | Unit | 150 |
| Laboratory waste liquid | Ton | 1.2 |
| Laboratory contaminated solid waste | Ton | 0.6 |
| Laboratory waste chemical reagent | Kg | 20.1 |
| **Non-hazardous waste** | | |
| Office paper | '000 sheets | 1.0 |
| Cardboard box | Ton | 0.3 |
| Domestic waste | Ton | 2.0 |
| Production wastewater | Cubic meter | 92.4 |
| Domestic sewage | Cubic meter | 198.9 |

| Type of waste | Unit | Discharge density |
|---|---|---|
| **Hazardous waste** | | |
| Used dry battery | Unit/RMB100 million of revenue | 166.5 |
| Laboratory waste liquid | Ton/RMB100 million of revenue | 1.3 |
| Laboratory contaminated solid waste | Ton/RMB100 million of revenue | 0.7 |
| Laboratory waste chemical reagent | Kg/RMB100 million of revenue | 22.3 |
| **Non-hazardous waste** | | |
| Office paper | '000 sheets/RMB100 million of revenue | 1.1 |
| Cardboard box | Ton/RMB100 million of revenue | 0.3 |
| Domestic waste | Ton/RMB100 million of revenue | 2.2 |
| Production wastewater | Cubic meter/RMB100 million of revenue | 102.6 |
| Domestic sewage | Cubic meter/RMB100 million of revenue | 220.8 |

# Environmental, Social and Governance Report (Continued)

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

**Exhaust emission reduction targets and corresponding measures set by the corporate**

The Group strictly abides by the major national laws and regulations on pollutant discharge, implements relevant environmental protection facilities and measures, and strictly controls the unorganized discharge of waste gas. At the same time, the Group actively adopts energy-saving and environmentally friendly production equipment, continues to strengthen the publicity and implementation of the concept of emission reduction within the Group, and encourages electricity conservation to reduce greenhouse gas emissions.

The Group continues to monitor the compliance level of the Group's exhaust emissions, to ensure effective run of the related measures, and the compliant operation of the Group's business. Meanwhile, the Group will continue to focus on energy conservation and emission reduction, continuously improve the energy use efficiency of the Group's equipment, and further reduce the Group's overall exhaust emissions by improving corresponding measures, so as to minimize the possible impact of the Group's production and operation on the environment.

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

The Group strictly abides by the major national laws and regulations on pollutant discharge, implements relevant environmental protection facilities and measures, collects various types of wastes by classification and properly disposes of wastes (including entrusting qualified units to dispose). Meanwhile, in order to urge employees to accurately grasp the classification requirements of domestic waste, the Group ensures the correct classification and recycling of office and domestic waste by setting up classified trash bins and posting instructions and announcements thereon.

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

# Environmental, Social and Governance Report (Continued)

## 2.2 CORPORATE RESOURCE USE RELATED ANALYSIS

### 2.2.1 Structure of Corporate Consumption of Main Energies

The Group advocates the conservation of resources and energy, reduces the consumption of energy and raw materials, strengthens energy management, and raises the level of rational energy consumption, thereby reducing energy consumption and raw material consumption, and maximizing the recycling of energy and resources in the production process. The Group consumed approximate 2,000 liters of gasoline, approximate 1,392,000 kWh of electricity, and approximate 1,461.5 cubic meters of water resources in 2021.

The Group's consumption of energy by type in 2021 is shown in the table below:

| Energy Type | Unit | Consumption Volume |
|---|---|---|
| Gasoline | 0'000 liters | 0.2 |
| Electrical energy | 0'000 kWh | 139.2 |
| Water | Cubic meter | 1,461.5 |

The Group's consumption intensity of energy by type in 2021 is shown in the table below:

| Energy Type | Unit | Consumption Density |
|---|---|---|
| Gasoline | 0'000 liters/RMB100 million of revenue | 0.2 |
| Electrical energy | 0'000 kWh/RMB100 million of revenue | 154.5 |
| Water | Cubic meter/RMB100 million of revenue | 1,622.3 |

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

All packaging materials of the Group's finished products by type of product packaging materials in 2021 are shown in the table below:

| Product Packaging Material | Unit | Consumption Volume |
|---|---|---|
| Plastic | Ton | 1.6 |
| Paper | Ton | 4.1 |

# Environmental, Social and Governance Report (Continued)

### 2.2.2 Energy Efficiency Goals and Measures Formulated by the Corporate

The Group strictly abides by relevant laws and regulations, including but not limited to the Energy Conservation Law of the People's Republic of China, and is constantly exploring opportunities to optimize management methods and improve energy efficiency. The Group attaches great importance to the efficient use of energy, and has formulated employee guidelines on energy conservation and environmental protection in the employee handbook, such as requiring employees to turn off electricity facilities during non-office hours or when the office is unoccupied for a long time to reduce unnecessary electricity use. The Group conducts effective energy-saving management on the use of air conditioners, printers and other electrical equipment, and tries to turn off the power when no one is using them, so as to reasonably reduce their standby energy consumption. The Group actively implements the online conference system, which not only effectively improves the Group's operational efficiency, but also greatly reduces the energy consumption that may be generated during offline conference travel and other processes. The Group will continue to make efforts to improve the efficiency of energy use, adhere to the principle of green development, and continuously optimize the use of resources to reduce waste of resources.

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

The Group regards water conservation as an environmental obligation that the Group needs to perform in the course of its business development. The Group strictly abides by the laws and regulations of the place of operation, strictly implements relevant systems for water resources management, obtains applicable water resources as required on the premise of ensuring compliance, and improves the overall water use efficiency of the Group by adopting energy-saving and water-saving equipment and recycling water. The Group continuously monitors and reports the monthly water consumption, and handles abnormal water consumption in a timely manner to avoid waste of water resources.

## 2.3 CORPORATE ENVIRONMENT AND NATURAL RESOURCES RELATED ANALYSIS

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

The Group understands that environmental protection is an indispensable social responsibility in corporate development. Therefore, the Group always pays attention to and is committed to reducing the impact of the Group's operations on environment and natural resources. The Group conducts business operations in strict accordance with relevant national environmental protection policies and emission requirements. The emission of exhaust and discharge of waste generated by the Group mainly come from its daily production and operation. The emission and discharge so generated meet the requirements of relevant national environmental protection regulations and emission regulations. The Group has continued to pay attention to the effectiveness of relevant management systems and measures in the process of production, and carried out environmental protection equipment and related measures actively. It implements environmental protection into the Group's daily operations and is committed to coordinating corporate development with the development of the environment and society.

# Environmental, Social and Governance Report (Continued)

### 2.4 ANALYSIS OF CORPORATE RESPONSE TO CLIMATE CHANGE

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

The Group pays attention to the impact of climate change on human health, and actively identifies the risks that climate change may bring to the Group's operations and the possible impact on the climate and environment during its own operations. For the Group, various natural disasters caused by major climate change, such as floods, fires, earthquakes, etc., may have an impact on the Group's operations. In order to reduce the possible material losses arising from such disasters, the Group has purchased insurance related to such natural disasters.

## 3 CORPORATE SOCIAL RESPONSIBILITY ANALYSIS

### 3.1 ANALYSIS OF THE CURRENT SITUATION OF CORPORATE EMPLOYMENT

#### 3.1.1 Employment Principles

In the process of recruitment and employment, the Group strictly abides by the laws and regulations of the place of operation, including but not limited to the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, and the Labor Protection Regulations for Female Employees. As an employer following the principle of equal opportunity, the Group has formulated a sound human resources management system, and uses the HeartCare Medical Employee Handbook as a guiding document, and follows the fair practices related to remuneration and performance, promotion and dismissal, working hours, welfare systems, equal opportunity, diversity, anti-discrimination, and other benefits.

The Group includes labor protection regulations such as adhering to the principle of equal employment in the labor contract, and has established a strict internal reporting system to ensure the compliance and fairness of the Group in the process of recruitment and employment. In order to promote the common development of employees and the Group, the Group not only provides employees with reasonable promotion channels and related training, but also provides employees with other benefits such as national statutory benefits, corporate self-determined benefits and various leaves.

# Environmental, Social and Governance Report (Continued)

### 3.1.2 Remuneration Management

In order to ensure the systematization and standardization of the Group's remuneration system, the Group has formulated the Remuneration Management System in the employee handbook. Meanwhile, the Group has formulated the Reference Table of Employee Ranks and Remuneration Levels to clarify the operation methods of the Group's remuneration levels and ranges. According to the current situation and medium and long-term development needs, the Group's positions and remunerations are divided into grades and ranges to further ensure remuneration systematization and the standardization and rationalization of employee career development channels. In order to stimulate the enthusiasm, initiative and creativity of employees, the Group has established bonuses for employees, including performance bonus, intellectual property bonus, project bonus, production attendance bonus, sales performance commission bonus, advanced employee bonus, etc. The Group will also implement various allowances, including technical allowance, management allowance, special post allowance, other allowances, etc. according to the work needs and the nature of the positions to enhance the humanization of the Group's remuneration system.

### 3.1.3 Performance Management

The Group has formulated the Performance Management System in the employee handbook to standardize and improve the Group's performance management system, formulates a scientific employee performance evaluation system, and improves employees' performance and ability levels. The Performance Management System clearly describes the responsibilities of each department responsible for performance management and specific performance appraisal methods, and the Group's Human Resources Department conducts statistics, verification and summarization of the overall performance appraisal work. The Group's performance appraisal method is oriented to performance results, adheres to the principles of fairness and impartiality, and follows the principles of effective and continuous communication, providing the Group's employees with opportunities to work with their superiors to formulate plans and improve performance.

### 3.1.4 Promotion and Dismissal

In order to help employees achieve career development and give full play to their personal strengths, the Group provides employees with a "dual-channel career development model". This model provides employees with a promotion model that meets their personal career development needs. The employees of the Group can choose suitable channels according to their business development needs and their actual abilities, or they can make cross promotions according to the actual situation.

For matters related to employee dismissal, the Group strictly abides by relevant national laws and regulations, relevant terms and labor contracts, and provides employees with corresponding severance pay to ensure compliance and rationality of operations.

# Environmental, Social and Governance Report (Continued)

### 3.1.5 Working Hours

In order to standardize the attendance management of the Group's employees, ensure the good working order of the Group, safeguard the legitimate rights and interests of the Group and its employees, and promote the healthy development of the Group, the Group has formulated an attendance system in the employee handbook. All employees are subject to one of the standard working hour system and the irregular working hour system in line with the situation of their actual working departments. The standard working hours of the Group are 40 hours per week, usually 8 hours per working day; employees work five days a week with two days off.

### 3.1.6 Benefits and Leaves

The Group's benefits include national statutory benefits, corporate self-determined benefits, various leaves, etc. The Group pays statutory social insurance premiums and housing provident funds on time for its employees in accordance with applicable laws and regulations. In order to enhance the humanization of the corporate benefits system, the Group has established corporate self-determined benefits, including front-line post subsidy, employee physical examination, wedding gift, maternity gift, commercial insurance, birthday and holiday benefits, employee lunch subsidy, employee activities, etc. Meanwhile, the Group has established a leave management system in the employee handbook, which provides employees with various leaves including annual leave, sick leave, personal leave, marriage leave, funeral leave, maternity leave, breastfeeding leave, and nursing leave.

### 3.1.7 Employee Activities

In order to enhance corporate cohesion and create a dynamic and friendly corporate working environment, the Group organizes healthy and meaningful collective entertainment activities on traditional festivals. Meanwhile, the Group organizes regular and irregular exchange activities, including but not limited to department gatherings, annual meetings, etc., to further increase mutual understanding among employees, enrich the lives of employees, develop a healthy and positive corporate culture, and advocate the spirit of a happy and harmonious teamwork.

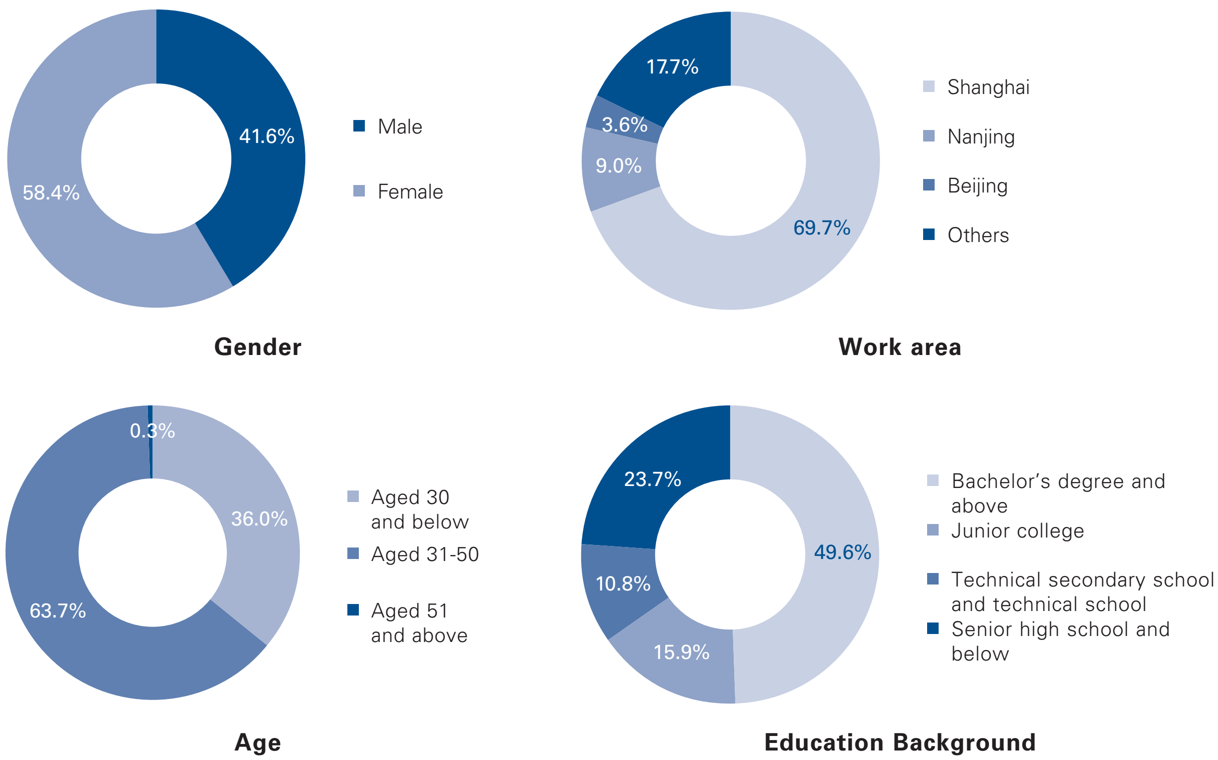
### 3.1.8 Employee Satisfaction Survey

In order to continuously optimize employment system and improve employee satisfaction, the Group encourages employees to put forward reasonable suggestions to the Group through various channels, and has formulated the Employee Suggestion Improvement Incentive System to further encourage employees to make constructive suggestions on the Group's operations and corporate culture. The Group irregularly asks employees for their opinions on work and operations in different ways, such as written or oral communication, and keeps it confidential to improve the management of the Group and further enhance employee satisfaction.

# Environmental, Social and Governance Report (Continued)

### 3.1.9 Employee Employment Status

**Percentages of on-the-job employees of the Group by major indicators in 2021**




As of December 31, 2021, the Group had a total of 389 current employees, of which 271 were located in Shanghai, accounting for 69.7% of the total. Divided by gender, the majority of the Group's current employees are female employees, accounting for 58.4% of the total. Divided by age, employees aged 30 and below, aged 31-50 and aged 51 and above account for 36.0%, 63.7% and 0.3% respectively. While introducing vibrant freshmen into the collective, the Group also cherishes experienced employees. Divided by educational degree, employees having a college degree or above account for 49.6% of the total employees of the Group, and the overall scientific literacy and cultural level of the employees are relatively high.

# Environmental, Social and Governance Report (Continued)

### 3.1.10 Employee Turnover

Employee turnover of the Group in 2021 is shown in the table below:

| **Employee turnover rate** | **%** | **5.6%** |
|---|---|---|
| **Divided by gender** | | |
| Male | % | 5.3% |
| Female | % | 5.8% |
| **Divided by age** | | |
| Aged 30 and below | % | 5.4% |
| Aged 31-50 | % | 5.7% |
| Aged 51 and above | % | 0.0% |
| **Divided by work area** | | |
| Shanghai | % | 6.9% |
| Nanjing | % | 0.0% |
| Beijing | % | 0.0% |
| Other | % | 4.2% |

As of December 31, 2021, the total number of employees leaving the Group during the reporting period was 23, and the total employee turnover rate was 5.6%. Among them, divided by gender, the turnover rate of male employees was 5.3%, and the turnover rate of female employees was 5.8%. Divided by age, the turnover rate of employees aged 30 and below was 5.4%, the turnover rate of employees aged 31-50 was 5.7%, and there was no turnover of employees aged 51 and above. Divided by work area, the employee turnover rate in Shanghai was 6.9%, there were no turnover of employees in Nanjing and Beijing, and the employee turnover rate in other regions was 4.2%.

# Environmental, Social and Governance Report (Continued)

## 3.2 EMPLOYEE HEALTH AND SAFETY OVERVIEW

The Group strictly abides by laws and regulations such as the Production Safety Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, and the Fire Protection Law of the People's Republic of China, and has also standardized in the employee handbook the employees' work and smoking behavior in the office environment, to create a safe and healthy working environment for employees. As the production process of the Group's products involves chemical products and special equipment, the Group also strictly abides by the Regulations on the Safety Management of Hazardous Chemicals, the Regulations on the Safety Supervision of Special Equipment and other relevant laws and regulations. The Group has formulated comprehensive contingency plans, places special fire prevention and fire-fighting equipment in its offices and production sites. The Group has arranged on-the-job medical examinations for all employees, and regularly organizes safety trainings, striving to create a safe and healthy workplace environment for employees. From 2019 to 2021, there was no work-related fatalities and the lost working days due to work-related injuries was zero.

### 3.2.1 Production Safety

The Group always puts the safety of employees in the production process in an important position, and strictly implements the safety management and control in the production process. As the production process of the Group's products involves chemical products and special equipment, the Group strictly abides by the Regulations on the Safety Management of Hazardous Chemicals, the Regulations on the Safety Supervision of Special Equipment and other relevant laws and regulations. In order to ensure the safety of employees during the production process, the Group has formulated a production safety management manual, and strictly conducts pre-job safety training for relevant employees to help employees identify and avoid risk factors in the production process. Meanwhile, the Group regularly conducts risk inspections on the production environment, and promptly rectifies potential safety hazards discovered to protect the personal safety of the Group's employees to the utmost extent. In order to further ensure the safety of employees during the production process, the Group has established various regulations, such as the Workshop Management System, which lists in detail the rules and regulations that employees of the Group must abide by when entering the production workshop. The Group requires the front-line personnel of the production department and the quality department, as well as those who need to enter the purification workshop, to undergo regular health checks. Once such personnel are found with any infectious disease, they will be strictly isolated to strengthen the safety practices in the production workshop. Meanwhile, the Group stipulates that each employee shall be obliged to report to his supervisor the matters that may endanger safety, so as to promptly respond to potential safety hazards in the production process.

# Environmental, Social and Governance Report (Continued)

### 3.2.2 Fire Safety

In order to ensure the fire safety of the Group's workplaces, the Group has placed special fire prevention and fire protection equipment in its offices and production sites, and has set up clear emergency evacuation route maps in the main passages. Meanwhile, the Group requires all employees to receive emergency evacuation training at the workplace, understand emergency passages and emergency measures, and receive training on relevant fire protection knowledge to ensure the popularization of fire protection knowledge within the Group and the health and safety of the Group's employees.

### 3.2.3 Epidemic Prevention Measures

In order to effectively prevent and control the epidemic and make every effort to protect the life safety and physical health of all employees of the Group, the Group has formulated and implemented detailed and strict epidemic prevention measures. The Group strictly implements various requirements during the epidemic prevention and control period, advocates less gatherings, less movement, and frequent handwashing; conducts employee health checks to keep abreast of the physical conditions and traces of employees and their close relatives. In order to ensure the safety of the working environment, the Group disinfects the workplace in a timely manner in accordance with the requirements of relevant government departments, and strengthens the prevention and control of the epidemic by distributing anti-epidemic materials to employees and other measures.

## 3.3 EMPLOYEE DEVELOPMENT AND TRAINING OVERVIEW

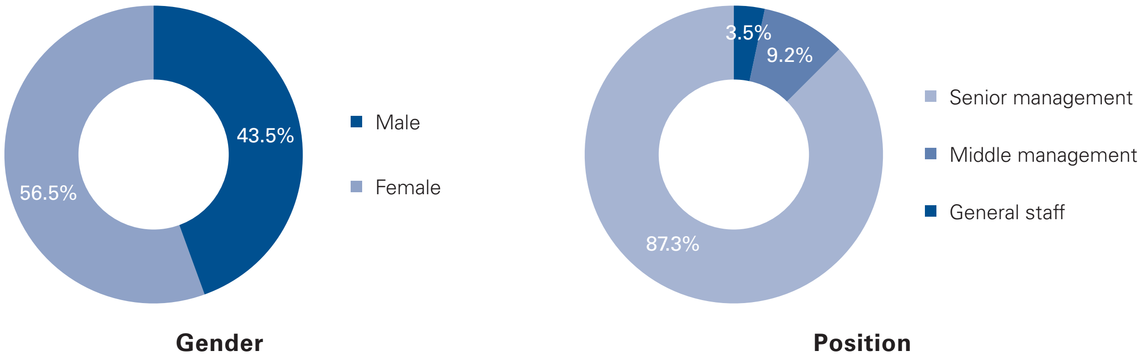
In order to promote talent development, the Group has built a systematic training system for its employees, and combined employee training with the Group's development strategy, so that employees in various positions can grow together with the Group according to their individual needs. The Group encourages employees to continuously update and expand their knowledge, skills and experience, and is committed to helping employees achieve personal career planning and development while improving their professional quality through training.

At the end of each year, the Group will formulate the Group's training plan for the next year based on the analysis of training needs, which will be supervised and followed up by the Human Resources Department. The Group's training system includes internal training and external training: internal training includes job qualification training, job transfer training, job coaching, etc., to promote employees to develop professional skills and better achieve performance goals; external training includes holding short-term seminars, employee academic education, management training courses and relevant knowledge and skills training in various departments, etc., to help employees update and expand their knowledge and skills, and realize their personal career development plans. The main training topics in 2021 include strategic consensus training, medical device operation quality management standards, medical device intellectual property risk investigation and response training, basic knowledge of microorganisms training, hygiene management and disinfection and sterilization training, etc.

# Environmental, Social and Governance Report (Continued)

### 3.3.1 Trained Employees

Percentages of trained employees of the Group by major indicators in 2021




As of December 31, 2021, the total number of trained employees of the Group was 368. Divided by gender, female employees accounted for 56.5% of the total trainees. Divided by position, ordinary employees were the main group receiving training, accounting for 87.3%.

### 3.3.2 Average Training Time for Employees

Average training hours for the employees of the Group in 2021 are shown in the table below:

| Average training time per employee | Hour | 31.0 |
|---|---|---|
| Divided by gender | | |
| Male | Hour | 29.4 |
| Female | Hour | 32.3 |
| Divided by position | | |
| Senior management | Hour | 60.6 |
| Middle management | Hour | 56.6 |
| General staff | Hour | 27.1 |

Average training time per employee of the Group in 2021 was 31.0 hours, of which, the average training time per male employee and per female employee was 29.4 and 32.3 hours respectively. Divided by position, the average training time for each ordinary employee was 27.1 hours, and the average training time for middle management and senior management was 56.6 hours and 60.6 hours respectively.

# Environmental, Social and Governance Report (Continued)

## 3.4 GUIDELINES AND MEASURES TO PREVENT CHILD LABOR OR FORCED LABOR

The Group strictly abides by relevant legal requirements such as the Law on the Protection of Minors and the Provisions on the Prohibition of Using Child Labor, to avoid any use of child labor or forced labor in business operations, and to insist on a zero-tolerance attitude and position for child labor and forced labor in whatever form. The Group also requires this principle to be applied in the audit of suppliers. The Group requires all employees to be of legal age and hold identification documents before taking up jobs, and collects and verifies the personal information of candidates during the recruitment process to select suitable candidates. The Group's Human Resources Department will also ensure that the supporting documents of the candidate employees have been carefully screened and checked. If any suspected violations are found, the Group adheres to a zero-tolerance attitude and handles the violations in a timely and serious manner.

## 3.5 ANALYSIS OF THE CURRENT SITUATION OF OPERATION MANAGEMENT

### 3.5.1 Supplier Overview

The regional distribution of the Group's suppliers in 2021 is shown in the table below:

| Total number of suppliers | Number | 66 |
|---|---|---|
| Divided by region | | |
| Shanghai | % | 27.3% |
| Jiangsu | % | 19.7% |
| Guangdong | % | 19.7% |
| United States of America | % | 10.6% |
| Zhejiang | % | 9.1% |
| Switzerland | % | 4.6% |
| Other areas* | % | 9.0% |

* Note: Other regions include Beijing, Fujian, Hebei, Shaanxi, Sichuan and Tianjin

# Environmental, Social and Governance Report (Continued)

### 3.5.2 Procurement Management

The Group has a complete quality control system and procurement control process, and has formulated the Procurement Management System to strengthen supply chain management and ensure procurement quality and standards. The Group has a quality and regulation department responsible for inspecting the quality of raw and auxiliary materials for production, packaging materials, non-disposable R&D consumables and other products, as well as controlling the overall procurement quality. The Group always puts the quality of suppliers' products or services in an important consideration when selecting suppliers. The Group requires the business demand department to conduct sufficient research on the market where the purchased products or services are located, and evaluate the product or service providers before determining the suppliers. The Group pays attention to the management and control of suppliers in the daily procurement process, including requiring the business demand department to establish a ledger, keeping a complete record of the suppliers of controlled materials, and conducting a timely review on the quality of new and changed suppliers. Meanwhile, the Group tracks the procurement quality in a timely manner. For products or services that do not meet the acceptance conditions, the business department will promptly report them to suppliers, and follow up on the quality and implement solutions in a timely manner.

### 3.5.3 Supplier Management

In order to strengthen the management of suppliers, the Group has formulated the Qualified Supplier Management System to standardize the supplier management process and ensure that the management of qualified suppliers meets the Group's quality system requirements. This system clarifies the responsibilities of each department involved in supplier management, defines suppliers in detail, and classifies the suppliers according to the effect of the products or services provided by them on the quality of the Group's final products. The Group requires the project team to lead the evaluation and selection of suppliers to determine the suppliers who are qualified and capable of providing materials or outsourcing services that meet the Group's requirements, and the person in charge of relevant department will review the supplier list so produced again to ensure effective screening and scouting of suppliers. The project team inspects the supplier's products or services by means of reviewing supplier data, requesting samples, conducting on-site inspection, and obtaining information from a second party. According to project requirements, the Group is responsible for requiring suppliers to provide audit materials such as ISO13485, clean workshop certificates, enterprise self-inspection reports, and biosafety assessment to ensure the quality and safety of suppliers' products or services. In 2021, the Group implemented relevant supplier employment management system practices to all 66 suppliers it cooperates with.

# Environmental, Social and Governance Report (Continued)

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

The Group actively pays attention to the environmental and social risks in each link of the supply chain in the process of procurement management and supply chain management. In the process of selecting suppliers, the Group takes the risks that suppliers may pose to the environment and society into important considerations. During the audit process, the Group tends to form a cooperative relationship with suppliers who pay attention to environmental protection, and ensures the environmental protection of suppliers' products or services by giving priority to suppliers that abide by ISO14001 certification, so as to promote suppliers' use of environmentally friendly products and services. Meanwhile, the Group regularly reviews relevant qualifications of suppliers to ensure the environmental protection awareness of cooperative suppliers. For suppliers that may have a significant adverse impact on the environment and society, the Group adopts a strategy of switching suppliers in a timely manner to ensure the sustainable development of the Group's supply chain.

# Environmental, Social and Governance Report (Continued)

## 3.6 PRODUCT LIABILITY OVERVIEW

### 3.6.1 Health and Safety of Products and Services

The Group adheres to the path of safe production, technological innovation and green development, pays attention to the green environmental protection of products, and continuously optimizes the service system to provide customers with top quality products. The Group strictly abides by relevant laws and regulations on product health and safety, advertising, labeling and remedies that have a significant effect on the Group, including but not limited to the Product Quality Law of the People's Republic of China, the Safety Production Law of the People's Republic of China, the Advertising Law of the People's Republic of China, and the Trademark Law of the People's Republic of China. In order to ensure the quality and safety of products, the Group has established a complete internal quality management system in strict accordance with the ISO13485:2016 standard, the Good Manufacturing Practice for Medical Devices and related appendices, and carries out full life cycle management of products from design and development, material procurement, production, inspection, release, sales to post-market quality and safety to ensure the safety and effectiveness of each marketed product. In addition, in order to ensure the effectiveness of the internal quality management system, the Group conducts a full review of the effectiveness of the Group's quality management system through internal audits, third-party audits, management reviews, etc., so as to provide a stable system foundation for the Group's product quality guarantee.

In order to ensure product quality and safety and conduct effective quality control over the entire production chain, the Group has established the Product Monitoring and Measurement Control Procedures in accordance with the requirements of product quality control and the legal regulations of relevant regulators to ensure effective product quality control. Meanwhile, in order to ensure the safety of the products for users, patients and other groups of people in actual use, the Group has established the Domestic Adverse Event Monitoring, Re-evaluation and Product Recall System in accordance with the requirements of relevant regulators' legal regulations, formulating a sound management approach for possible recalls of marketed products. In 2021, the Group did not have any sold or shipped products that had to be recalled for safety and health reasons.

### 3.6.2 Customer Complaints

The Group attached great importance to the rights and interests of customers, listens carefully to the opinions of customers, and resolves dissatisfaction in a timely and effective manner, striving to maintain the healthy development of its business to the utmost extent. In order to closely manage and monitor whether the Group's products meet customer needs, the Group has established the Feedback and Complaint Handling Control Procedures to comprehensively control the quality-related information feedback and complaint handling after the products are put on the market. The marketing and sales department, quality and regulation department, technology department and production and operation department of the Group are responsible for accepting and handling customer complaints in a timely manner, and giving customers effective answers and proper solutions after having known the circumstances and conducted a full investigation. Meanwhile, the Group will investigate and track the customer satisfaction level after the complaints are resolved, and seek opinions from customers on the handling results in a timely manner to ensure that the complaints are fully resolved. In 2021, the Group conducted complaint analysis of customer feedback to its commercialized products on sale in accordance with the Group's Feedback and Complaint Handling Control Procedures, and properly handled complaint cases.

# Environmental, Social and Governance Report (Continued)

### 3.6.3 Intellectual Property Management

The Group strictly abides by the laws and regulations related to intellectual property management, including but not limited to the Patent Law of the People's Republic of China and the Implementation Rules of the Patent Law of the People's Republic of China. In order to standardize the intellectual property management of the Group, improve its level of intellectual property development, and promote the transformation and application of intellectual property, the Group has formulated the Intellectual Property Management System in accordance with national laws and regulations and its actual conditions, aiming to strengthen the Group's management of scientific research and innovation work such as technology R&D, technology application, and achievement management, improve the Group's independent innovation ability and scientific and technological progress level, and build its core corporate competitiveness. In this system, the Group has clarified the definition of intellectual property, the responsibilities of relevant management departments and the main contents of intellectual property management. The Group strictly implements the provisions of the Intellectual Property Management System, and strictly handles issues related to patent protection in accordance with relevant national regulations. Meanwhile, in order to cultivate and enhance employees' awareness of independent intellectual property rights and stimulate the enthusiasm and creativity of technical personnel, the Group has established patent bonus, which provides intellectual property awards for employees to encourage employees to innovate in patents and further deepen their knowledge of laws and regulations related to patent protection.

### 3.6.4 Customer Information Protection and Privacy Policy

The Group has adopted strict measures to protect the Group's information technology resources and the privacy of data related to the interests of the Group and its interested parties. The Group manages the conduct of its employees through the staff manuals and implemented the confidentiality system for all employees. All employees must sign the confidentiality agreement and strictly perform the confidentiality obligation to keep the secrets of the Group. In order to protect customers' privacy, the Group requires employees not to read the documents that are not under their management, and not to show the documents of the Group to others in any way without the approval by higher authority.

# Environmental, Social and Governance Report (Continued)

## 3.7 BRIEF ANALYSIS OF CORPORATE ANTI-CORRUPTION MEASURES

The Group always strictly abides by applicable laws and regulations related to anti-corruption, anti-bribery, and anti-money laundering, including but not limited to the Anti-Money Laundering Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China and relevant applicable laws and regulations of the place of operation. The Group follows the principles of open management, integrity and transparency, and takes a zero-tolerance attitude towards any kind of corruption, regardless of whether it is committed by a representative of the Group or a third-party partner. The Group requires employees to strictly abide by relevant laws and regulations (including but not limited to those on anti-unfair competition and anti-commercial bribery). The Group has formulated anti-corruption-related systems and codes of conduct through the employee handbook, and formulated the Anti-Corruption and Anti-Commercial Bribery System and supplementary guidelines to strengthen the control of anti-corruption behaviors. The Group promotes the board's and employees' awareness and compliance with applicable anti-corruption and anti-commercial bribery laws and regulations by providing training to them, and requires the Group representatives who have close business communication with medical professionals to receive regular compliance training. In 2021, there was no corruption lawsuit against the Group and its employees.

In the Anti-Corruption and Anti-Commercial Bribery System, the Group has made clear codes of conduct for improper expenditures, use of gifts and entertainment expenses, corporate donations, political donations, sponsorships, and cooperation with third-party organizations, to regulate the Group's business and prevent corruption. Meanwhile, the Group has established an effective whistle-blowing and reporting mechanism, and the internal audit department of the Group is responsible for monitoring and tracking incidents. The Group adheres to a zero-tolerance attitude towards any kind of corruption. For employees who violate this system or the supplementary guidelines, they will be disciplined base on relevant facts. If the circumstances are serious, their employment relationship will be terminated and their legal responsibilities will be investigated into.

## 3.8 CORPORATE COMMUNITY INVESTMENT OVERVIEW

The Group not only provides health protection support for employees internally, but also takes the initiative to undertake external social responsibilities, and is committed to deeply integrating social responsibilities into the corporate culture of the Group. Giving thanks to the society and repaying the public have always been the responsibilities advocated by the Group. Charitable and other donations made by the Group during 2021 amounted to RMB2.3 million. The Group will constantly participate in community investment activities in various fields such as health, medical care and post-disaster reconstruction. Adhering to the corporate mission, the Group is committed to providing better medical products and technologies for medical workers and patients, while actively serving and repaying the society, and does its best to contribute to the cause of human health. The following are the main achievements of the Group in community investment in 2021:

# Environmental, Social and Governance Report (Continued)

## Helping post-disaster reconstruction of the hospitals in Henan

In July 2021, in order to help the disaster-hit hospitals in Zhengzhou, Henan, to resume work and medical diagnosis and treatment as soon as possible, and help more patients and people affected by disasters, Shanghai HeartCare Medical Technology Corporation Limited and Beijing Dingyi Public Welfare Foundation donated RMB1 million to the First Affiliated Hospital of Zhengzhou University and Henan Provincial People's Hospital, for their post-disaster reconstruction and resumption of work and medical diagnosis and treatment. The Group cares about the disaster-stricken areas in Henan, and always pays attention to the situation of the people affected by the disaster. It translates the Group's sense of social responsibility into actions, and is committed to providing assistance within its capacity for post-disaster reconstruction in Henan.




## Supporting documentary filming to promote stroke prevention and treatment

In December 2021, in order to undertake social responsibilities, lead more people to pay attention to the field of neuro-intervention, support the creation of popular science works, and thereby improve the efficiency of stroke prevention and treatment, the Group supported the filming of A Century of Neuro-intervention. A Century of Neuro-intervention is a humanities documentary systematically showing the struggle between human beings and cerebrovascular diseases. By inviting the world's top medical professionals as narrators, it reviews the vicissitudes of neuro-intervention in the past 100 years, shows the current cutting-edge medical technology, and reveals the mystery of neuro-intervention procedure.


# Environmental, Social and Governance Report (Continued)

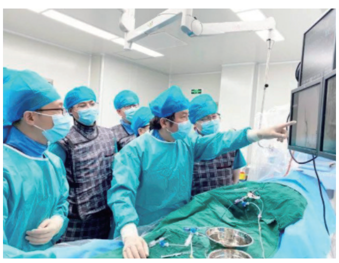
## "World Stroke Day" community activity

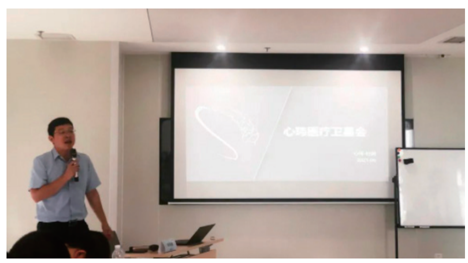
In October 2021, in order to strengthen the popularization and publicity of stroke, the Group jointly held the "World Stroke Day" community activity with the local community – Stroke Prevention Practice. In this activity, the volunteers of the Group and the doctors from the Beijing Red Cross Emergency Rescue Center jointly introduced the popular science knowledge of stroke, the use of stroke map gadgets and stroke risk assessment, self-test screening, etc. to the people who were interested in the activity, jointly calling for attention to stroke.



## "CAPTOR EMBA" series of training course

In recent years, more and more county and city hospitals have performed neuro-interventional procedures. However, due to the lack of experience of the surgeons and the lack of formal learning and training opportunities, the quality of such procedures in various hospitals is uneven, and the prognosis of many patients cannot be guaranteed. Therefore, there is an urgent need for teaching hospitals to provide professional technical training to promote industry standardization and ensure more patients benefit. In 2021, the "CAPTOR EMBA" series of training courses hosted by the Group will continue to create a platform for medical knowledge sharing and communication in the field of neuro-interventional for all of the grassroots medical workers, and help the neuro-interventional industry become better and more accessible.





# Environmental, Social and Governance Report (Continued)

## Build a sustainable business for the future by participating in the Green Savings Program

In December 2021, in order to promote the green and low-carbon development and support eligible environmental protection projects and businesses in China, the Group actively participated in the Green Savings Program launched by HSBC. The HSBC's Green Savings Program invests the deposit balance from enterprises in the form of loans to eligible environmental protection projects, including the areas such as renewable energy, efficiency improvement, high-performance construction, sustainable waste management, sustainable land use, clean transport and sustainable water management.


绿 色 存 款 证 书

上海心玮医疗科技股份有限公司

感谢您参与绿色存款计划，支持符合条件的环保项目和业务，
与我们一起助力绿色低碳发展，构建可持续商业未来。

存款金额：人民币一亿元
存款期限：2021年12月13日 至 2022年3月14日

王云峰
汇丰中国行长兼行政总裁

汇丰

本文件不可用于质押目的。
关于绿色存款的管理和使用，请参照单位绿色存款(定期存款)申请书、定期存款一般条款以及汇丰绿色存款指引。

# Report of Directors

The board of directors is pleased to submit this report together with the audited financial statements of the Group for the year ended December 31, 2021.

## PRINCIPAL ACTIVITIES

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

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

## BUSINESS REVIEW

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

## RESULTS

The results of the Group for the year ended December 31, 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 98 of this annual report.

## FINAL DIVIDENDS

The directors do not recommend the payment of any final dividend for the year ended December 31, 2021. There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

## DONATIONS

Charitable and other donations made by the Group during the year amounted to RMB2.3 million (2020: RMB1.0 million).

# Report of Directors (Continued)

## SHARE CAPITAL

Details of the shares issued in the year ended December 31, 2021 are set out in Note 26 to the financial statements.

## ISSUE OF SHARES AND DEBENTURES

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

The Company did not have any debentures in issue for the year ended December 31, 2021.

## DISTRIBUTABLE RESERVES

As of December 31, 2021, the Company did not have any distributable reserves.

## BANK LOANS AND OTHER BORROWINGS

The Group did not have any bank loans or other borrowings as at December 31, 2021 (December 31, 2020: nil).

## EQUITY LINKED AGREEMENTS

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

## PRE-EMPTIVE RIGHTS

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

## FINANCIAL SUMMARY

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

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The shares of the Company were first listed on the Main Board of the Stock Exchange on August 20, 2021. Except the Shares purchased pursuant to the 2021 H Share Incentive Scheme as disclosed in the section headed "Other Events - Share Purchase pursuant to the 2021 H Share Incentive Scheme" in this annual report, the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date and up to the date of this report.

# Report of Directors (Continued)

## SHARE OPTIONS

Neither the Company nor its subsidiaries had any share option scheme during the year ended December 31, 2021.

## DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the year ended December 31, 2021 and up to the date of this report were:

### Executive Directors

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

### Non-executive Directors

Mr. DING Kui
Mr. LIU Yanbin *(Note)*
Mr. CHEN Gang
Mr. OUYANG Xiangyu

### Independent Non-executive Directors

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

### Supervisors

Mr. ZHOU Baolei
Mr. MEI Jianghua
Mr. XING Tingyu

*Note:* Mr. LIU Yanbin has resigned as a non-executive Director on December 10, 2021.

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

## CHANGES IN DIRECTORS' INFORMATION

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

# Report of Directors (Continued)

## DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

The principal particulars of these service agreements are: (a) each of the agreements shall have the same term as the term of the current session of the Board; and (b) each of the agreements is subject to termination in accordance with their respective terms. The service agreements may be renewed in accordance with our Articles of Association and the applicable rules.

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

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

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

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

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

As at December 31, 2021, the interests and short positions of each Directors, Supervisors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

# Report of Directors (Continued)

## Interests of directors and chief executives in the Company

| Name of Director/ Chief Executive | Class of Shares | Capacity | Number of Securities/ Nature of Shares Held | Approximate Percentage of Shareholding in Total Listed Share Capital of the Company | Approximate Percentage of Shareholding in Relevant Class of Shares |
|---|---|---|---|---|---|
| Wang Guohui[(1)] | Unlisted Shares | Beneficial owner and Interest in controlled corporation | 3,188,110/ Long Position | 8.21% | 43.86% |
| | H Shares | | 8,152,618/ Long Position | 20.99% | 25.83% |
| Ding Kui | Unlisted Shares | Beneficial owner | 782,908/ Long Position | 2.02% | 10.77% |
| | H Shares | | 782,908/ Long Position | 2.02% | 2.48% |
| Zhang Kun[(2)] | Unlisted Shares | Beneficial owner and Interest of spouse | 1,566,488/ Long Position | 4.03% | 21.55% |
| | H Shares | | 1,566,488/ Long Position | 4.03% | 4.96% |
| Ouyang Xiangyu[(3)] | Unlisted Shares | Interest in controlled corporation | 288,164/ Long Position | 0.74% | 3.96% |
| | H Shares | | 1,152,660/ Long Position | 2.97% | 3.65% |

Notes:

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

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

(3) Sherpa Zhuhai directly holds 288,164 Unlisted Shares and 1,152,660 H Shares. Sherpa Zhuhai is a limited partnership established in the PRC with Zhuhai Sherpa Phase I Medical Investment Management Partnership (LP) (珠海夏爾巴一期醫療投資管理合夥企業（有限合夥）) as its general partner. The general partner of Zhuhai Sherpa Phase I Medical Investment Management Partnership (LP) is Zhuhai Sherpa Equity Investment Management Corporation Limited(珠海夏爾巴股權投資管理有限公司), which is controlled by Mr. Ouyang Xiangyu. By virtue of the SFO, Mr. Ouyang Xiangyu is deemed to be interested in the 288,164 Unlisted Shares and 1,152,660 H Shares held by Sherpa Zhuhai.

# Report of Directors (Continued)

Save as disclosed above and to the best knowledge of the Directors, Supervisors and chief executive of the Company, as at December 31, 2021, none of the Directors, Supervisors or the chief executive of the Company has any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

At December 31, 2021, to the best knowledge of the Directors, the following persons (not being a director or a supervisor or chief executive of the Company) had interests or short positions in the shares or underlying shares which are to be disclosed by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

| Name of Shareholders | Class of Shares | Capacity | Number of Securities/ Nature of Shares Held | Approximate Percentage of Shareholding in Total Listed Share Capital of the Company | Approximate Percentage of Shareholding in Relevant Class of Shares |
|---|---|---|---|---|---|
| Ms. Zhang Yanxia(1) | Unlisted Shares | Interest of spouse | 3,188,110/ Long Position | 8.21% | 43.86% |
| | H Shares | | 8,152,618/ Long Position | 20.99% | 25.83% |
| Shanghai Zandaqian Enterprise Management Consulting Center(2) | Unlisted Shares | Interest in controlled corporation | 496,183/ Long Position | 1.28% | 6.83% |
| | H Shares | | 4,777,225/ Long Position | 12.30% | 15.13% |
| Ningbo Meishan Bonded Port Area Xinwei Investment Management Partnership (LP)(2) | Unlisted Shares | Beneficial owner | 776,237/ Long Position | 2.00% | 10.68% |
| | H Shares | | 1,459,703/ Long Position | 3.76% | 4.62% |
| Ningbo Meishan Bonded Port Area Kaiyuan Investment Management Partnership (LP)(2) | H Shares | Beneficial owner | 1,277,192/ Long Position | 3.29% | 4.05% |

# Report of Directors (Continued)

| Name of Shareholders | Class of Shares | Capacity | Number of Securities/ Nature of Shares Held | Approximate Percentage of Shareholding in Total Listed Share Capital of the Company | Approximate Percentage of Shareholding in Relevant Class of Shares |
|---|---|---|---|---|---|
| Shanghai Weiyu Enterprise Management Consulting Partnership (LP)[(2)] | Unlisted Shares | Beneficial owner | 496,183/ Long Position | 1.28% | 6.83% |
| | H Shares | | 700,033/ Long Position | 1.80% | 2.22% |
| Shanghai Weiyun Enterprise Management Consulting Partnership (LP)[(2)] | H Shares | Beneficial owner | 2,800,000/ Long Position | 7.21% | 8.87% |
| Mr. Chai Yanpeng[(3)] | Unlisted Shares | Interest in controlled corporation and Interest of spouse | 1,566,488/ Long Position | 4.03% | 21.55% |
| | H Shares | | 1,566,488/ Long Position | 4.03% | 4.96% |
| Ningbo Tongchuangsuwei Investment Partnership (LP)[(3)] | Unlisted Shares | Beneficial owner | 869,330/ Long Position | 2.24% | 11.96% |
| | H Shares | | 869,330/ Long Position | 2.24% | 2.75% |
| SDIC Unity Capital National Emerging Industry Venture Capital Guiding Fund (LP)[(4)] | Unlisted Shares | Beneficial owner | 906,220/ Long Position | 2.33% | 12.47% |
| | H Shares | | 906,220/ Long Position | 2.33% | 2.87% |
| Temasek Life Sciences Private Limited[(5)] | H Shares | Interest in controlled corporation | 1,627,907/ Long Position | 4.19% | 5.16% |
| Fullerton Management Pte Ltd.[(5)] | H Shares | Interest in controlled corporation | 1,627,907/ Long Position | 4.19% | 5.16% |
| Temasek Holdings (Private) Limited[(5)] | H Shares | Interest in controlled corporation | 1,767,907/ Long Position | 4.55% | 5.60% |

# Report of Directors (Continued)

| Name of Shareholders | Class of Shares | Capacity | Number of Securities/ Nature of Shares Held | Approximate Percentage of Shareholding in Total Listed Share Capital of the Company | Approximate Percentage of Shareholding in Relevant Class of Shares |
|---|---|---|---|---|---|
| LYFE Columbia River Limited(6) | Unlisted Shares | Beneficial owner | 152,599/ Long Position | 0.39% | 2.10% |
| | H Shares | | 2,899,373/ Long Position | 7.47% | 9.19% |
| LYFE Ohio River Limited(6) | Unlisted Shares | Beneficial owner | 49,147/ Long Position | 0.13% | 0.68% |
| | H Shares | | 933,784/ Long Position | 2.40% | 2.96% |
| Raritan River Limited(6) | Unlisted Shares | Beneficial owner | 65,116/ Long Position | 0.17% | 0.90% |
| | H Shares | | 1,237,210/ Long Position | 3.19% | 3.92% |
| LYFE Capital Fund III (Dragon), L.P.(6) | Unlisted Shares | Beneficial owner and Interest in controlled corporation | 201,746/ Long Position | 0.52% | 2.77% |
| | H Shares | | 4,060,457/ Long Position | 10.46% | 12.86% |
| LYFE Capital Management Limited(6) | Unlisted Shares | Interest in controlled corporation | 266,862/ Long Position | 0.69% | 3.67% |
| | H Shares | | 5,297,667/ Long Position | 13.64% | 16.78% |

Notes:

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

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

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

(4) SDIC Unity Capital directly holds 906,220 Unlisted Shares and 906,220 H Shares. SDIC Unity Capital is a limited partnership incorporated in the PRC, whose general partner is SDIC Unity Capital Corporation Limited (國投創合基金管理有限公司). SDIC Unity Capital Corporation Limited is owned as to 40% by State Development and Hi-tech Investment Corp. (國投高科技投資有限公司), a wholly-owned subsidiary of China SDIC Gaoxin Industrial Investment Corp., Ltd. (中國國投高新產業投資有限公司), which is owned by State Development & Investment Corporation (國家開發投資集團有限公司) as to 72.36%. For further details, please also refer to the Company's 2021 interim report published on September 29, 2021.

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

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

Save as disclosed above, as of December 31, 2021, to the best knowledge of the Directors, Supervisors or chief executive of the Company, none of the substantial Shareholders of the Company had interests or short positions in the Shares and underlying Shares of the Company or its associated corporations as recorded in the register required to be kept, pursuant to Section 336 of the SFO.

## MAJOR CUSTOMERS AND SUPPLIERS

### Major Customers

For the year ended December 31, 2021, the Group's sales to its five largest customers accounted for 52% (2020: 69%) of the Group's total revenue and our largest customer accounted for 26% (2020: 41%) of the Group's total revenue.

### Major Suppliers

For the year ended December 31, 2021, the Group's five largest suppliers accounted for 31% (2020: 54%) of the Group's total purchases and our single largest supplier accounted for 13% (2020: 26%) of the Group's total purchases.

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

During the year ended December 31, 2021, the Group did not experience any significant disputes with its customers or suppliers.

# Report of Directors (Continued)

## CONNECTED TRANSACTIONS

During the year ended December 31, 2021, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules.

## RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended December 31, 2021 are set out in Note 31 to the financial statements. None of the related party transactions constitute a connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules.

## SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and within the knowledge of the Board, the Company has maintained the prescribed public float as required under the Listing Rules.

## DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

## CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

## MANAGEMENT CONTRACTS

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended December 31, 2021.

## KEY RELATIONSHIP WITH STAKEHOLDERS

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

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

## PERMITTED INDEMNITY PROVISIONS

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

### Principal Risks and Uncertainties

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

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

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

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

# Report of Directors (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

# Report of Directors (Continued)

Risks relating to intellectual property infringement claims that we could be subject to, which may materially and adversely affect our business and operations.

We have been subject to intellectual property infringement claims, there are inherent uncertainties associated with litigation proceedings. In particular, intellectual property infringement claims often involve an analysis of complex legal and factual issues, the determination of which is often difficult to foresee, such claim may also be expensive and time consuming to contest and may divert the attention of our management. There is no assurance that the judgment regarding such claims will be found in our favor or that we will not be materially and adversely affected in the case that the court rules against us. Our Group has analyzed the merits of such claims and the potential impact that they may have on our business and operations, we strive to devise contingency plans to address such claims.

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

## PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Company and the Group during the year ended December 31, 2021 are set out in Note 14 to the consolidated financial statements.

## REMUNERATION OF DIRECTORS

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

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

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

## RETIREMENT BENEFITS PLAN

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

## TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended December 31, 2021, there was no material breach of, or non-compliance, with applicable laws and regulations by the Company.

## SUBSEQUENT EVENTS

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

## CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 29 to 45 of this annual report.

# Report of Directors (Continued)

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

The annual general meeting of the Company (the "AGM") will be held on Monday, May 16, 2022. Notice of the AGM and all other relevant documents will be published on the Company's website (www.heartcare.com.cn) and the website of the Stock Exchange (www.hkexnews.hk) and despatched to the Shareholders in the manner as required by the Listing Rules in due course.

The register of members of the Company will be closed from Saturday, April 16, 2022 to Monday, May 16, 2022, both days inclusive, and during which period no H Share transfer will be effected, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's H share registrar, Computershare Hong Kong Investor Services Limited at Shops1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, the PRC no later than 4:30 p.m. on Thursday, April 14, 2022 for registration.

## AUDIT COMMITTEE

The Audit Committee has reviewed together with the management and external auditors the accounting principles and policies adopted by the Company, the audited consolidated financial statements for the year ended December 31, 2021, and discussed internal control, risk management and financial reporting matters.

## AUDITORS

The financial statements have been audited by Ernst & Young who will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

**Mr. WANG Guohui**
*Chairman and executive Director*
Shanghai, PRC
March 28, 2022

# Report of the Supervisory Committee

In 2021, the Supervisory Committee of the Company fulfilled its supervisory duties in compliance with relevant laws, earnestly and diligently performed and independently exercised the supervisory authority and duties of the Supervisory Committee in strict accordance with the provisions of the PRC Company Law and the Articles of Association of the Company. During the reporting period, the Supervisory Committee effectively supervised the Company's business activities, financial condition, major decisions, procedures for convening shareholders' meetings, and the performance of duties by directors and senior management and promoted the Company's standardized operation and normal development of the Company to safeguard the legitimate rights and interests of all shareholders. The main work of the Supervisory Committee in 2021 is reported as follows:

## I. THE MEETINGS OF THE SUPERVISORY COMMITTEE IN 2021

In 2021, the Supervisory Committee of the Company exercised its rights and performed its obligations in strict accordance with the provisions of relevant laws and regulations, normative documents and rules and regulations, and held 2 meetings in total. The convening of the Supervisory Committee meetings, as well as the content and signing of the resolutions were in compliance with the PRC Company Law and the PRC Securities Law, the Listing Rules and other relevant laws and regulations and the Articles of Association and other relevant internal systems, and there was no violation of the requirements of the Company Law, Articles of Association and other relevant systems by the Supervisory Committee to exercise its authority, and the operation was in good condition.

## II. OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS IN 2021

### 1. The operation of the Company in accordance with law

During the Reporting Period, all members of the Supervisory Committee of the Company actively attended the shareholders' meeting and the Board meeting in accordance with the functions and powers conferred by relevant laws, regulations and the Articles of Association, and supervised the procedures for convening the shareholders' meeting and the Board meeting, resolutions to be reviewed and approved, decision-making procedures and the implementation of the resolutions of the shareholders' meeting by the Board of Directors. The Supervisory Committee considered that the Board of the Company operated in a standardized manner in accordance with the Company Law, Articles of Association and other laws and regulations, strictly implemented the resolutions of the shareholders' meeting, and the decision-making procedures were legal and effective, and the internal control systems were relatively sound and effectively implemented. The directors and senior management of the Company performed their duties according to the laws, and none of them was found to have breached any laws and regulations, the Articles of Association or harmed the interests of the Company.

# Report of the Supervisory Committee (Continued)

### 2. Inspection of financial status of the Company

During the Reporting Period, the Supervisory Committee of the Company conducted a careful and meticulous inspection on the Company's financial status and considered that the Company's financial system was sound with stable financial operation, and no illegal misappropriation or loss of the Company's assets was found. The Company's financial statements which comprise the consolidated and company balance sheets as at 31 December 2020, and the consolidated and company income statements, the consolidated and company statements of changes in equity and the consolidated and company statements of cash flows for the year then ended, and notes to the financial statements prepared in accordance with Accounting Standards for Business Enterprises have been audited by Ernst & Young Hua Ming LLP, and the unmodified audit opinion (Ernst & Young Hua Ming (2021) Shen Zi No. 61615428_B01) was issued. The Supervisory Committee of the Company considered that the opinions and the matters involved in the audit report issued by Ernst & Young Hua Ming LLP gave an objective and fair view on the Company's actual situation, and the financial report reflected the financial status and operation results of the Company truthfully, accurately and completely.

## III. KEY WORK OF THE SUPERVISORY COMMITTEE FOR 2022

In 2022, the Supervisory Committee of the Company will continue to perform various responsibilities in a standardized and effective manner and strive to achieve new results in promoting the establishment of a corporate governance system and innovating and improving the internal supervision working mechanism. The Company will further strengthen the supervision and inspection on its financial affairs and operations. With safeguarding its interests and the legitimate rights and interests of all shareholders as the mission, the Company will strengthen supervision of its internal control norms, related transactions, asset transactions and other major matters, and by adhering to the issue and risk-focused approaches, strengthen ability in its grasp of overall risks and key issues to effectively safeguard the legitimate rights and interests of all investors of the Company.

Shanghai HeartCare Medical Technology Corporation Limited
The Supervisory Committee
March 28, 2022

# Independent Auditor's Report

*31 December 2021*

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**To the shareholders of Shanghai HeartCare Medical Technology Corporation Limited**
*(Incorporated in the People's Republic of China with limited liability)*

## Opinion

We have audited the consolidated financial statements of Shanghai HeartCare Medical Technology Corporation Limited (the "Company") and its subsidiaries (the "Group") set out on pages 98 to 170, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Basis for opinion

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

## Key audit matters

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

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

# Independent Auditor's Report (Continued)

*31 December 2021*

EY 安永

## Key audit matters (Continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Impairment assessment of goodwill and intangible assets not ready for use** | |
| The Group had goodwill of RMB9,711,000 and intangible assets not ready for use of RMB40,900,000 as disclosed in notes 16 and 17 to the consolidated financial statements as at 31 December 2021, arising from the acquisition of Nanjing SealMed Medical Technology Co., Ltd. in September 2020.<br><br>The Group is required to perform an impairment test for goodwill and intangible assets not ready for use at least on an annual basis. The impairment test is based on the recoverable amount of the cash-generating unit ("CGU") to which the goodwill is allocated and the recoverable amount of intangible assets not ready for use. The recoverable amounts are based on the value in use.<br><br>Management established the impairment assessment model with the involvement of an external independent valuer and prepared a recoverable amount calculation to estimate the future cash flows taking into account key assumptions, including the estimated revenue growth rate, gross margin, terminal growth rate and discount rate, and management considered no impairment loss was necessary as at 31 December, 2021 based on the impairment assessment performed. | 1> We obtained an understanding of the key internal controls related to impairment assessment of goodwill and intangible assets not ready for use;<br><br>2> We evaluated the competency, capabilities and objectivity of the external independent appraiser engaged by the Group to perform the valuation;<br><br>3> We evaluated management's identification of CGU to which the goodwill and the intangible assets from acquisition are allocated;<br><br>4> We assessed the reasonableness of management's future forecasted cash flows and key assumptions including the estimated revenue growth rate and gross margin by comparing to the Group's historical financial performance, development plan, budget and financial projections and analysis on the industry;<br><br>5> We involved our valuation specialist to assist us in assessing whether management's valuation model is appropriate by reference to industry practices and valuation techniques; |

# Independent Auditor's Report (Continued)

*31 December 2021*

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## Key audit matters (Continued)

| Key audit matter (Continued) | How our audit addressed the key audit matter (Continued) |
|---|---|
| **Impairment assessment of goodwill and intangible assets not ready for use (Continued)** | |
| We considered this a key audit matter given the significant management judgements and assumptions involved in the impairment assessment and because the estimation of recoverable amount was subject to a high degree of estimation uncertainty.<br><br>The Group's disclosures about the impairment test of goodwill and intangible assets not ready for use are included in note 2.4 *Summary of significant accounting policies*, note 3 *Significant accounting judgements and estimates*, note 16 *Goodwill* and note 17 *Other intangible assets* to the financial statements. | 6> We involved our valuation specialist to assist us in evaluating the appropriateness of the key valuation parameters such as the discount rate and the terminal growth rate applied by benchmarking market data and comparable companies; and<br><br>7> We also focused on the adequacy of the related disclosures in the consolidated financial statements. |

# Independent Auditor's Report (Continued)

*31 December 2021*

EY 安永

## Key audit matters (Continued)

| Key audit matter (Continued) | How our audit addressed the key audit matter (Continued) |
|---|---|
| **Cut-off of research and development costs** | |
| The Group incurred significant research and development ("R&D") costs of RMB76,306,000 in the consolidated financial statements for the year ended 31 December 2021. A large portion of the Group's R&D costs were service fees paid to contract research organisations, clinical site management operators and clinical trial centres (collectively referred to as "Outsourced Service Providers").<br><br>The R&D activities with these Outsourced Service Providers were documented in detailed contracts and are typically performed over an extended period. Recording of these costs in the appropriate financial reporting period based on the progress of the research and development projects involves estimation.<br><br>The Group's disclosures about R&D costs are included in note 2.4 *Summary of significant accounting policies* and note 3 *Significant accounting judgements and estimates*. | 1> We obtained an understanding of the key internal controls related to the accrual of the R&D costs;<br><br>2> We reviewed the key terms set out in the agreements with the Outsourced Service Providers;<br><br>3> We evaluated the progress of R&D projects based on inquiry with project managers, inspection of supporting documents and obtaining confirmations from the Outsourced Service Providers, on a sample basis, to determine whether these costs were recorded in the appropriate reporting period; and<br><br>4> We also performed search for unrecorded liabilities procedures subsequent to the year ended 31 December 2021. |

# Independent Auditor's Report (Continued)

*31 December 2021*

## Other information included in the Annual Report

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

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

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

## Responsibilities of the directors for the consolidated financial statements

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

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

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

## Auditor's responsibilities for the audit of the consolidated financial statements

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

# Independent Auditor's Report (Continued)

*31 December 2021*

## Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

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

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

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

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

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

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

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

# Independent Auditor's Report (Continued)

*31 December 2021*

## Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

**Ernst & Young**
*Certified Public Accountants*
Hong Kong
28 March 2022

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

*Year ended 31 December 2021*

| | Notes | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|---|
| **REVENUE** | 5 | **90,089** | 14,562 |
| Cost of sales | | **(35,139)** | (7,475) |
| Gross profit | | **54,950** | 7,087 |
| Other income and gains | 5 | **18,320** | 6,000 |
| Other expenses | 6 | **(25,489)** | (8,600) |
| Research and development costs | | **(76,306)** | (51,134) |
| Selling and distribution expenses | | **(51,129)** | (14,278) |
| Administrative expenses | | **(83,880)** | (141,869) |
| Finance costs | 8 | **(2,364)** | (1,604) |
| Listing expenses | | **(32,008)** | (11,785) |
| **LOSS BEFORE TAX** | 7 | **(197,906)** | (216,183) |
| Income tax expense | 11 | **–** | – |
| **LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | | **(197,906)** | (216,183) |
| Attributable to: | | | |
| Owners of the parent | | **(194,225)** | (213,664) |
| Non-controlling interests | | **(3,681)** | (2,519) |
| | | **(197,906)** | (216,183) |
| **LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | | | |
| Basic and diluted (RMB) | 13 | **(5.82)** | (9.78) |

# Consolidated Statement of Financial Position

*31 December 2021*

| | Notes | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Plant and equipment | 14 | **77,066** | 30,105 |
| Goodwill | 16 | **9,711** | 9,711 |
| Other intangible assets | 17 | **42,429** | 40,900 |
| Right-of-use assets | 15 | **35,079** | 22,281 |
| Prepayments, other receivables and other assets, non-current | 20 | **8,039** | 8,852 |
| **Total non-current assets** | | **172,324** | 111,849 |
| **CURRENT ASSETS** | | | |
| Inventories | 18 | **32,128** | 8,638 |
| Trade receivables | 19 | **18,931** | – |
| Prepayments, other receivables and other assets, current | 20 | **56,984** | 20,726 |
| Cash and bank balances | 21 | **1,217,717** | 632,418 |
| Restricted cash | 21 | **6,564** | – |
| **Total current assets** | | **1,332,324** | 661,782 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 22 | **48,175** | 34,083 |
| Lease liabilities, current | 15 | **2,489** | 230 |
| Government grants, current | 23 | **1,467** | 1,467 |
| Contract liabilities | 24 | **3,257** | 832 |
| **Total current liabilities** | | **55,388** | 36,612 |
| **NET CURRENT ASSETS** | | **1,276,936** | 625,170 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **1,449,260** | 737,019 |

continued/...

# Consolidated Statement of Financial Position (Continued)

*31 December 2021*

| | Notes | 2021 | 2020 |
|---|---|---|---|
| | | RMB'000 | RMB'000 |
| **NON-CURRENT LIABILITIES** | | | |
| Lease liabilities, non-current | 15 | **39,451** | 24,459 |
| Government grants, non-current | 23 | **27,033** | 11,300 |
| Deferred tax liabilities | 25 | **10,225** | 10,225 |
| **Total non-current liabilities** | | **76,709** | 45,984 |
| **Net assets** | | **1,372,551** | 691,035 |
| **EQUITY** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | 26 | **38,834** | 32,233 |
| Treasury shares | 26 | **(21,185)** | – |
| Reserves | 28 | **1,354,902** | 649,135 |
| | | **1,372,551** | 681,368 |
| Non-controlling interests | 28 | **–** | 9,667 |
| **Total equity** | | **1,372,551** | 691,035 |

| **Wang Guohui** | **Zhang Kun** |
|---|---|
| Director | Director |

# Consolidated Statement of Changes in Equity

*Year ended 31 December 2021*

| | Attributable to owners of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Paid-in capital RMB'000 | Share capital RMB'000 | Share premium RMB'000 | Capital reserve RMB'000 | Other reserve RMB'000 | Accumulated losses RMB'000 | Non-controlling interests RMB'000 | Total RMB'000 |
| **At 1 January 2020** | 20,571 | – | – | 121,844 | 82,190 | (143,532) | – | 81,073 |
| Loss and total comprehensive loss for the year | – | – | – | – | – | (213,664) | (2,519) | (216,183) |
| Equity-settled share award expense (note 27) | – | – | – | – | 140,545 | – | – | 140,545 |
| Restricted share repurchase obligations (note 27) | – | – | – | – | (14,778) | – | – | (14,778) |
| Acquisition of a subsidiary | – | – | – | – | – | – | 12,186 | 12,186 |
| Capital contribution from shareholders before conversion to a joint stock company (note 26(d)) | 7,307 | – | – | 237,186 | – | – | – | 244,493 |
| Conversion into a joint stock company (notes 26(a)) | (27,878) | 28,000 | 235,658 | (359,030) | (81,387) | 204,637 | – | – |
| Capital contribution from shareholders after conversion to a joint stock company (note 26(b)) | – | 4,233 | 439,466 | – | – | – | – | 443,699 |
| **At 31 December 2020** | – | 32,233 | 675,124 | – | 126,570 | (152,559) | 9,667 | 691,035 |

| | **Attributable to owners of the parent** | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Share capital RMB'000** | **Share premium RMB'000** | **Treasury shares RMB'000** | **Other reserve RMB'000** | **Accumulated losses RMB'000** | **Non-controlling interests RMB'000** | **Total RMB'000** |
| **At 1 January 2021** | **32,233** | **675,124** | **–** | **126,570** | **(152,559)** | **9,667** | **691,035** |
| Loss and total comprehensive loss for the year | **–** | **–** | **–** | **–** | **(194,225)** | **(3,681)** | **(197,906)** |
| Equity-settled share award expense (note 27) | **–** | **–** | **–** | **50,959** | **–** | **–** | **50,959** |
| Restricted share repurchase obligations (note 27) | **–** | **–** | **–** | **15,809** | **–** | **–** | **15,809** |
| Issue of shares from initial public offering ("IPO") (note 26(c)) | **6,601** | **935,209** | **–** | **–** | **–** | **–** | **941,810** |
| Shares issue expenses | **–** | **(63,841)** | **–** | **–** | **–** | **–** | **(63,841)** |
| Capital injection to SealMed (note 32) | **–** | **–** | **–** | **(5,503)** | **–** | **5,503** | **–** |
| Acquisition of non-controlling interests (note 32) | **–** | **–** | **–** | **(32,641)** | **–** | **(11,489)** | **(44,130)** |
| Shares purchased under 2021 H Share Incentive Scheme (note 26) | **–** | **–** | **(21,185)** | **–** | **–** | **–** | **(21,185)** |
| **At 31 December 2021** | **38,834** | **1,546,492** | **(21,185)** | **155,194** | **(346,784)** | **–** | **1,372,551** |

# Consolidated Statement of Cash Flows

*Year ended 31 December 2021*

| | Notes | 2021 | 2020 |
|---|---|---|---|
| | | RMB'000 | RMB'000 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Loss before tax | | (197,906) | (216,183) |
| Adjustments for: | | | |
| Finance costs | 8 | 2,364 | 1,604 |
| Impairment of trade receivables | 6 | 733 | – |
| Bank interest income | 5 | (5,496) | (174) |
| Fair value gains on financial assets at FVTPL | 5 | (3,837) | (188) |
| Depreciation of plant and equipment | 7 | 7,430 | 4,952 |
| Amortisation of other intangible assets | 7 | 116 | – |
| Depreciation of right-of-use assets | 7 | 4,657 | 3,433 |
| Covid-19-related rent concessions from a lessor | | – | (182) |
| Income from government grants for plant and equipment | | (1,467) | (733) |
| Loss on disposal of plant and equipment | 7 | – | 10 |
| Net foreign exchange losses | 7 | 800 | – |
| Equity-settled share award expense | 7 | 50,959 | 140,545 |
| | | (141,647) | (66,916) |
| Increase in inventories | | (23,490) | (8,215) |
| Increase in trade receivables | | (19,664) | – |
| Increase in prepayments and other receivables | | (38,706) | (5,182) |
| Increase in trade and other payables | | 15,231 | 4,667 |
| Increase in contract liabilities | | 2,425 | 832 |
| Net cash flows used in operating activities | | (205,851) | (74,814) |

continued/...

# Consolidated Statement of Cash Flows (Continued)

*Year ended 31 December 2021*

| | Notes | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of financial assets at FVTPL | | **(1,010,000)** | – |
| Purchase of items of plant and equipment | | **(52,834)** | (15,605) |
| Purchase of items of other intangible assets | | **(1,645)** | – |
| Increase in rental deposits | | **–** | (504) |
| Placement of time deposits | | **(131,806)** | – |
| Loan lent to SealMed before the acquisition date | | **–** | (5,000) |
| Interest received | | **4,143** | 174 |
| Proceeds from disposal of financial assets at FVTPL | | **1,013,837** | 30,415 |
| Receipt of government grants for plant and equipment | | **17,200** | 7,000 |
| Acquisition of a subsidiary | | **–** | (21,014) |
| Net cash flows used in investing activities | | **(161,105)** | (4,534) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Capital contribution from shareholders | | **–** | 688,192 |
| Placement of restricted cash for share purchase | | **(6,564)** | – |
| Acquisition of non-controlling interests | | **(35,304)** | – |
| Shares purchased under 2021 H Share Incentive Scheme | 26 | **(14,621)** | – |
| Proceeds from the issue of shares from IPO | 26 | **941,810** | – |
| Issue costs paid | | **(62,728)** | (1,113) |
| Repayments of lease liabilities | | **(1,344)** | (861) |
| Net cash flows from financing activities | | **821,249** | 686,218 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **454,293** | 606,870 |
| Cash and cash equivalents at beginning of year | | **632,418** | 25,548 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | | **1,086,711** | 632,418 |

# Notes to Financial Statements

*31 December 2021*

## 1. CORPORATE AND GROUP INFORMATION

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

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

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

### Information about subsidiaries

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

| Name | Place of incorporation/ registration and business | Registered paid-in capital/ issued shares | Percentage of equity attributable to the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| Weiming Medical Devices (Shanghai) Co., Ltd. ("Weiming")* (瑋銘醫療器械(上海)有限公司) | PRC/Mainland China | RMB70,000,000 | 100% | – | Research and development and sale of medical devices |
| Nanjing SealMed Medical Technology Co., Ltd.* ("SealMed") (南京思脈德醫療科技有限公司) | PRC/Mainland China | RMB50,000,000 | 100% | – | Research and development of medical devices |
| Shanghai Weiqi Medical Devices Co., Ltd. ("Weiqi")* (上海瑋啟醫療器械有限公司) | PRC/Mainland China | RMB120,000,000 | 100% | – | Research and development of medical devices |
| Shanghai Weilang Medical Technology Co., Ltd. ("Weilang")* (上海瑋瑯醫療科技有限公司) | PRC/Mainland China | RMB70,000,000 | 100% | – | Research and development of medical devices |
| Shanghai Shenji Medical Technology Co., Ltd. ("Shenji")* (上海神璣醫療科技有限公司) | PRC/Mainland China | RMB70,000,000 | 100% | – | Research and development of medical devices |

# Notes to Financial Statements (Continued)

*31 December 2021*

## 1. CORPORATE AND GROUP INFORMATION (Continued)

### Information about subsidiaries (Continued)

| Name | Place of incorporation/ registration and business | Registered paid-in capital/ issued shares | Percentage of equity attributable to the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| Shanghai HeartCare Medical Co., Ltd. ("HeartCare Medical") * (上海心瑋醫療技術有限公司) | PRC/Mainland China | RMB30,000,000 | 100% | – | Research and development of medical devices |
| Shanghai HeartCare Technology Co., Ltd. ("HeartCare Technology") * (上海心瑋科技有限公司) | PRC/Mainland China | RMB1,000,000 | 100% | – | Research and development of medical devices |
| Heartcare Medical (Hong Kong) Corporation Limited | Hong Kong, the PRC | USD100,000 | – | 100% | No operation |

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

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

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all IFRSs, International Accounting Standards ("IASs") and interpretations) issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

# Notes to Financial Statements (Continued)

*31 December 2021*

## 2.1 BASIS OF PREPARATION (Continued)

### Basis of consolidation (Continued)

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

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

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

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

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

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

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

| | |
|---|---|
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | *Interest Rate Benchmark Reform – Phase 2* |
| Amendment to IFRS 16 | *Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted) |

The nature and the impact of the revised IFRSs are described below:

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest-bearing bank borrowings.

# Notes to Financial Statements (Continued)

*31 December 2021*

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

(b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

## 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

| | |
|---|---|
| Amendments to IFRS 3 | *Reference to the Conceptual Framework*[1] |
| Amendments to IFRS 10 and IAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3] |
| IFRS 17 | *Insurance Contracts*[2] |
| Amendments to IFRS 17 | *Insurance Contracts*[2,4] |
| Amendment to IFRS 17 | *Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[5] |
| Amendments to IAS 1 | *Classification of Liabilities as Current or Non-current*[2] |
| Amendments to IAS 1 and IFRS Practice Statement 2 | *Disclosure of Accounting Policies*[2] |
| Amendments to IAS 8 | *Definition of Accounting Estimates*[2] |
| Amendments to IAS 12 | *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2] |
| Amendments to IAS 16 | *Property, Plant and Equipment: Proceeds before Intended Use*[1] |
| Amendments to IAS 37 | *Onerous Contracts – Cost of Fulfilling a Contract*[1] |
| Annual Improvements to IFRS Standards 2018-2020 | *Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*[1] |

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption

# Notes to Financial Statements (Continued)

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## 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

4 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

5 The IASB amended IFRS 17 to permit a classification overlay for financial assets presented in comparative periods on initial application of IFRS 17

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Business combinations and goodwill

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

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

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

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

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

# Notes to Financial Statements (Continued)

*31 December 2021*

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Business combinations and goodwill (Continued)

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

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

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

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

### Fair value measurement

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Fair value measurement (Continued)

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

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

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

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

### Impairment of non-financial assets

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

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

# Notes to Financial Statements (Continued)

*31 December 2021*

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment of non-financial assets (Continued)

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

### Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);

# Notes to Financial Statements (Continued)

*31 December 2021*

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Related parties (Continued)

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

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

### Plant and equipment and depreciation

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

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

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

| | |
|---|---|
| Leasehold improvements | 20% |
| Machinery and equipment | 18% to 30% |

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

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

# Notes to Financial Statements (Continued)

*31 December 2021*

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Plant and equipment and depreciation (Continued)

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

### Intangible assets (other than goodwill)

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

#### Intellectual properties

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

#### Research and development costs

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases

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

#### Group as a lessee

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

**(a) Right-of-use assets**

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

| | |
|---|---|
| Plant and office premises | 2 to 10 years |

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

**(b) Lease liabilities**

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

# Notes to Financial Statements (Continued)

*31 December 2021*

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases (Continued)

Group as a lessee (Continued)

**(b) Lease liabilities (Continued)**

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

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

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

The Group applies the short-term lease recognition exemption to its short-term leases of offices (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value. Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

### Investments and other financial assets

Initial recognition and measurement

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

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investments and other financial assets (Continued)

#### Initial recognition and measurement (Continued)

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

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

#### Subsequent measurement

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

#### Financial assets at amortised cost (debt instruments)

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

#### Financial assets at fair value through profit or loss

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

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

# Notes to Financial Statements (Continued)

*31 December 2021*

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investments and other financial assets (Continued)

#### Financial assets at fair value through profit or loss (Continued)

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

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

### Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

# Notes to Financial Statements (Continued)

*31 December 2021*

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment of financial assets

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

#### General approach

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

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

The Group considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

# Notes to Financial Statements (Continued)

*31 December 2021*

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment of financial assets (Continued)

#### General approach (Continued)

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

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

#### Simplified approach

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

### Financial liabilities

#### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as payables as appropriate.

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial liabilities (Continued)

#### Subsequent measurement

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

#### Financial liabilities at amortised cost (loans and borrowings)

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

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

### Derecognition of financial liabilities

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

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

### Offsetting of financial instruments

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

### Treasury shares

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

### Inventories

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

# Notes to Financial Statements (Continued)

*31 December 2021*

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Cash and cash equivalents

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

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

### Provisions

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

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

### Income tax

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

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Income tax (Continued)

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

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

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

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

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

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

# Notes to Financial Statements (Continued)

*31 December 2021*

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

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

### Revenue recognition

#### Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

# Notes to Financial Statements (Continued)

*31 December 2021*

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue recognition (Continued)

#### Sale of medical devices

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

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

**(i) Sales rebates**

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

#### Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

### Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods to the customer).

### Share-based payments

The Company operates share award schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted less the consideration received by the Group. The fair value of share awards is determined using the market approach. Further details are included in note 27 to the financial statements.

# Notes to Financial Statements (Continued)

*31 December 2021*

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Share-based payments (Continued)

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Other employee benefits

#### Pension scheme

The employees of the Group are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

### Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

### Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

# Notes to Financial Statements (Continued)

*31 December 2021*

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

#### Research and development costs

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

### Estimation uncertainty

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

#### Accrual of research and development costs

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

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

### Estimation uncertainty (Continued)

#### Useful lives and residual values of plant and equipment

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

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

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

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

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

#### Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill as at 31 December 2020 and 2021 were RMB9,711,000 and RMB9,711,000, respectively. Further details are given in note 16 to the financial statements.

# Notes to Financial Statements (Continued)

*31 December 2021*

## 4. OPERATING SEGMENT INFORMATION

### Segment information

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

### Geographical information

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

| | **2021** | 2020 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Mainland China | **90,062** | 14,562 |
| Others | **27** | – |
| Total | **90,089** | 14,562 |

### Information about major customers

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

| | **2021** | 2020 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Customer A | **23,702** | – |
| Customer B | **11,850** | – |
| Customer C | **–** | 6,010 |
| Customer D | **–** | 2,866 |

# Notes to Financial Statements (Continued)

*31 December 2021*

## 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| *Revenue from contracts with customers* | | |
| Sale of medical devices | 90,089 | 14,562 |

### Revenue from contracts with customers

(a) Disaggregated revenue information

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| **Geographical markets** | | |
| Mainland China | 90,062 | 14,562 |
| Others | 27 | – |
| Total | 90,089 | 14,562 |
| **Timing of revenue recognition** | | |
| Goods transferred at a point in time | 90,089 | 14,562 |

# Notes to Financial Statements (Continued)

*31 December 2021*

## 5. REVENUE, OTHER INCOME AND GAINS (Continued)

### Revenue from contracts with customers (Continued)

(a) Disaggregated revenue information (Continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Sale of medical devices | 832 | – |

(b) Performance obligations

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

**Sale of medical devices**

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

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of the reporting period are as follows:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Amounts expected to be recognised as revenue: | | |
| Within one year | 3,257 | 832 |

All the amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

# Notes to Financial Statements (Continued)

*31 December 2021*

## 5. REVENUE, OTHER INCOME AND GAINS (Continued)

An analysis of other income and gains is as follows:

| | **2021** | 2020 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **Other income** | | |
| Government grants (note) | **8,987** | 5,638 |
| Bank interest income | **5,496** | 174 |
| | **14,483** | 5,812 |
| **Gains** | | |
| Fair value gains on financial assets at FVTPL | **3,837** | 188 |
| | **18,320** | 6,000 |

Note:

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

## 6. OTHER EXPENSES

| | **2021** | 2020 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Foreign exchange losses, net | **22,277** | 7,585 |
| Donation | **2,334** | 1,000 |
| Impairment of trade receivables | **733** | – |
| Others | **145** | 15 |
| | **25,489** | 8,600 |

# Notes to Financial Statements (Continued)

*31 December 2021*

## 7. LOSS BEFORE TAX

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

| | Notes | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| Cost of sales | | **35,139** | 7,475 |
| Research and development costs | | **76,306** | 51,134 |
| Impairment of trade receivables | 19 | **733** | – |
| Depreciation of plant and equipment | 14 | **7,430** | 4,952 |
| Depreciation of right-of-use assets | 15 | **4,657** | 3,433 |
| Amortisation of other intangible assets | 17 | **116** | – |
| Government grants | 5 | **(8,987)** | (5,638) |
| Bank interest income | 5 | **(5,496)** | (174) |
| Fair value gains on financial assets at FVTPL | 5 | **(3,837)** | (188) |
| Listing expenses | | **32,008** | 11,785 |
| Lease payments not included in the measurement of lease liabilities | | **1,679** | 48 |
| Auditors' remuneration | | **3,900** | 29 |
| Employee benefit expenses (including directors' emoluments): | | | |
| – Independent non-executive directors' fees | | **481** | – |
| – Wages, salaries and allowances | | **56,280** | 15,547 |
| – Pension scheme contributions | | **4,784** | 1,453 |
| – Staff welfare expenses | | **1,798** | 404 |
| – Equity-settled share award expenses (note) | 27 | **50,959** | 140,545 |
| | | **114,302** | 157,949 |
| Foreign exchange differences, net | 6 | **22,227** | 7,585 |
| Loss on disposal of items of plant and equipment, net | 6 | **–** | 10 |
| Donation | 6 | **2,334** | 1,000 |

# Notes to Financial Statements (Continued)

*31 December 2021*

## 7. LOSS BEFORE TAX (Continued)

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

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Cost of sales | 66 | 21 |
| Research and development costs | 4,069 | 18,093 |
| Selling and distribution expenses | 3,632 | 1,637 |
| Administrative expenses | 43,192 | 120,794 |
| | 50,959 | 140,545 |

## 8. FINANCE COSTS

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Interest on lease liabilities | 1,794 | 1,143 |
| Interest on restricted share repurchase obligations (note 27) | 570 | 461 |
| | 2,364 | 1,604 |

# Notes to Financial Statements (Continued)

*31 December 2021*

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

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

| | **2021** | 2020 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Fees | **481** | – |
| Other emoluments: | | |
| Salaries, bonuses, allowances and benefits in kind | **2,016** | 1,477 |
| Pension scheme contributions | **92** | 4 |
| Equity-settled share award expense | **33,559** | 119,088 |
| | **36,148** | 120,569 |

During the year, certain directors were granted share awards, in respect of their services to the Group, under the share award schemes of the Company, further details of which are set out in note 27 to the financial statements. The fair value of such awarded shares, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

### (a) Independent non-executive directors

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

| | **2021** | 2020 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Mr. Guo Shaomu (note i) | **286** | – |
| Mr. Feng Xiangqian (note i) | **–** | – |
| Mr. Gong Ping (note i) | **195** | – |
| | **481** | – |

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

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

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

| | Salaries, bonuses, allowances and benefits in kind RMB'000 | Pension scheme contributions RMB'000 | Equity-settled share award expenses RMB'000 | Total amount including equity-settled share award expenses RMB'000 |
|---|---|---|---|---|
| **2021** | | | | |
| *Executive directors:* | | | | |
| Mr. Wang Guohui (note ii) | **1,180** | **58** | **19,812** | **21,050** |
| Ms. Zhang Kun | **836** | **34** | **6,874** | **7,744** |
| | **2,016** | **92** | **26,686** | **28,794** |
| *Non-executive directors:* | | | | |
| Mr. Ding Kui | **–** | **–** | **6,873** | **6,873** |
| Mr. Chen Gang (note iv) | **–** | **–** | **–** | **–** |
| Mr. Ouyang Xiangyu (note iv) | **–** | **–** | **–** | **–** |
| Mr. Liu Yanbin (note iv) | **–** | **–** | **–** | **–** |
| | **–** | **–** | **6,873** | **6,873** |
| | **2,016** | **92** | **33,559** | **35,667** |
| **2020** | | | | |
| *Executive directors:* | | | | |
| Mr. Wang Guohui (note ii) | 771 | 4 | 81,011 | 81,786 |
| Ms. Zhang Kun | 578 | – | 17,871 | 18,449 |
| Mr. Li Zhigang (note iii) | 128 | – | 2,335 | 2,463 |
| | 1,477 | 4 | 101,217 | 102,698 |
| *Non-executive directors:* | | | | |
| Mr. Ding Kui | – | – | 17,871 | 17,871 |
| Mr. Chen Gang (note iv) | – | – | – | – |
| Mr. Ouyang Xiangyu (note iv) | – | – | – | – |
| Mr. Liu Yanbin (note iv) | – | – | – | – |
| | – | – | 17,871 | 17,871 |
| | 1,477 | 4 | 119,088 | 120,569 |

# Notes to Financial Statements (Continued)

*31 December 2021*

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

### (c) Supervisors

| | Salaries, bonuses, allowances and benefits in kind RMB'000 | Pension scheme contributions RMB'000 | Equity-settled share award expenses RMB'000 | Total amount including equity-settled share award expenses RMB'000 |
|---|---|---|---|---|
| **Year ended 31 December 2021** | | | | |
| Mr. Xing Tingyu (note v) | **707** | **58** | **272** | **1,037** |
| Mr. Zhou Baolei | **–** | **–** | **–** | **–** |
| Mr. Mei Jianghua | **–** | **–** | **–** | **–** |
| | **707** | **58** | **272** | **1,037** |
| **Year ended 31 December 2020** | | | | |
| Mr. Xing Tingyu (note v) | 217 | – | 96 | 313 |
| Mr. Zhou Baolei | – | – | – | – |
| Mr. Mei Jianghua | – | – | – | – |
| | 217 | – | 96 | 313 |

Notes

i. Mr. Guo Shaomu, Mr. Feng Xiangqian and Mr. Gong Ping were appointed as independent non-executive directors of the Company on 23 November 2020, 23 November 2020 and 11 January 2021, respectively.

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

iii. Mr. Li Zhigang was appointed as an executive director on 30 June 2020 and resigned from the position as an executive director on 16 September 2020.

iv. Mr. Liu Yanbin, Mr. Chen Gang and Mr. Ouyang Xiangyu were appointed as non-executive directors with effect from 14 April 2020, 30 June 2020 and 30 June 2020, respectively. Mr. Liu Yanbin resigned as a non-executive director with effect from 10 December 2021.

v. Mr. Xing Tingyu was appointed as a supervisor with effect from 16 September 2020.

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

# Notes to Financial Statements (Continued)

*31 December 2021*

## 10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors including the chief executive (2020: three directors including the chief executive), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining two (2020: two) highest paid employees who were not a director, supervisor or chief executive of the Company are as follows:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Salaries, bonuses, allowances and benefits in kind | 2,223 | 997 |
| Pension scheme contributions | 58 | – |
| Equity-settled share award expenses | 11,716 | 19,485 |
| | 13,997 | 20,482 |

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

| | Number of employees | |
|---|---|---|
| | 2021 | 2020 |
| HKD1,000,001 to HKD1,500,000 | – | 1 |
| HKD4,500,001 to HKD5,000,000 | 1 | – |
| HKD12,000,001 to HKD12,500,000 | 1 | – |
| HKD21,500,001 to HKD22,000,000 | – | 1 |
| | 2 | 2 |

In prior years, share awards were granted to certain non-director, non-supervisor and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 27 to the financial statements. The fair value of such awarded shares, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, non-supervisor and non-chief executive highest paid employees' remuneration disclosures. No new share awards were granted during the year.

# Notes to Financial Statements (Continued)

*31 December 2021*

## 11. INCOME TAX

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

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

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

Pursuant to Caishui [2018] circular No. 76, the Company can carry forward its unutilised tax losses for up to ten years. This extension of the expiration period applies to all the unutilised tax losses that were carried forward by the Company at the effective date of the tax circular.

Pursuant to the relevant EIT Laws, the Company enjoyed a super deduction of 200% on qualifying research and development expenditures during the year ended 31 December 2021.

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

| | **2021**<br>**RMB'000** | 2020<br>RMB'000 |
|---|---|---|
| Current tax: | | |
| Charge for the year | **–** | – |
| Deferred tax | **–** | – |
| | **–** | – |

# Notes to Financial Statements (Continued)

*31 December 2021*

## 11. INCOME TAX (Continued)

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

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Loss before tax | (197,906) | (216,183) |
| Tax at the applicable tax rate of 25% | (49,477) | (54,046) |
| Lower tax rate enacted by local authority | 17,619 | 1,443 |
| Expenses not deductible for tax purpose | 9,761 | 36,274 |
| Additional deductible allowance for research and development expenses | (11,967) | (6,195) |
| Deductible temporary differences and tax losses not recognised | 34,064 | 22,524 |
| Income tax expense recognised in profit or loss | – | – |

The Group has accumulated tax losses of RMB390,283,000 as at 31 December 2021 (2020: RMB191,912,000), that will expire in five to ten years for offsetting against future taxable profits of the companies in which the losses arose. The Group has deductible temporary differences of RMB18,905,000 as at 31 December 2021 (2020: RMB17,694,000), which are mainly related to unpaid leasing expenses.

Deferred tax assets have not been recognised in respect of these losses and temporary differences as they have arisen in the Group 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.

## 12. DIVIDENDS

No dividend has been paid or declared by the Company during the year (2020: Nil).

# Notes to Financial Statements (Continued)

*31 December 2021*

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

On 3 December 2020, the Company was converted to a joint stock limited liability company, and a total of 28,000,000 ordinary shares with par value of RMB1.00 each were issued and allotted to the respective shareholders of the Company according to the paid-in capital registered under these shareholders on that day. The conversion to ordinary shares with par value of RMB1.00 each is applied retrospectively for the year ended 31 December 2020 for the purpose of computation of basic loss per share.

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue for the years ended 31 December 2021 and 2020.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the impact of the share award scheme had an anti-dilutive effect on the basic loss per share amounts presented.

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

| | **2021** | 2020 |
|---|---|---|
| Loss | | |
| Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation (RMB'000) | **(194,225)** | (213,664) |
| Shares | | |
| Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation | **33,395,496** | 21,850,289 |
| Loss per share (basic and diluted) (RMB per share) | **(5.82)** | (9.78) |

# Notes to Financial Statements (Continued)

*31 December 2021*

## 14. PLANT AND EQUIPMENT

| | Leasehold improvements RMB'000 | Machinery and equipment RMB'000 | Construction in progress ("CIP") RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **31 December 2021** | | | | |
| At 1 January 2021: | | | | |
| Cost | **9,836** | **19,660** | **8,147** | **37,643** |
| Accumulated depreciation | **(3,386)** | **(4,152)** | **–** | **(7,538)** |
| Net carrying amount | **6,450** | **15,508** | **8,147** | **30,105** |
| At 1 January 2021, net of accumulated depreciation | **6,450** | **15,508** | **8,147** | **30,105** |
| Additions | **6,540** | **22,169** | **25,682** | **54,391** |
| Depreciation provided during the year | **(2,617)** | **(4,813)** | **–** | **(7,430)** |
| Transfer | **16,443** | **318** | **(16,761)** | **–** |
| At 31 December 2021, net of accumulated depreciation | **26,816** | **33,182** | **17,068** | **77,066** |
| At 31 December 2021: | | | | |
| Cost | **32,819** | **42,147** | **17,068** | **92,034** |
| Accumulated depreciation | **(6,003)** | **(8,965)** | **–** | **(14,968)** |
| Net carrying amount | **26,816** | **33,182** | **17,068** | **77,066** |
| **31 December 2020** | | | | |
| At 1 January 2020: | | | | |
| Cost | 8,920 | 16,070 | – | 24,990 |
| Accumulated depreciation | (1,188) | (769) | – | (1,957) |
| Net carrying amount | 7,732 | 15,301 | – | 23,033 |
| At 1 January 2020, net of accumulated depreciation | 7,732 | 15,301 | – | 23,033 |
| Additions | – | 2,851 | 8,147 | 10,998 |
| Acquisition of a subsidiary | 565 | 705 | – | 1,270 |
| Depreciation provided during the year | (1,847) | (3,105) | – | (4,952) |
| Disposals | – | (244) | – | (244) |
| At 31 December 2020, net of accumulated depreciation | 6,450 | 15,508 | 8,147 | 30,105 |
| At 31 December 2020: | | | | |
| Cost | 9,836 | 19,660 | 8,147 | 37,643 |
| Accumulated depreciation | (3,386) | (4,152) | – | (7,538) |
| Net carrying amount | 6,450 | 15,508 | 8,147 | 30,105 |

# Notes to Financial Statements (Continued)

*31 December 2021*

## 15. LEASES

### The Group as a lessee

The Group has lease contracts for plant and office premises used in its operations. Leases of plant and office premises generally have lease terms between 2 and 10 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

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

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

| | **Plant and office premises RMB'000** |
|---|---|
| At 1 January 2020 | 1,181 |
| Additions | 24,533 |
| Depreciation charge | (3,433) |
| At 31 December 2020 and 1 January 2021 | **22,281** |
| Additions | **17,455** |
| Depreciation charge | **(4,657)** |
| At 31 December 2021 | **35,079** |

# Notes to Financial Statements (Continued)

*31 December 2021*

## 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:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Carrying amount at 1 January | **24,689** | 1,244 |
| New lease addition | **16,801** | 23,345 |
| Covid-19-related rent concessions from a lessor | **–** | (182) |
| Accretion of interest recognised during the year | **1,794** | 1,143 |
| Payments | **(1,344)** | (861) |
| Carrying amount at 31 December | **41,940** | 24,689 |
| Analysed into: | | |
| Current portion | **2,489** | 230 |
| Non-current portion | **39,451** | 24,459 |

The maturity analysis of lease liabilities is disclosed in note 35 to the financial statements.

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

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Interest on lease liabilities | **1,794** | 1,143 |
| Depreciation charge of right-of-use assets | **4,657** | 3,433 |
| Expense relating to short-term leases (included in research and development costs and administrative expenses) | **1,679** | 48 |
| Covid-19-related rent concessions from a lessor | **–** | (182) |
| Total amount recognised in profit or loss | **8,130** | 4,442 |

(d) The total cash outflow for leases is disclosed in note 30(c) to the financial statements.

# Notes to Financial Statements (Continued)

*31 December 2021*

## 16. GOODWILL

| | RMB'000 |
|---|---|
| As at 1 January 2020 | – |
| Acquisition of a subsidiary | 9,711 |
| Cost as at 31 December 2020, 1 January 2021 and 31 December 2021 | 9,711 |
| Impairment | – |
| Net carrying amount as at 31 December 2020, 1 January 2021 and 31 December 2021 | 9,711 |

### Impairment testing of goodwill

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

The recoverable amount of the SealMed unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a 11-year period approved by senior management. Management considers that using a 11-year forecast period for financial budgets in the goodwill impairment test is appropriate because the useful lives of SealMed's relevant intellectual properties are estimated as ten years after commercialisation, and it generally takes longer for a medical device company to reach the perpetual growth mode, compared to companies in other industries, especially when its product is still under clinical trial and the market of such product is at an early stage of development with substantial growth potential. Hence, financial budgets covering a 11-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:

| | **2021** | 2020 |
|---|---|---|
| Revenue growth rate | **31.9%-113.8% for the first 3 years since 2022 9.1%-19.7% for the rest of the years** | 31.6%-111.9% for the first 3 years since 2022 9.1%-19.7% for the rest of the years |
| Budgeted gross margin | **64.4%-67.0%** | 64.6%-67.0% |
| Terminal growth rate | **2.3%** | 3.0% |
| Discount rate | **20.0%** | 21.0% |

Assumptions were used in the value in use calculation of the cash-generating unit as at 31 December 2021. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

# Notes to Financial Statements (Continued)

*31 December 2021*

## 16. GOODWILL (Continued)

### Impairment testing of goodwill (Continued)

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

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year since 2022 when the product candidate is commercialised, 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.

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

The recoverable amount of the SealMed unit exceeded its carrying amount by RMB169,777,000 as at 31 December 2021.

If the pre-tax discount rate rose from 20.0% to 38.0%, the gross margin would decrease from the range of 64.6% to 67.0% to the range of 52.1% to 54.2%, or the compound growth rate of revenue would decrease from 58% to 26% (with other assumptions remaining unchanged), the recoverable amount of the cash-generating unit would be decreased to the carrying amount of goodwill. 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 2021.

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 exceeded the carrying amount of goodwill and no impairment was considered necessary.

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

# Notes to Financial Statements (Continued)

*31 December 2021*

## 17. OTHER INTANGIBLE ASSETS

| | Intellectual properties RMB'000 | Software RMB'000 | Total RMB'000 |
|---|---|---|---|
| **31 December 2021** | | | |
| Cost at 1 January 2021, net of accumulated amortisation | **40,900** | **–** | **40,900** |
| Additions | **–** | **1,645** | **1,645** |
| Amortisation provided during the year | **–** | **(116)** | **(116)** |
| At 31 December 2021 | **40,900** | **1,529** | **42,429** |
| At 31 December 2021: | | | |
| Cost | **40,900** | **1,645** | **42,545** |
| Accumulated amortisation | **–** | **(116)** | **(116)** |
| Net carrying amount | **40,900** | **1,529** | **42,429** |
| **31 December 2020** | | | |
| Cost at 1 January 2020, net of accumulated impairment | – | – | – |
| Acquisition of a subsidiary | 40,900 | – | 40,900 |
| Amortisation provided during the year | – | – | – |
| Cost and net carrying amount at 31 December 2020 | 40,900 | – | 40,900 |
| At 31 December 2020: | | | |
| Cost | 40,900 | – | 40,900 |
| Accumulated impairment | – | – | – |
| Net carrying amount | 40,900 | – | 40,900 |

In September 2020, the Company acquired certain intellectual properties in relation to the SealMed products in a business combination.

# Notes to Financial Statements (Continued)

*31 December 2021*

## 17. OTHER INTANGIBLE ASSETS (Continued)

Intellectual properties are recognised as intangible assets at historical cost and amortised using the straight-line method over their estimated useful lives after commercialisation. Management estimates the useful lives of intellectual properties as 10 years based on the estimated lifecycle of the products, considering the lifecycle of medical device products in the market, current market competition and the current management development plan. The intellectual properties are not yet available for use as at 31 December 2021.

The intellectual properties belong to the SealMed unit and the management of the Group tests the intellectual properties for impairment in the SealMed unit, details of which are set out in note 16.

## 18. INVENTORIES

| | **2021**<br>**RMB'000** | 2020<br>RMB'000 |
|---|---|---|
| Raw materials | **22,139** | 6,497 |
| Work in progress | **5,497** | 466 |
| Finished goods | **4,492** | 1,675 |
| | **32,128** | 8,638 |

## 19. TRADE RECEIVABLES

| | **2021**<br>**RMB'000** | 2020<br>RMB'000 |
|---|---|---|
| Trade receivables | **19,664** | – |
| Impairment | **(733)** | – |
| | **18,931** | – |

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

# Notes to Financial Statements (Continued)

*31 December 2021*

## 19. TRADE RECEIVABLES (Continued)

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

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Within 6 months | 18,931 | – |

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

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| At beginning of year | – | – |
| Impairment losses | 733 | – |
| At end of year | 733 | – |

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

**As at 31 December 2021**

| | Current |
|---|---|
| Expected credit loss rate | 3.73% |
| Gross carrying amount (RMB'000) | 19,644 |
| Expected credit losses (RMB'000) | 733 |

# Notes to Financial Statements (Continued)

*31 December 2021*

## 20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Non-current: | | |
| Rental deposits | 1,282 | 1,113 |
| Prepayment of plant and equipment | 3,674 | 5,231 |
| Prepayments | 404 | 462 |
| Value-added tax recoverable, non-current | 2,679 | 2,046 |
| | 8,039 | 8,852 |
| Current: | | |
| Interest receivable | 1,311 | – |
| Prepayments | 51,439 | 16,129 |
| Deferred listing expenses | – | 2,403 |
| Other receivables | 744 | 658 |
| Value-added tax recoverable | 3,490 | 1,536 |
| | 56,984 | 20,726 |

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2021 and 2020, the loss allowance was assessed to be minimal.

# Notes to Financial Statements (Continued)

*31 December 2021*

## 21. CASH AND BANK BALANCES/RESTRICTED CASH

| | **2021** | 2020 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Cash and bank balances | **1,217,717** | 632,418 |
| Less: Time deposits with original maturity of more than three months but less than one year when acquired | **131,006** | – |
| Cash and cash equivalents | **1,086,711** | 632,418 |
| Restricted cash | **6,564** | – |
| Denominated in | | |
| RMB | **1,016,204** | 536,172 |
| USD | **15,528** | 96,246 |
| HKD | **61,543** | – |

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, 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. The bank balances are deposited with creditworthy banks with no recent history of default. Time deposits are made for periods of 3 months to 6 months and earn interest at the respective short-term time deposit rates.

RMB6,564,000 was restricted because the payment for the repurchase of shares was not settled as at 31 December 2021.

# Notes to Financial Statements (Continued)

*31 December 2021*

## 22. TRADE AND OTHER PAYABLES

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Trade payables | **3,809** | 586 |
| Accrued expenses | **8,139** | 6,415 |
| Payroll payable | **15,250** | 3,483 |
| Other tax payables | **585** | 307 |
| Accrued listing expenses | **–** | 7,764 |
| Other payables | **5,002** | 289 |
| Payable for share purchase | **6,564** | – |
| Payable for acquisition of non-controlling interests (note 32) | **8,826** | – |
| Restricted share repurchase obligations (note 27) | **–** | 15,239 |
| | **48,175** | 34,083 |

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

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Within 3 months | **2,605** | 578 |
| 3 to 6 months | **1,123** | – |
| 6 to 12 months | **74** | 7 |
| 1 to 2 years | **7** | 1 |
| | **3,809** | 586 |

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

# Notes to Financial Statements (Continued)

*31 December 2021*

## 23. GOVERNMENT GRANTS

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Government grants | | |
| Current | **1,467** | 1,467 |
| Non-current | **27,033** | 11,300 |
| | **28,500** | 12,767 |

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

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| At 1 January | **12,767** | 6,500 |
| Grants received during the year | **24,720** | 11,905 |
| Recognised as income during the year | **(8,987)** | (5,638) |
| At the end of the year | **28,500** | 12,767 |
| Analysed into: | | |
| Current portion | **1,467** | 1,467 |
| Non-current portion | **27,033** | 11,300 |
| | **28,500** | 12,767 |

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

## 24. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities:

| | **2021**<br>**RMB'000** | 2020<br>RMB'000 |
|---|---|---|
| Current | **3,257** | 832 |

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

## 25. DEFERRED TAX LIABILITIES

| | **Fair value adjustments arising from acquisition of a subsidiary**<br>RMB'000 |
|---|---|
| At 1 January 2020 | – |
| Acquisition of a subsidiary (note 28) | 10,225 |
| Deferred tax liabilities at 31 December 2020 and 2021 | 10,225 |

# Notes to Financial Statements (Continued)

*31 December 2021*

## 26. SHARE CAPITAL/PAID-IN CAPITAL

### Shares

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Issued and fully paid: | | |
| 38,834,408 (2020: 32,232,558) ordinary shares of RMB1.00 each | **38,834** | 32,233 |

### Share capital

A summary of movements in the Company's share capital is as follows:

| | Number of shares in issue | Share capital<br>RMB'000 |
|---|---|---|
| At 1 January 2020 | – | – |
| Issue of ordinary shares upon conversion into a joint stock company (note (a)) | 28,000,000 | 28,000 |
| Issue of ordinary shares (note (b)) | 4,232,558 | 4,233 |
| At 31 December 2020 and 1 January 2021 | **32,232,558** | **32,233** |
| Issue of shares from initial public offering (note (c)) | **6,601,850** | **6,601** |
| At 31 December 2021 | **38,834,408** | **38,834** |

### Paid-in capital

A summary of movements in the Company's paid-in capital is as follows:

| | Total<br>RMB'000 |
|---|---|
| At 1 January 2020 | 20,571 |
| Capital contribution from shareholders (note (d)) | 7,307 |
| Conversion into a joint stock company (note (a)) | (27,878) |
| At 31 December 2020 | – |

## 26. SHARE CAPITAL/PAID-IN CAPITAL (Continued)

### Treasury shares

On 1 November 2021, the shareholders approved the adoption of the 2021 H share incentive scheme (the "2021 H Share Incentive Scheme"). Pursuant to the 2021 H Share Incentive Scheme, 274,450 shares were purchased on the Hong Kong Stock Exchange by the trustee under the scheme for a total consideration of RMB21,185,000 before expenses during the year, of which RMB14,621,000 was settled as at 31 December 2021 and RMB6,564,000 was settled subsequently.

Notes:

(a) Pursuant to the shareholders' resolutions dated 23 November 2020 and the promoters' agreement dated 23 November 2020, the then shareholders of the Company agreed to convert the Company into a joint stock limited liability company. The net assets of the Company as of the conversion base date, including paid-in capital, other reserve and accumulated losses, amounting to RMB263,658,000, were converted into 28,000,000 ordinary shares at RMB1.00 each. The excess of the net assets converted over the nominal value of the ordinary shares was credited to the Company's share premium. Upon the completion of registration with the Shanghai Administration for Industry and Commerce on 3 December 2020, the Company was converted into a joint stock company with limited liability under PRC Company Law, and renamed from Shanghai HeartCare Medical Technology Co., Ltd. to Shanghai HeartCare Medical Technology Corporation Limited. In accordance with the business license of the Company, the Company became a joint stock limited liability company on 3 December 2020.

(b) In October 2020, the Company entered into a capital injection agreement with SherpaStrokecure Limited, LYFE Ohio River Limited, Elbrus Investments Pte. Ltd., LBC Sunshine Healthcare Fund II L.P. and Raritan River Limited, pursuant to which total capital of RMB443,699,000 was injected into the Company with approximately RMB4,233,000 and RMB439,466,000 credited to the Company's share capital and share premium, respectively. The consideration was fully paid in cash on 24 December 2020.

(c) On 20 August 2021, the Company issued a total of 6,601,850 ordinary shares of RMB1.00 each at the price of HK$171.00 per share by means of global offering.

(d) In June 2020, the Company entered into a capital injection agreement with Zhuhai Sherpa Phase I Equity Investment Partnership (L.P.), SherpaStrokemed Company Limited and LYFE Columbia River Limited, pursuant to which total capital of RMB119,451,000 was injected into the Company with approximately RMB2,057,000 and RMB117,394,000 credited to the Company's paid-in capital and capital reserve, respectively.

In August 2020, the Company entered into a capital injection agreement with Zhuhai Sherpa Phase I Equity Investment Partnership (L.P.), SherpaStrokemed Company Limited and LYFE Columbia River Limited, pursuant to which total capital of RMB80,042,000 was injected into the Company with approximately RMB1,271,000 and RMB78,771,000 credited to the Company's paid-in capital and capital reserve, respectively.

Pursuant to the share award scheme which is set out in note 27, total capital of RMB45,000,000 was injected into the Company by Shanghai Weiyu Enterprise Management Consulting Partnership (L.P.) and Shanghai Weijun Enterprise Management Consulting Partnership (L.P.) in September 2020, with approximately RMB3,979,000 and RMB41,021,000 credited to the Company's paid-in capital and other reserve, respectively.

# Notes to Financial Statements (Continued)

*31 December 2021*

## 27. EQUITY-SETTLED SHARE AWARD EXPENSE

The Company adopted share award schemes (the "Schemes") for certain personnel in order to recognise and reward the contribution of certain directors and employees ("Granted employees") to the growth and development of the Group, and retain eligible employees for the continuous operation and development of the Group. The Group granted equity interests of the Company under the Schemes through Ningbo Meishan Bonded Area Xinwei Investment Management (L.P.) ("Xinwei"), Shanghai Weiyu Enterprise Management Consulting Partnership (L.P.) ("Weiyu") and Shanghai Weiyun Enterprise Management Consulting Partnership (L.P.) ("Weiyun") to certain employees.

In May 2019, 1.73% of the then equity interest in the Company contributed by a shareholder was granted to ten selected employees of the Company for a consideration of RMB3,120,000 through Xinwei.

In September 2019, 5.47% of the then equity interest in the Company contributed by a shareholder was granted to 2 selected employees of the Company for a consideration of RMB167,000 through Xinwei.

In November 2019, 1.09% of the then equity interest in the Company contributed by a shareholder was granted to a selected employee of the Company for a consideration of RMB100,000 through Xinwei.

In January 2020, 1.99% of the then equity interest in the Company contributed by a shareholder was granted to 8 selected employees of the Company for a consideration of RMB4,100,000 through Xinwei.

In August and October 2020, 4.27% of the then equity interest in the Company was granted to 31 selected employees of the Company for a consideration of RMB15,000,000 through Weiyu.

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

During 2021, no shares were granted to employees (2020: RMB4,389,000 of paid-in capital was granted to selected employees of which the weighted average fair value of the paid-in capital on the date of grant was RMB59.82).

## 27. EQUITY-SETTLED SHARE AWARD EXPENSE (Continued)

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

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

The Group recognised a share award expense of RMB50,959,000 during the year ended 31 December 2021 (2020: RMB140,545,000) in relation to the share awards granted by the Company.

## 28. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 101 of the financial statements.

### (i) 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 December 2020.

### (ii) Capital reserve

The capital reserve of the Group represents the share premium contributed by the shareholders of the Company before its conversion into a joint stock company in December 2020.

# Notes to Financial Statements (Continued)

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## 29. 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 RMB17,455,000 (2020: additions to right-of-use assets of RMB24,533,000) and RMB16,801,000 (2020: additions to lease liabilities of RMB23,163,000), respectively, in respect of lease arrangements for plant and office premises.

### (b) Changes in liabilities arising from financing activities

| | Lease liabilities RMB'000 | Trade and other payables RMB'000 |
|---|---|---|
| At 1 January 2020 | 1,244 | – |
| Changes from financing cash flows during the year | (861) | – |
| Accretion of interest | 1,143 | – |
| New lease addition | 23,345 | – |
| Covid-19-related rent concessions from a lessor | (182) | – |
| At 31 December 2020 | **24,689** | **–** |
| Changes from financing cash flows during the year | **(1,344)** | **(14,621)** |
| Accretion of interest | **1,794** | **–** |
| New lease addition | **16,801** | **–** |
| Shares purchased under the 2021 H Share Incentive Scheme | **–** | **21,185** |
| At 31 December 2021 | **41,940** | **6,584** |

### (c) Total cash outflow for leases

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

| | **2021 RMB'000** | 2020 RMB'000 |
|---|---|---|
| Within operating activities | **1,679** | 48 |
| Within financing activities | **2,268** | 861 |
| | **3,947** | 909 |

## 30. COMMITMENTS

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

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Contracted, but not provided for: | | |
| Leasehold improvements | **1,079** | 7,666 |
| Plant and machinery | **1,631** | – |
| Capital contributions payable to an investment | **4,000** | – |
| | **6,710** | 7,666 |

The Group has various lease contracts that have not yet commenced as at 31 December 2021. The future lease payments for these non-cancellable lease contracts are RMB365,000 due within one year, and RMB 296,000 due in the second to fifth years.

## 31. RELATED PARTY TRANSACTIONS

### (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

On 28 March 2021, the Company entered into an agreement with Ms. Hu Xiaoping, a close family member of key management personnel, and SealMed to further acquire 20.76% of the equity interest in SealMed by a capital injection of RMB40,000,000.

On 20 December 2021, the Company entered into an agreement with Ms. Hu Xiaoping and SealMed to acquire the remaining 23.36% of equity interest in SealMed held by Ms. Hu Xiaoping at a total consideration of RMB44,130,000, of which RMB35,304,000 was settled as at 31 December 2021 and RMB8,826,000 was settled subsequently.

### (b) Compensation of key management personnel of the Group

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Salaries, bonuses, allowances and benefits in kind | **6,014** | 3,269 |
| Pension scheme contributions | **268** | 8 |
| Directors' fees | **481** | – |
| Equity-settled share award expense | **47,967** | 137,508 |
| | **54,730** | 140,785 |

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

# Notes to Financial Statements (Continued)

*31 December 2021*

## 32. 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:

**As at 31 December 2021**

### Financial assets

| | Financial assets at amortised cost | |
|---|---|---|
| | **As at 31 December 2021 RMB'000** | As at 31 December 2020 RMB'000 |
| Financial assets included in prepayments, other receivables and other assets | **3,337** | 1,771 |
| Trade receivables | **18,931** | – |
| Cash and bank balances | **1,217,717** | 632,418 |
| Restricted cash | **6,564** | – |
| | **1,246,549** | 634,189 |

### Financial liabilities

| | Financial liabilities at amortised cost | |
|---|---|---|
| | **As at 31 December 2021 RMB'000** | As at 31 December 2020 RMB'000 |
| Financial liabilities included in trade and other payables | **32,340** | 30,293 |

## 33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

### Fair value

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 bank balances, trade receivables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in trade and other payables and lease liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

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

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

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

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

### Fair value hierarchy

The Group did not have any financial assets and liabilities measured at fair value as at the end of the reporting period.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2020: Nil).

# Notes to Financial Statements (Continued)

*31 December 2021*

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, financial assets included in prepayments, other receivables and other assets and financial liabilities included in trade and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

### Foreign currency risk

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

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's loss before tax (due to retranslation of monetary assets and liabilities) and the Group's equity.

| | Increase/ (decrease) in rate of foreign currency % | Increase/ (decrease) in loss before tax RMB'000 | Increase/ (decrease) in equity RMB'000 |
|---|---|---|---|
| **31 December 2021** | | | |
| If RMB weakens against USD | **5** | **(3,327)** | **3,327** |
| If RMB strengthens against USD | **(5)** | **3,327** | **(3,327)** |
| If RMB weakens against HKD | **5** | **(3,077)** | **3,077** |
| If RMB strengthens against HKD | **(5)** | **3,077** | **(3,077)** |
| **31 December 2020** | | | |
| If RMB weakens against USD | 5 | (4,812) | 4,812 |
| If RMB strengthens against USD | (5) | 4,812 | (4,812) |

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The credit risk of the Group's other financial assets, which comprise cash and bank balances and financial assets included in prepayments, other receivables and other assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

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

#### Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

**As at 31 December 2021**

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 RMB'000 | Stage 2 RMB'000 | Stage 3 RMB'000 | Simplified approach RMB'000 | Total RMB'000 |
| Financial assets included in prepayments, other receivables and other assets (note (a)) | 3,337 | – | – | – | 3,337 |
| Trade receivables (note (b)) | – | – | – | 18,931 | 18,931 |
| Cash and bank balances (note (c)) | 1,217,717 | – | – | – | 1,217,717 |
| Restricted cash | 6,564 | – | – | – | 6,564 |
| | 1,227,618 | – | – | 18,931 | 1,246,549 |

# Notes to Financial Statements (Continued)

*31 December 2021*

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

**As at 31 December 2020**

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Financial assets included in prepayments, other receivables and other assets (note (a)) | 1,771 | – | – | – | 1,771 |
| Cash and bank balances | 632,418 | – | – | – | 632,418 |
| | 634,189 | – | – | – | 634,189 |

Notes:

(a) The credit quality of the financial assets included in prepayments, other receivables and other non-current 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.

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

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

At the end of the reporting period, the Group had certain concentrations of credit risk as the Group's trade receivables were mainly due from the Group's largest customer as disclosed in note 5 to the financial statements. The Group sets a maximum credit limit for each customer. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

# Notes to Financial Statements (Continued)

*31 December 2021*

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### 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:

| | **2021** | | | | |
|---|---|---|---|---|---|
| | **On demand** | **Less than 1 year** | **1 to 5 years** | **Over 5 years** | **Total** |
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| Financial liabilities included in trade and other payables | **32,340** | **–** | **–** | **–** | **32,340** |
| Lease liabilities | **–** | **4,173** | **23,787** | **23,722** | **51,682** |
| | **32,340** | **4,173** | **23,787** | **23,722** | **84,022** |

| | 2020 | | | | |
|---|---|---|---|---|---|
| | On demand | Less than 1 year | 1 to 5 years | Over 5 years | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Financial liabilities included in trade and other payables | 30,293 | – | – | – | 30,293 |
| Lease liabilities | – | 230 | 13,659 | 17,569 | 31,458 |
| | 30,293 | 230 | 13,659 | 17,569 | 61,751 |

# Notes to Financial Statements (Continued)

*31 December 2021*

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 31 December 2020.

| | **2021** | 2020 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Lease liabilities | **41,940** | 24,689 |
| Total debt | **41,940** | 24,689 |
| Total equity | **1,372,551** | 691,035 |
| Gearing ratio | **3.1%** | 3.6% |

## 35. EVENTS AFTER THE REPORTING PERIOD

The management of the Company currently expected that clinical trials in Mainland China will not be significantly affected by the outbreak of COVID-19. The Directors believe that, based on the information available as of the date of this report, the outbreak of COVID-19 would not result in a material disruption to the Group's business operations or a material impact on the financial position or financial performance of the Group.

On 8 February 2022, Shanghai Weiqi Medical Devices Co., Ltd., a wholly-owned subsidiary of the Group, entered into an agreement with IasoCardiac Medical Technology Co., Ltd. (上海御瓣醫療科技有限公司), Ms. Zhang Yanxia, a close family member of an executive director, and Ms. Li Jun, a close family member of a non-executive director, to obtain 44.96% of equity interest of IasoCardiac Medical Technology Co., Ltd. at a total consideration of RMB34,800,000. RMB4,800,000 has been paid in March 2022.

Pursuant to the 2021 H Share Incentive Scheme, 175,550 shares were purchased on the Hong Kong Stock Exchange by the trustee under the scheme for a total consideration of RMB14,813,000 before expenses.

Pursuant to the 2021 H share Incentive scheme, the Group granted 386,700 shares to its employees in January 2022.

# Notes to Financial Statements (Continued)

*31 December 2021*

## 36. 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:

| | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|
| **Non-current assets** | | |
| Plant and equipment | **53,321** | 20,885 |
| Right-of-use assets | **18,580** | 16,870 |
| Intangible assets | **1,404** | – |
| Investments in subsidiaries | **214,776** | 65,146 |
| Prepayments, other receivables and other assets, non-current | **3,598** | 5,563 |
| **Total non-current assets** | **291,679** | 108,464 |
| **Current assets** | | |
| Inventories | **25,635** | 8,417 |
| Trade receivables | **18,631** | – |
| Prepayments, other receivables and other assets, current | **41,405** | 17,635 |
| Due from a subsidiary | **722** | 10,000 |
| Cash and bank balances | **1,174,563** | 604,653 |
| Restricted cash | **6,564** | – |
| **Total current assets** | **1,267,520** | 640,705 |
| **Current liabilities** | | |
| Trade and other payables | **39,207** | 29,718 |
| Lease liabilities, current | **2,011** | 230 |
| Due to a subsidiary | **11,393** | 1,131 |
| Government grants, current | **1,467** | 1,467 |
| Contract liabilities | **3,183** | 832 |
| **Total current liabilities** | **57,261** | 33,378 |
| **Net current assets** | **1,210,259** | 607,327 |
| **Total assets less current liabilities** | **1,501,938** | 715,791 |
| **Non-current liabilities** | | |
| Lease liabilities, non-current | **19,824** | 16,121 |
| Government grants, non-current | **20,033** | 4,300 |
| **Total non-current liabilities** | **39,857** | 20,421 |
| **Net assets** | **1,462,081** | 695,370 |
| **Equity** | | |
| Share capital | **38,834** | 32,233 |
| Treasury shares | **(21,185)** | – |
| Reserves (note) | **1,444,432** | 663,137 |
| **Total equity** | **1,462,081** | 695,370 |

# Notes to Financial Statements (Continued)

*31 December 2021*

## 36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

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

| | Share premium RMB'000 | Capital reserve RMB'000 | Other reserve RMB'000 | Accumulated losses RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| Balance at 1 January 2020 | – | 121,844 | 82,190 | (143,475) | 60,559 |
| Loss and total comprehensive loss for the year | – | – | – | (199,719) | (199,719) |
| Equity-settled share award expense | – | – | 140,545 | – | 140,545 |
| Restricted share repurchase obligations | – | – | (14,778) | – | (14,778) |
| Capital contribution by shareholders before conversion to a joint stock company | – | 237,186 | – | – | 237,186 |
| Conversion into a joint stock company | 235,658 | (359,030) | (81,387) | 204,637 | (122) |
| Capital contribution from shareholders after conversion to a joint stock company | 439,466 | – | – | – | 439,466 |
| At 31 December 2020 and 1 January 2021 | **675,124** | **–** | **126,570** | **(138,557)** | **663,137** |
| Loss and total comprehensive loss for the year | **–** | **–** | **–** | **(156,841)** | **(156,841)** |
| Issue of shares from initial public offerings | **935,209** | **–** | **–** | **–** | **935,209** |
| Shares issue expenses | **(63,841)** | **–** | **–** | **–** | **(63,841)** |
| Equity-settled share award expense | **–** | **–** | **50,959** | **–** | **50,959** |
| Restricted share repurchase obligations | **–** | **–** | **15,809** | **–** | **15,809** |
| At 31 December 2021 | **1,546,492** | **–** | **193,338** | **(295,398)** | **1,444,432** |

## 37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2022.

# Definitions

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

| | |
|---|---|
| "2021 H Share Incentive Scheme" | the 2021 H Share Incentive Scheme adopted by the Company on November 1, 2021 |
| "Acquisition" | the acquisition of 36% of the equity interest in the Target Company from the Vendors by Weiqi Medical |
| "Acquisition and Capital Injection Agreement" | the agreement dated February 8, 2022 entered into between Weiqi Medical and each of the Vendors in relation to the Acquisition and the Capital Injection |
| "AGM" or "Annual General Meeting" | the 2021 annual general meeting of the Company to be held on May 16, 2022 |
| "Articles of Association" | The articles of association of the Company currently in force |
| "Audit Committee" | the audit committee of the Board |
| "Board of Directors" or "Board" | the board of Directors |
| "Capital Injection" | the injection of capital of RMB30,000,000 into the Target Company by Weiqi Medical in accordance with the Acquisition and Capital Injection Agreement |

# Definitions (Continued)

| | |
|---|---|
| "Company" or "our Company" | Shanghai HeartCare Medical Technology Corporation Limited (上海心瑋醫療科技股份有限公司), a joint stock limited liability company incorporated in the PRC, whose H Shares are listed on the Hong Kong Stock Exchange (Stock Code: 6609) |
| "CG Code" or "Corporate Governance Code" | the Corporate Governance Code set out in Appendix 14 to the Listing Rules |
| "connected person(s)" | has the meaning ascribed thereto under the Listing Rules |
| "Director(s)" | the director(s) of the Company |
| "Global Offering" | has the meaning as ascribed to it under the Prospectus |
| "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", "the Group", "our Group", "our", "we" or "us" | our Company and all of our subsidiaries |

# Definitions (Continued)

| | |
|---|---|
| "H Share(s)" | the overseas listed foreign shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Hong Kong Stock Exchange and subscribed for and traded in Hong Kong dollars) |
| "Hong Kong" or "HK" | the Hong Kong Special Administrative Region of the PRC |
| "Hong Kong dollars", "HKD" or "HK$" | Hong Kong dollars and cents respectively, the lawful currency of Hong Kong |
| "IFRS" | International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board |
| "Independent Third Party" or "Independent Third Parties" | a person or entity who is not a connected person of our Company under the Listing Rules |
| "International Underwriters" | has the meaning as ascribed to it under the Prospectus |
| "Listing" | the listing of the Shares on the Main Board of the Stock Exchange |
| "Listing Date" | the date, Friday, August 20,2021, on which the Shares were listed and dealings in the Shares first commence on the Stock Exchange |
| "Listing Rules" | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time) |

# Definitions (Continued)

| | |
|---|---|
| "Model Code" | the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules |
| "NMPA" | the National Medical Products Administration of the PRC (國家藥品監督管理局), formerly known as the China Food and Drug Administration or the CFDA |
| "Over-allotment Option" | has the meaning as ascribed to it under the Prospectus |
| "PRC Company Law" | the Company Law of the People's Republic of China revised and adopted by the Standing Committee of the Twelth National People's Congress on December 28, 2013 and enforced on March 1, 2014 (as amended, supplemented or otherwise modified from time to time) |
| "PRC Law" | the laws of the People's Republic of China |
| "PRC Securities Law" | the Securities Law of the People's Republic of China as enacted by the 6th meeting of the 9th Standing Committee of the NPC on December 29, 1998 and became effective on July 1, 1999, which was lasted amended and became effective on March 1, 2020, as amended, supplemented or otherwise modified from time to time |
| "Prospectus" | the prospectus of the Company dated August 10, 2021, in relation to the Global Offering |
| "Reporting Period" | the year ended December 31, 2021 |

# Definitions (Continued)

| | |
|---|---|
| "RMB" or "Renminbi" | Renminbi, the lawful currency of the PRC |
| "SFO" | the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time) |
| "Share(s)" | share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, comprising the Unlisted Shares and H Shares |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "subsidiary" | has the meaning ascribed thereto under the Listing Rules |
| "substantial shareholder(s)" | has the meaning ascribed thereto under the Listing Rules |
| "supervisor(s)" | Member(s) of the supervisory committee of the Company |
| "Supervisory Committee" | the supervisory committee of the Company |
| "Target Company" | IasoCardiac Medical Technology Co., Ltd.* (上海御瓣醫療科技有限公司), a company established in the PRC with limited liability |
| "Target Shareholder" | Mr. Li Feng, and Pingxiang Rong Jiabao Business Consulting Partnership (Limited Partnership)* (萍鄉榕嘉寶商務諮詢合夥企業(有限合夥)) |

# Definitions (Continued)

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|---|---|
| "Trustee" | the trustee appointed by the Company for the purpose of the Trust, and initially, Maples Trustee Services (Cayman) Limited, a company incorporated in the Cayman Islands and having its registered office at Boundary Hall, Cricket Square, George Town, Grand Cayman, Cayman Islands |
| "United States" or "U.S." | the United States of America, its territories, its possessions and all areas subject to its jurisdiction |
| "Unlisted Share(s)" | the ordinary shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed and credited as fully paid up in Renminbi |
| "U.S. dollars", "US$" or "USD" | United States dollars, the lawful currency of the United States |
| "US FDA" | the U.S. Food and Drug Administration |
| "Vendors" | Ms. Zhang Yanxia (張艷霞) and Ms. Li Jun (李俊) |
| "we", "us" or "our" | the Company and, unless the context indicates otherwise, its subsidiaries |
| "%" | percent |

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