启明医疗®
VENUSMEDTECH

# 杭州啓明醫療器械股份有限公司
# Venus Medtech (Hangzhou) Inc.

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

Stock Code: 2500

# 2022 ANNUAL REPORT

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# Corporate Information

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|---|---|
| **Name in Chinese:** | 杭州啓明醫療器械股份有限公司 |
| **Name in English:** | Venus Medtech (Hangzhou) Inc. |
| **Legal representative:** | Mr. Min Frank Zeng |
| **Chairman:** | Mr. Min Frank Zeng |
| **Registered capital:** | RMB441,011,443[1] |
| **Headquarters in the PRC:** | |
| **Registered and office address** | Room 311, 3/F, Block 2, No. 88, Jiangling Road, Binjiang District, Hangzhou, PRC |
| **Company website** | http://www.venusmedtech.com/ |
| **E-mail** | inquiry@venusmedtech.com |
| **Principal place of business in Hong Kong:** | 40/F, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong |
| **Board of Directors:** | |
| **Executive Directors** | Mr. Min Frank Zeng (Chairman), Mr. Zhenjun Zi, Ms. Meirong Liu[2] |
| **Non-executive Director** | Mr. Ao Zhang[2] |
| **Independent non-executive Directors** | Mr. Ting Yuk Anthony Wu, Mr. Wan Yee Joseph Lau, Mr. Chi Wai Suen |
| **Supervisors:** | Ms. Min Shao,[3] Mr. Wei Wang, Ms. Yue Li[4] |
| **Audit Committee:** | Mr. Chi Wai Suen (Chairman), Mr. Wan Yee Joseph Lau, Mr. Ting Yuk Anthony Wu |
| **Remuneration and Assessment Committee:** | Mr. Ting Yuk Anthony Wu (Chairman), Mr. Wan Yee Joseph Lau, Mr. Chi Wai Suen |
| **Nomination Committee:** | Mr. Wan Yee Joseph Lau (Chairman), Mr. Chi Wai Suen, Mr. Ting Yuk Anthony Wu |
| **Joint Company Secretaries:** | Mr. Haiyue Ma, Mr. Wong Wai Chiu |
| **Authorized Representatives:** | Mr. Zhenjun Zi, Mr. Wong Wai Chiu |
| **Auditor engaged by the Company:** | Ernst & Young<br>*Certified Public Accountants and Registered Public Interest Entity Auditor* |

1 As of the date of this report, the registered capital of the Company is RMB441,011,443. For details, please refer to the section of "Management Discussion and Analysis" in this report.

2 On December 13, 2022, due to their other work commitments, Mr. Lim Hou-Sen (Lin Haosheng) resigned as an executive Director of the Company and Ms. Nisa Bernice Wing-Yu Leung resigned as a non-executive Director of the Company and the vice chairwoman of the Board. Such resignations were effective from the conclusion of the 2023 first extraordinary general meeting held on January 30, 2023 (the "2023 First EGM"). At the 2023 First EGM, Ms. Meirong Liu was approved to be appointed as an executive Director of the Company and Mr. Ao Zhang was approved to be appointed as a non-executive Director of the Company.

3 Ms. Yan Xiao has resigned as an employee representative Supervisor and the chairperson of the second session of supervisory committee of the Company with effect from August 31, 2022. On the same day, Ms. Min Shao has been elected as an employee representative Supervisor and the chairperson of the second session of supervisory committee of the Company. For details, please refer to the announcement published by the Company on August 31, 2022.

4 Ms. Lingling Yang resigned as a Supervisor and such resignation was effective upon the conclusion of the 2021 annual general meeting held on May 30, 2022 (the "2021 AGM") and Ms. Yue Li has been elected as a Shareholders' representative Supervisor for the second session of the Supervisory Committee at the 2021 AGM. For details, please refer to the announcement published by the Company on May 30, 2022.

# Chairman's Statement

Dear Shareholders,

Year 2022 extraordinarily posed grim challenges to a wide range of sectors, without exception for Venus Medtech. However, it is precisely such an environment that highlighted the strong vitality of our heritage over the years, enabling us to accelerate on the road of globalization and innovation. VenusP-Valve, our pulmonary valve replacement product, became the first Class III implantable cardiovascular device receiving the CE MDR Marking and debuted in the European Union market, signifying an unprecedented success in international commercialization of China-made valve systems. It has also successfully entered more than 20 countries and regions including the United Kingdom, Italy, Spain, Germany, France and Switzerland. Driven by professional and efficient overseas marketing, VenusP-Valve has achieved impressive performance with surging sales volume, demonstrating strong quality and clinical value of Chinese products.

In addition, we completed the acquisition of Cardiovalve, an Israeli innovative medical device company, establishing solid presence in interventional treatment of mitral and tricuspid valve diseases. We quickly launched the TARGET CE tricuspid valve confirmatory clinical trial with smooth progress of patient enrollment, and gained high recognition from physicians and experts. Furthermore, we established the Venus Medtech International Valve Innovation Center in Israel, aiming to promote dialogues and collaboration between our domestic and overseas R&D teams and foster the growth and cultural blending of our talents from diverse backgrounds.

We participated in a string of overseas academic conferences, ranging from the PCR London Valves conference to the Innovation in Cardiovascular Intervention (ICI) meeting in Israel. The close communication between our European team and physicians and clients in Europe led to the increasing awareness of Venus Medtech as an international brand among the experts. Going ahead, we will set up operation centers across the globe to facilitate our products to penetrate into different overseas markets through more glocalized brands.

In product innovation, we have accumulated profound innovation capabilities. In 2022, the Company invested RMB527 million in R&D expenses. So far, we have obtained over 630 invention patents, covering China, the United States, Europe, Japan, Canada, Russia, India and Brazil, and successfully established a product pipeline consisting of 12 innovative devices. Through ongoing R&D investment with a commitment to solving clinical pain points, we deeply engage in the field of structural heart diseases to carry forward innovations and accumulate technical experience, seeking to bring innovative products to the market and consolidate our leading position in valve devices. We aim to become an international overall solution provider for structural heart diseases.

Looking ahead to 2023, we will continue to focus on the unmet medical needs, dedicate ourselves to the globalization-driven strategies with a focus on treatment for structural heart diseases, and leverage our first-mover advantages to expedite sales in the global market and speed up multi-center clinical trials worldwide. Besides, we will continue to enhance our overseas clinical development and innovative device registration capabilities to cover more countries and markets. We will start the confirmatory clinical trials for VenusP-Valve in the United States and Japan, accelerate global clinical progress of our next-generation aortic valve products Venus-PowerX and Venus-Vitae, and continue to promote clinical application of Cardiovalve globally. We will continue to expand international markets of VenusP-Valve, which is expect to go on sale in over 50 countries and regions and potentially deliver strong and sustainable sales growth in the coming year.

In China, we will continue to draw upon our first-mover advantages to enhance establishment and integration of our marketing system, and step up academic promotion and physician education in key hospitals based on our profound expertise, clinical resources and well-established product portfolio, in a bid to increase average implantation volume in mid-to-high-end hospitals and tap into hospital potential to boost our commercial margin. Meanwhile, we will continue to launch post-marketing clinical trials, and accumulate more clinical data to provide adequate support for inclusion of our products in medical insurance and other access. We will also proactively cultivate ties and communicate with medical insurance authorities to explore innovative payment methods such as payment by medical insurance and commercial insurance.

"For a persistent traveler, every tough journey will become a successful story at the destination". Amid the current challenges against globalization, going global is not only a dream, but an odyssey requiring step-by-step efforts of visionary enterprises. In 2023, our people at Venus Medtech will continue to forge ahead industriously and steadily, in an endeavor to open a new chapter ahead. We would like to extend our gratitude to our global customers, partners, investors, and people from all walks of life for their long-term support and assistance to the Company. We are positioned to work together to shape the future.

**Mr. Min Frank Zeng**
*Chairman of the Board*

Hangzhou, People's Republic of China, March 31, 2023

# Financial Summary

| | For the year ended December 31, | | | | |
|---|---|---|---|---|---|
| | **2022** | 2021 | 2020 | 2019 | 2018 |
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **REVENUE** | **406,461** | 415,862 | 276,047 | 233,272 | 115,348 |
| **Gross profit** | **313,998** | 324,344 | 227,280 | 194,665 | 98,980 |
| **LOSS BEFORE TAX** | **(1,156,344)** | (377,555) | (185,843) | (381,543) | (299,620) |
| **LOSS FOR THE YEAR** | **(1,122,042)** | (371,394) | (182,868) | (380,765) | (300,518) |
| **Loss attributable to:** | | | | | |
| **Owners of the parent** | **(1,057,699)** | (373,636) | (181,989) | (380,723) | (300,421) |
| **LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | | | | | |
| **Basic and diluted (RMB)** | **(2.42)** | (0.85) | (0.45) | (1.22) | (1.03) |

| | As at December 31, | | | | |
|---|---|---|---|---|---|
| | **2022** | 2021 | 2020 | 2019 | 2018 |
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Total non-current assets** | **2,813,865** | 1,669,835 | 957,794 | 764,357 | 743,743 |
| **Total current assets** | **2,468,970** | 3,439,622 | 3,360,433 | 2,904,451 | 290,638 |
| **Total current liabilities** | **492,104** | 208,534 | 405,517 | 568,458 | 496,130 |
| **Total non-current liabilities** | **1,159,420** | 269,079 | 55,675 | 54,604 | 67,877 |
| **Non-controlling interests** | **23,447** | 86,214 | 41,611 | 8,768 | 8,810 |
| **Total equity** | **3,631,311** | 4,631,844 | 3,857,035 | 3,045,746 | 470,374 |

# Management Discussion and Analysis

## I. BUSINESS OVERVIEW

### Overview

Founded in 2009, we have grown into a global platform company engaged in innovative medical devices that integrates R&D, clinical development, manufacturing and commercialization. Our vision is to become a global leader in interventional therapy for structural heart diseases, providing effective treatment options for major diseases that seriously threaten human health where current treatment methods are inaccessible.

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

Throughout 2022 and up to the date of this report, the Company has achieved constant breakthroughs in business operations with a commitment to its long-standing strategic goals, including, in particular, significant progress in overseas operations amid its smooth globalization paces. During the Reporting Period, VenusP-Valve became our first independently developed product marketed in Europe, and also the first self-expanding TPVR product approved in Europe. Backed by our improving overseas channels for commercialization, VenusP-Valve has recorded strong sales of RMB40.9 million since its launch in April 2022. Meanwhile, the Company successfully completed the acquisition of Cardiovalve, an international technology leader in heart valve devices, and expedited its core products to enter international multi-centered confirmatory clinical trials. Besides, Venus-Vitae and Venus-PowerX, our independently developed innovative products, are under smooth international multi-centered clinical study as planned.

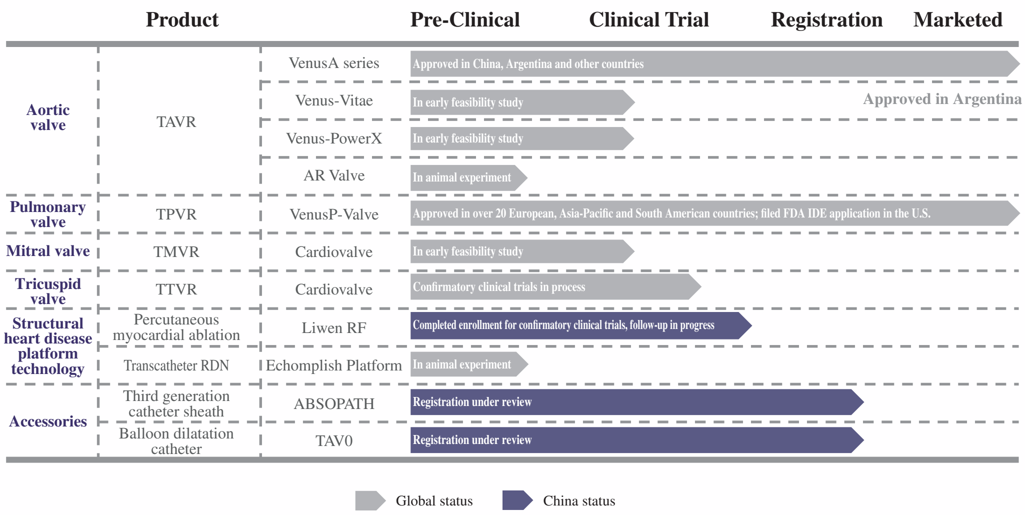
### Our Products and Product Pipeline

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

Interventional treatment of heart valve diseases is one of our core therapeutic areas. We have commercialized three TAVR products and one TPVR product. Our products currently in clinical trials include TAVR products (Venus-Vitae and Venus-PowerX), as well as one TMVR and TTVR product (Cardiovalve). We also have one product candidate currently under animal experiment for the treatment of aortic regurgitation. In addition, we have two accessories currently in the registration, namely ABSOPATH catheter sheath and TAV0 balloon dilation catheter, which are mainly used by physicians in conjunction with VenusA series products in TAVR procedures.

For treatment of HCM, we have developed the globally innovative Liwen RF ablation system. We also have developed the renal artery denervation (RDN) ablation system, an innovative device in interventional therapy for hypertension.

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



### *VenusA Series-TAVR Products*

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

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

As the earliest commercialized product in China, VenusA series products have the longest follow-up track record among peers, and their medium to long-term safety and efficacy have been sufficiently verified. At the 20th Chinese Interventional Cardiology (CIT) 2022, the seven-year follow-up results of VenusA-Valve were released. The data showed that at the seventh year after implantation of VenusA-Valve, there were 12 cardiac death events, accounting for 13.6%. At the 8th China Valve (Hangzhou) Conference, the two-year follow-up results of VenusA-Plus were released. There was no new case of cardiac death within two years from implantation of VenusA-Plus, and the subgroup results showed that VenusA-Plus achieves a good effect for patients with bicuspid valve and tricuspid valve, demonstrating the sound clinical safety, efficacy and operability of VenusA-Plus. Chinese TAVR patients are characterized by a high proportion of bicuspid valve (representing approximately 40% of the total number of TAVR patients) and severe calcification of valve leaflets, while VenusA series products with strong radial force are suitable for patients with severe bicuspid aortic valve.

For the year ended December 31, 2022, sales revenue from VenusA series products was RMB358.1 million, representing a decrease of 11.6% from RMB405.3 million for the year ended December 31, 2021.

***VenusP-Valve – TPVR Product***

VenusP-Valve, our independently developed transcatheter pulmonary valve system, received the CE MDR in April 2022 and was approved for commercialization. It is designed to treat patients suffering moderate to severe pulmonary regurgitation with or without RVOT stenosis. It is the first self-expanding TPVR product approved in Europe, and also the first Class III implantable cardiovascular device approved under new CE MDR regulations. In addition, VenusP-Valve was approved by the NMPA in July 2022 for the treatment of patients with severe pulmonary regurgitation (≥3+) with native RVOT. As the first TPVR product approved in China, VenusP-Valve filled the gap in clinical demands. In the same month, VenusP-Valve was approved in Argentina. As of the date of this report, our VenusP-Valve has entered in more than 20 countries and regions including Britain, Italy, Spain, Denmark, Greece, France, Germany, Poland and Switzerland. Leveraging its efficient overseas marketing efforts, the Company achieved strong sales performance for VenusP-Valve.

VenusP-Valve is highly recognized among experts and doctors worldwide because of excellent long-term safety and effectiveness. The three-year follow-up data of VenusP-Valve published at the 2022 Catheter Interventions in Congenital, Structural and Valvular Heart Disease (CSI) showed that the success rate reached 100%, and the mortality and re-operation rate were 0%; no patients suffered moderate or severe pulmonary regurgitation; 96.87% subjects had mild symptoms of perivalvular leak and 95.38% subject had mild tricuspid regurgitation; and the proportion of subjects of New York Heart Association (NYHA) classification Class III decreased from 7.69% before procedure to 1.67%; and those of Class I surged from 27.69% before procedure to 90%. In addition, according to the five-year follow-up of patients receiving VenusP-Valve implantation in China, the 5-year post-procedure mortality rate was only 3.64%, pulmonary regurgitation was greatly reduced, incidence of severe pulmonary regurgitation dropped from 54.5% to 0% and incidence of moderate to severe pulmonary regurgitation dropped from 36.4% to 2.22%, which demonstrated significantly improved right ventricular function and hemodynamic function, and validated the long-term safety and effectiveness of VenusP-Valve.

At present, we are accelerating the confirmatory clinical study of VenusP-Valve in the United States and Japan. IDE investigators meeting for VenusP-Valve was held in the United States, and we will initiate clinical trials both in the United States and Japan through the Japan-US Harmonization By Doing project. In March 2023, we submitted to the FDA an Investigational Device Exemption (IDE) application in the United States.

For the year ended December 31, 2022, sales revenue of VenusP-Valve was RMB40.9 million (for the year ended December 31, 2021: nil).

### *Venus-PowerX – New Generation TAVR Product*

Venus-PowerX, the world's first self-expanding dry-tissue valve product and the new generation TAVR system independently developed by us, is currently under early feasibility study.

Venus-PowerX is the new generation pre-loaded dry-tissue valve product. It adopts the Venus-Endura biomembrane, which leverages advanced anti-calcification technology to improve the durability of the valve, and three-dimensional force controlled dehydration technology without the use of glutaraldehyde for preservation. Therefore, while enhancing safety, Venus-PowerX also boasts convenience for clinical application, preservation and transportation. Its pre-loaded dry tissue technology can significantly reduce operation preparation time. Venus-PowerX is the only completely retrievable valve in clinical stage currently available in the world. It adopts the wire-controlled design, which permits it to be retrieved after complete release, and therefore excels in terms of safety compared with products designed with traditional approaches for release and retrieval. It is also equipped with the world's first adoptive active anti-PVL skirt made of polymer materials with highly compressible and self-expanding performance, which can promote the combination of vascular tissue and skirt through the growth and filling of cells in the void. We will conduct international multi-centered clinical trials in regions such as Europe and China, to expedite the approval of Venus-PowerX in global market.

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

*Venus-Vitae – New Generation TAVR Product*

The Venus-Vitae product, the balloon-expandable dry-tissue product and a new generation of TAVR system independently developed by the Company, is currently under early feasibility study.

Venus-Endura biomembrane is adopted for Venus-Vitae, which leverages advanced anti-calcification technology to improve the durability of the valve, and three-dimensional force controlled dehydration technology without the use of glutaraldehyde for preservation. Therefore, while enhancing safety, Venus-Vitae also boasts convenience for clinical application, preservation and transportation. In addition, its delivery system is uniquely designed with the patented lock-wire technology, thus lock the valve during transporting and balloon expanding. The lock-wire technology, bending adjustment function, balloon coaxial rotation function and axial fine adjustment function maximize the controllability for physicians, and fill in the gap in the market where similar products are not equipped with commissures alignment delivery system. It is also equipped with the world's first adoptive active anti-PVL skirt made of polymer materials with highly compressible and self-expanding performance, which can promote the combination of vascular tissue and skirt through the growth and filling of cells in the void. Venus-Vitae has been approved in Argentina in December 2022. We will conduct international multi-centered clinical trials in countries and regions such as Europe, Canada and China, to expedite the approval of Venus-Vitae in global market.

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

*Cardiovalve – TMVR/TTVR Product*

Cardiovalve, a wholly-owned subsidiary of the Company, has independently developed the mitral valve and tricuspid valve replacement products. Currently, Cardiovalve is in early feasibility study for TMVR and in confirmatory clinical trials for TTVR.

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

Since completion of the Acquisition, the patient enrollment in TMVR and TTVR clinical trials of Cardiovalve has been going smoothly with a rapid progress in Europe. In November 2022, Cardiovalve started a TARGET CE confirmatory clinical trial. So far, sound progress has been made with ongoing multi-centered patient enrollment in countries including Germany, where more than 10 patients have been enrolled. We will carry forward international multi-centered clinical trials in countries and regions including Europe and China, to expedite the approval of Cardiovalve for marketing in global market.

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

***Liwen RF – Ablation System***

Hangzhou Nuocheng Medical Technology Co., Ltd. (杭州諾誠醫療科技有限公司), a wholly-owned subsidiary of the Company, has independently developed Liwen RF ablation system, an innovative device for treatment of HOCM. In March 2023, we completed the enrollment of all patients to confirmatory clinical trials for Liwen RF, and entered the follow-up stage in China. Among the current follow-up comprising 38 patients after six months from the procedure, the success rate reaches 92.11% (35/38), representing a significant improvement compared to alcohol ablation. As for the clinical endpoint, the maximum ventricular septal thickness decreased to an average of 17.08 mm (25.61% lower than that before the procedure), and the post-procedure pressure gradient of the left ventricular outflow tract decreased to 16.31 mmHg (76.25% lower than that before the procedure). Both of these two important indicators improved significantly compared to those before the procedure, and showed a trend of continuous improvement.

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

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

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

***RDN ablation system***

The Company has introduced the new generation RDN innovative device developed by Healium, an Israeli high-tech company. It is currently in animal experiment.

Its exclusive Dual-Mode Ultrasound Technology Platform can realize non-contact continuous ablation treatment with real-time ultrasound imaging, significantly reducing the occurrence of various problems such as insufficient nerve ablation or vascular damage caused by uncontrollable ablation. The delivery of accurate and efficient ablation shifts the treatment paradigm to more predictable outcomes and simplifies the procedure flow to ultimately improve the safety and efficacy of ablation procedures. Professor Martin B. Leon, a member of our Global Advisory Board and his team will serve as the global PI of the product.

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

## R&D Innovation

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

The Company's R&D platform continues to fledge. The Company has established a global R&D innovation platform through independent R&D and external cooperation. Our three R&D centers are located in Hangzhou, China, Tel Aviv, Israel and Irvine, California, USA, and comprise of members with professional experience and innovative capacity at home and abroad. In March 2022, the Company established Venus Global Heart Valve Innovation Center in Israel, tapping into Israel's innovative talents and culture to improve the Company's global innovation system and product layout. The Global Heart Valve Innovation Center will be committed to incubating breakthrough innovative treatment technologies, further improving the global innovation system and product layout, focusing on the research and development of a new generation of aortic regurgitation treatment technology using Cardiovalve technology platform and the application of digital health technology in valve system, and transferring the technology to China and other regions in the world at an appropriate time.

The Company's research and development achievements receive numerous recognitions and rewards, and are listed in national key projects. In May, the "Research and Development of New Pre-loaded Interventional Heart Valve System" project led by the Company passed the inspection of China National Center for Biotechnology Development with an excellent rating in terms of performance. This marked the second time for the Company to pass inspection with brilliant results following undertaking the "National Science and Technology Support Program – Novel Biological Heart Valve System Development Project" of the Ministry of Science and Technology.

In addition to internal innovation, we also constantly expand and enrich product pipeline through external investment and cooperation, which covers innovative frontier areas such as HCM and resistant hypertension, so as to broaden business layout in structural heart diseases, enrich innovative device pipeline, improve innovative device research and clinical application, speed up research and development and transformation of innovative technologies and products, and extend presence to emerging areas leveraging international leading new technologies to achieve technological leadership.

For the years ended December 31, 2021 and 2022, our R&D expenses were RMB258.3 million and RMB527.5 million, respectively.

### Intellectual Properties

The Company attaches great importance to intellectual property protection. Leveraging its strong R&D capability, as of March 31, 2022 the Company had a total of 832 patents and patents under applications, including 366 authorized invention patents. We had 343 patents under application and authorized in the PRC, including 212 authorized patents; and 469 patents under application and authorized overseas, including 293 authorized patents. We had 21 PCT applications. Our global IP portfolio mainly covers China, the U.S., Europe, Japan, Canada, Russia, India, Brazil and other countries.

### *Manufacturing*

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

### *Quality system*

The Company has established an international quality management system in accordance with ISO13485, GMP of NMPA in China, QSR of FDA in the United States, MDR of EU, RDC of ANVISA in Brazil, MDSAP and other regulations and standards. As of the date of this report, the Company has obtained ISO13485 system certificate, MDR system certificate of EU, production licenses in China and Brazil, and is also a training base unit for medical device inspectors in Hangzhou. Leveraging the establishment and maintenance of a high-standard and strict quality management system, the Company imposes quality control on products throughout the life cycle from R&D to marketing, so as to ensure the quality of products. In 2022, despite the severe challenges from the COVID-19 pandemic, the Company accepted the MDR supervision and audit of the Notified Body through a combination of online and on-site means, and successfully passed the inspection. Meanwhile, the Company applied for the MDSAP system certification and successfully passed the online and on-site audit, and is expected to obtain the MDSAP system certificate in April 2023. In addition, the Company has also established a digital and refined quality system through proactive participating in and completing the safety intelligence supervision "black box" project of Zhejiang Medical Products Administration, the management intelligence supervision platform of Hangzhou Market Supervision Administration, and the key transcatheter replacement system for the "14th Five-year" period and other intelligence regulation projects.

### *Commercialization*

As of December 31, 2022, we have established a sales team in China comprising nearly 260 members, covering 400 Class III hospitals, to provide a strong foundation for sustainable sales growth. The Company has established the largest sales and marketing team in the industry as well as an in-house logistics supply chain team, to provide professional and comprehensive medical solutions for doctors and patients. We took an active part in international and domestic academic conferences to carry forward our academic education and promotion efforts. During the year, we launched a total of 52 meetings under our independent five major brand conferences, involving 476 experts and a total of 240,000 viewers. Besides, we participated in more than 40 academic activities such as symposiums, live procedure broadcasts and training workshops, involving over 1,200 experts, including more than 30 online meetings with a total of 700,000 viewers. In order to improve the standardized diagnosis and treatment services for patients with AS in China, we have established a comprehensive and multi-dimensional program to publicize knowledge about valve diseases, through channels such as expert television interviews, webcasts, new media, free treatment events and educational sessions for patients. We carried out a series of tour seminars on TAVR to educate primary-level hospitals about disease treatment. By strengthening ultrasound diagnosis training, we improved the diagnostic ability of ultrasound physicians for valve diseases. Through these efforts, we aim to realize the whole-process management of patients from treatment to rehabilitation. Our independently developed VenusA-Pro was approved in China in May and VenusP-Valve was approved in China in July. As the only company in the market with three TAVR products and one TPVR product, our rich product pipeline provides physicians and patients with more and better choices of treatment, enhances the brand influence of the Company and helps to consolidate our leading position in China.

Revenue from overseas market recorded a constant rise, suggesting an improvement in our revenue structure. As of December 31, 2022, revenue from the overseas market amounted to RMB51.2 million, accounting for 12.6% of total revenue, primarily attributable to the approved marketing of VenusP-Valve in EU in April. At present, we have a professional commercialization team and supply chain in the overseas market, who sells our products to over 20 countries and regions including Germany, France and Britain. In terms of digital channel, we further enrich the global marketing strategies and methods through product launches, online seminars, online customer training and other activities, and continue to expand the global market. In the TAVR field, the Company further improved its product registration and market access capabilities in Southeast Asia, Central Asia, Latin America and other regions, and gradually established contact with doctors and hospitals through agents in the local area to continuously expand our brand influence.

### *Impact of the COVID-19 Pandemic*

The outbreak and spread of the COVID-19 pandemic had a significant adverse impact on global economy. During the Reporting Period, government authorities exercised strict lockdown measures to control the spread of COVID-19. China's epidemic controls had a significant negative impact on patient visits and educational activities of physicians, and hence the sales volume of TAVR products.

In early December 2022, Chinese government announced 10 optimized measures against COVID-19, leading to easier restrictions and controls over the epidemic. We do not expect significant adverse impact from the COVID-19 pandemic on heart valve procedures in China in 2023, and the industry is gradually picking up.

Given the uncertainties of the pandemic, we will maintain a close eye on its progress, and take proactive countermeasures to minimize the impact from the pandemic on our business operations.

## II. FINANCIAL REVIEW

### Overview

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

### Revenue

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

The Group's revenue for the year ended December 31, 2022 was RMB406.5 million, representing a decrease of 2.3% compared to RMB415.9 million for the year ended December 31, 2021. The decrease was primarily attributable to the negative impact of COVID-19. For the year ended December 31, 2022, sales revenue from VenusA series products accounted for 88.1% of our total revenue, as compared to 97.4% for the year ended December 31, 2021.

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

| Revenue | Year ended December 31, 2022 RMB'000 | Proportion | Year ended December 31, 2021 RMB'000 | Proportion |
|---|---|---|---|---|
| VenusA series products | **358,066** | **88.1%** | 405,346 | 97.4% |
| VenusP-Valve | **40,867** | **10.1%** | – | – |
| Others | **7,528** | **1.8%** | 10,516 | 2.6% |
| Total | **406,461** | **100%** | 415,862 | 100% |

## Cost of Sales

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

The Group's cost of sales for the year ended December 31, 2022 was RMB92.5 million, representing an increase of 1.1% compared to RMB91.5 million for the year ended December 31, 2021. The increase was primarily attributable to an increase in overseas transportation costs, driven by the increasing proportion of revenue from overseas regions as a result of our continuous efforts in expanding global market during the year.

## Gross Profit and Gross Profit Margin

As a result of the aforementioned factors, the gross profit of the Group decreased by 3.2% from RMB324.3 million for the year ended December 31, 2021 to RMB314.0 million for the year ended December 31, 2022. Gross profit margin is calculated as gross profit divided by revenue. The gross profit margin of the Group decreased from 78.0% for the year ended December 31, 2021 to 77.2% for the year ended December 31, 2022, primarily attributable to a slight decline in product unit price for the purpose of marketing.

## Other Income and Gains

The Group's other income and gains for the year ended December 31, 2022 was RMB148.0 million, representing a decrease of 51.8% compared to RMB307.1 million for the year ended December 31, 2021. The change was primarily related to fair value adjustments to the contingent consideration payable for acquisitions last year.

### Selling and Distribution Expenses

The Group's selling and distribution expenses for the year ended December 31, 2022 was RMB260.4 million, representing an increase of 20.5% compared to RMB216.1 million for the year ended December 31, 2021. The increase was primarily attributable to an increase in overseas market development costs, as a result of our continuous efforts in expanding global market during the year.

### R&D Costs

The Group's R&D costs for the year ended December 31, 2022 was RMB527.5 million, representing an increase of 104.2% compared to RMB258.3 million for the year ended December 31, 2021. The increase was primarily attributable to completion of acquisition of Cardiovalve during the Reporting Period, leading to a corresponding increase in R&D expenses.

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

| | **Year ended December 31, 2022 (RMB'000)** | Year ended December 31, 2021 (RMB'000) |
|---|---|---|
| Staff costs | **148,605** | 78,942 |
| Raw material costs | **96,279** | 38,062 |
| R&D service expenses | **68,267** | 32,537 |
| Intellectual property expenses | **27,907** | 6,189 |
| Clinical trial expenses | **55,683** | 54,160 |
| Depreciation and amortization | **74,783** | 26,810 |
| Others | **55,927** | 21,636 |
| | **527,451** | 258,336 |

### Administrative Expenses

The Group's administrative expenses for the year ended December 31, 2022 was RMB192.2 million, representing an increase of 49.5% compared to RMB128.6 million for the year ended December 31, 2021. The increase was primarily attributable to the increase in overseas administrative expenses and merger and acquisition expenses following the completion of acquisition of Cardiovalve during the Reporting Period.

### Other Expenses

The Group's other expenses for the year ended December 31, 2022 was RMB557.8 million, representing an increase of 43.3% as compared to RMB389.3 million for the year ended December 31, 2021. The increase was primarily attributable to the impairment losses provided for certain intangible assets and goodwill of a total of RMB416.0 million by the Company during the Reporting Period (for the year ended December 31, 2021: RMB236.1 million) (the "Impairments").

### Impairment of Goodwill and Intangible Assets

Impairment of goodwill and intangible assets primarily represents impairment provision made following the termination of business in Keystone and its subsidiaries ("Keystone Group") during the Reporting Period.

**Background.** Keystone Group is headquartered in Israel, and its core product, TriGUARD3, is a cerebrovascular protection device designed for the cerebral embolic protection of all three major aortic vessels during percutaneous cardiovascular procedures. In December 2018, the Group completed the acquisition of Keystone. At the time of acquisition, the Group was focused on introducing TriGUARD3 to the U.S. and Chinese markets.

In March 2020, Keystone's core product, TriGUARD3, received a CE Marking for application in cardiovascular procedures, after which it began to be marketed in Europe. In June 2020, Keystone acquired a 100% equity interest in 510 Kardiac. 510 Kardiac's core product is the atrial septal puncture sheath, which is an accessory for cardiovascular products, and in December 2020 it received approval from the FDA.

In March 2021, the Company applied for FDA 510(k) clearance for TriGUARD3. However, the FDA suspended TriGUARD3's marketing application in September 2021 as it considered that no effectiveness indicators were reached between the experimental group and the control group. As a result, the management of the Company expected the possibility of marketing TriGUARD3 in the U.S. to be very remote, and impairment provision of intangible assets and goodwill with respect to this was made at the end of 2021.

In October of the same year, NMPA accepted the imported medical device registration application of TriGUARD3 submitted by the Company as the domestic registration agent of Keystone, thus the Company expected that TriGUARD3 could be marketed towards the Chinese market.

Due to a combination of factors such as business suspension in the U.S. and lower sales than expected in Europe, Keystone Group incurred relatively higher operating costs and in August 2022, the Group decided to shut Keystone Group in Israel down for cost efficiency reasons and move their business to the PRC, where the Chinese team would continue the registration process for TriGUARD3's application to the NMPA.

In 2017, the FDA granted the first marketing approval for a cerebral protection device in the U.S. However, despite the commercialization of cerebral protection devices, based on existing medical evidence, there remains a significant degree of uncertainty with regard to the performance of such devices for therapeutic use.

In September 2022, results from a randomized controlled study (the "Protected TAVR Study") on the use of cerebral embolic protection devices on transcatheter aortic valve replacement were released. The focus of the Protected TAVR Study was the incidence of stroke before discharge from the hospital or within 72 hours after TAVR procedures were conducted. The results of the Protected TAVR Study showed that there was no statistical difference between the experimental group and the control group. In other words, the cerebral embolic protection device was found to have failed to significantly reduce the overall rate of stroke after TAVR procedures. The Protected TAVR Study further proved to the market the uncertainties of cerebral embolic protection devices in reducing strokes caused by brain damage, and hindered the commercial viability of selling cerebral embolic protection devices.

In light of the results of the Protected TAVR Study and the then market uncertainty for Keystone Group, the Company withdrew its application with the NMPA for TriGUARD3 under the auspices of Keystone Group. On November 7, 2022, NMPA issued an official notice to terminate the registration review process of TriGUARD3. The management planned to resubmit an application with the NMPA using the Company's own name. However, Company management predicted difficulty in selling TriGUARD3 and 510 Kardiac's products. Moreover, reselling the patent licenses of these companies on the market would require further valuation with great valuation costs and a high level of uncertainty. In view of the above, as of December 31, 2022, the management proposed to suspend the marketing application of TriGUARD3 with NMPA, and made the preliminary decision to fully impair the intangible assets and goodwill arising from the acquisition of Keystone Group.

In 2023, circumstances changed again. An article published by a renowned professor revealed the first-in-human experience with a new generation of balloon-expandable valve, and the results were advantageous for the research and development as well as sales prospect of cerebral protection devices, and motivated the Group to launch discussions on whether to continue developing cerebral protection devices.

It was only after further discussion by the end of March 2023 among the management upon comprehensive consideration that a final decision was made. Based on the above, the Company made the final decision that no further business plan related to Keystone Group's products and to make full impairment provision for relevant intangible assets and goodwill as at December 31, 2022.

The timing and rationality of the Impairments is affected by an ever-changing environment and industry, the unpredictability of the COVID-19 pandemic and in turn the accessibility of the Group's business and products. Although there were remarkable signs that the new technologies and products had huge potential and might achieve success when the Group determined on whether to conduct research and development and market new technologies and products, with the progress of research and development, clinical study and changes in market demands, revenue of Keystone Group fell short of expectations, and it incurred significant amount of operating cost. As a result of the above, the management resolved to terminate business operations in Keystone Group and make full impairment provision for its assets.

**Valuation.** As resale of the patents and licenses of Keystone Group in the market requires a valuation, which involves relatively significant costs and uncertainties, and the Company expected the resale value to approximate to nil due to the negative impact of relevant study results. Therefore, the Company made full provision for impairment on the carrying amount of, among others, the goodwill and intangible assets arising from the acquisition of Keystone Group. Such impairment was correlated to the research and development progress and marketing approval application outcome of the companies, which were unexpected at initial recognition.

**Impairment approach.** As Keystone Group has terminated business operations, the "going concern" assumption in valuation is invalid, and discounted cash flow method is not viable. In addition, as the assets of Keystone Group were completely contributed by its products, which cannot be resold or otherwise used in the Group's production and research and development process, and would result in significant disposal cost, the management of the Company assessed the recoverable amount to be insignificant, and made a full provision.

For particulars on provision of impairment losses on the Group's intangible assets and goodwill, please refer to "Notes 15 and 16 to Financial Statements" in this report.

### Impairment Losses on Financial Assets, Net

The Group's impairment losses on financial assets, net, for the year ended December 31, 2022 was RMB22.0 million, representing a change of RMB18.8 million compared to the impairment losses of RMB3.2 million for the year ended December 31, 2021. The increase was primarily attributable to impairment provision of other receivables following operation termination in Keystone Heart Ltd. and its subsidiaries during the Reporting Period.

### Finance Costs

The Group's finance costs for the year ended December 31, 2022 was RMB44.6 million, representing an increase of RMB42.7 million compared to RMB1.9 million for the year ended December 31, 2021. The increase was primarily attributable to the increase in interest expenses on bank borrowings during the Reporting Period.

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

For the year ended December 31, 2022, the Group's share of loss in investments in associates and a joint ventures accounted for using the equity method was RMB13.9 million, representing an increase of 18.8% from share of loss of RMB11.7 million for the year ended December 31, 2021, which was due to loss incurred in companies invested in by us during the Reporting Period.

### Income Tax

The Group's income tax credit for the year ended December 31, 2022 was RMB34.3 million, representing an increase of RMB28.1 million compared to the income tax credit of RMB6.2 million for the year ended December 31, 2021. The tax credit recorded during the Reporting Period was primarily attributable to the movements in deferred tax included in profit or loss.

### Capital Management

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

## Liquidity and Financial Resources

The Group's cash and cash equivalents as at December 31, 2022 were RMB1,879.4 million, representing a decrease of 36.4% compared to RMB2,955.2 million for the year ended December 31, 2021. The decrease was primarily attributable to the increase in R&D and operating expenses and investments.

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

## Borrowings and Gearing Ratio

The Group's total borrowings, including interest-bearing borrowings, as at December 31, 2022 were RMB796.0 million (December 31, 2021: RMB4.9 million).

The gearing ratio (calculated by dividing the sum of borrowings and lease liabilities by total equity) of the Group as at December 31, 2022 was 24.8% (December 31, 2021: 1.5%).

## Net Current Assets

The Group's net current assets, as at December 31, 2022 were RMB1,976.9 million, representing a decrease of 38.8% compared to net current assets of RMB3,231.1 million as at December 31, 2021.

## Foreign Exchange Exposure

We have transactional currency exposures. Certain of our bank balances, other receivables, other financial assets, other payables and other financial liabilities are dominated in foreign currencies and are exposed to foreign currency risk. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider appropriate hedging measures in the future should the need arise.

## Significant Investments

As at December 31, 2022, we did not hold any significant investments.

## Material Acquisitions and Disposals

We entered into certain agreements with Mitraltech Holdings Ltd., the parent company of Cardiovalve, and other certain parties to acquire the 100% share capital and corresponding interests of Cardiovalve at a contract consideration of US$266 million (subject to certain adjustment) on December 7, 2021 (the "Acquisition"), by way of acquisition of equity interests in its parent company Mitraltech Holdings Ltd. and subscription of convertible loan. This completion of the Acquisition has taken place on January 25, 2022 and Cardiovalve has become an indirect wholly-owned subsidiary of the Company. For details of the Acquisition, please refer to the announcement made by the Company dated on January 26, 2022, and note 35 to the financial statements in this report.

Saved as disclosed above, during the Reporting Period, we did not have any other material acquisitions or disposals of subsidiaries, associates and joint ventures of the Company.

## Capital Expenditure

For the year ended December 31, 2022, the Group's total capital expenditure amounted to approximately RMB1,090.4 million, which was used in (i) increase in the amount paid related to investment in a joint venture; (ii) the amount paid related to acquisition of a subsidiary; (iii) purchase of items of property, plant and equipment; (iv) purchase of financial assets at fair value through profit or loss; and (v) purchase of other intangible assets.

## Charge on Assets

Certain of the Group's loans amounted to RMB695.9 million were secured by mortgages or pledges over our assets. The mortgaged or pledged assets include leasehold land and term deposits of certain subsidiaries.

## Contingent Liabilities

As at December 31, 2022, except for the contingent consideration payables recognised for acquisition of subsidiaries, we did not have any contingent liabilities.

## Subsequent Events

In January 2023, the Group made additional advances of RMB250,000,000 to the Group's director and shareholder, Mr. Zhenjun Zi. The advances together with the outstanding loan and interest receivables of RMB34,400,000 from the Group's directors and shareholders, Mr. Zhenjun Zi and Mr. Min Frank Zeng, as at December 31, 2022 were fully settled as of the date of this report.

On March 28, 2023, Hangzhou Qihao Equity Investment Co., Ltd. (杭州啓皓股權投資有限公司) (an indirect wholly-owned subsidiary of the Company), Hangzhou Broncus Medical Co., Ltd. (杭州堃博生物科技有限公司), and Hangzhou Linzhuo Industrial Fund Co., Ltd. (杭州臨卓產業基金有限公司), each as a limited partner, and Hangzhou Yingzhiqin Private Equity Management Co., Ltd. (杭州盈智勤私募基金管理有限公司), as a general partner, entered into a partnership agreement for the establishment of Hangzhou Yingzhiqin I Equity Investment Partnership (Limited Partnership)(杭州盈智勤壹號股權投資合夥企業(有限合夥)) to jointly participate in the investment therein, pursuant to which Hangzhou Broncus Medical Co., Ltd. (杭州堃博生物科技有限公司) agreed to subscribe for RMB125 million, which represent approximately 24.75% of the total capital contribution to Hangzhou Yingzhiqin I Equity Investment Partnership (Limited Partnership)(杭州盈智勤壹號股權投資合夥企業(有限合夥)), whereas, Hangzhou Qihao Equity Investment Co., Ltd. (杭州啓皓股權投資有限公司) agreed to subscribe for RMB125 million, which represent approximately 24.75% of the total capital contribution to Hangzhou Yingzhiqin I Equity Investment Partnership (Limited Partnership)(杭州盈智勤壹號股權投資合夥企業(有限合夥)). For details of this transaction, please refer to the announcement made by the Company on March 29, 2023.

## Employees and Remuneration Policies

As of December 31, 2022, we had 1,028 employees in total.

Among the 1,028 employees, 871 of our employees are stationed in China, and 157 of our employees are stationed overseas primarily in the U.S. and Israel. In compliance with the applicable labor laws, we enter into individual employment contracts with our employees covering matters such as wages, bonuses, employee benefits, workplace safety, confidentiality obligations, non-competition and grounds for termination. These employment contracts typically have terms of three to five years. All the pension schemes in China, the U.S. and Israel are defined contribution schemes.

The Group's contributions to the central pension scheme vested fully and immediately with the employees. Accordingly, (i) for the year ended December 31, 2022, there was no forfeiture of contributions under the central pension scheme; and (ii) there were no forfeited contributions available for the Group to reduce its existing level of contributions to the central pension scheme as at December 31, 2022.

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

### Future Investment Plans and Expected Funding

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

## III. PROSPECTS

Committed to our vision of becoming a global leader in interventional therapy for structural heart diseases, we upheld the long-term strategies of "pursuing globalization and generating profitability" in 2022, expedited the promotion and clinical application of our innovative technologies in the global markets, established globally competitive business operation teams leveraging the marketing of our innovative products such as VenusP-Valve, and secured strong sales performance. In the domestic market, we focused on seeking profitability to drive our quality development, and facilitated our innovative products to achieve breakthroughs in clinical trials, registration and market access, in a bid to lay the foundation for our sustainable and steady growth.

### Accelerate Globalization Pace

Following the approved marketing and sales of VenusP-Valve in the EU, we will constantly establish and improve the international manufacture capabilities and quality system, aiming to lay a solid foundation for launching domestically-produced devices in the global market. Cardiovalve, our innovative device, has witnessed increasing penetration in global clinical applications, and attracted a number of experienced professionals to join clinical trials. Venus-PowerX and Venus-Vitae, a new generation of aortic valve products, have achieved smooth progress in global clinical trials, and are highly recognized by doctors. The Company has been pressing ahead with its globalization strategy. Meanwhile, we will launch the confirmatory clinical study of VenusP-Valve in the USA and Japan, and enhance our overseas clinical development and innovative device registration capabilities, endeavoring to establish presence in more countries and markets. In terms of commercialization, we will make unremitting efforts to promote the global sales of VenusP-Valve, and expect to enter in more than 50 countries and regions during the year, and strive for strong and sustainable sales increase. In terms of market access, we will comply with local laws and regulations, learn about access policies of different countries and regions, endeavor to make breakthroughs in medical insurance, bidding and hospital access procedures, and continue to venture into the international market. We will also proactively participate in international medical conferences and industry exhibitions in the field of cardiology, facilitate doctors to obtain an understanding of and get familiar with our products, so as to enhance our global brand influence.

### Maintain Quality Marketing Growth

In recent years, COVID-19 has had an on-going negative impact on the number of domestic heart valve interventional procedures. As present, the industry is exposed to the critical challenges of enhancing the commercial profitability of TAVR procedures and promoting sustainable and quality development. Against such backdrop, we will continue to tap into our first-mover advantages, enhance establishment and integration of our marketing system, step up academic popularization and doctor education in key hospitals with our profound expertise, clinical resources and well-established product portfolio, increase surgeries the number of procedures in mid-to-high-end hospitals, develop hospital potentials, and improve the profitability of our TAVR business. Meanwhile, we will continue to launch post-marketing clinical trials, and accumulate more clinical data to provide sufficient support for inclusion of our products in medical insurance and other access. We will also proactively cultivate ties and communicate with medical insurance departments to explore innovative payment methods such as payment by medical insurance and commercial insurance.

Looking into 2023, we will remain committed to the unmet medical needs, uphold our globalization strategy with a focus on the field of structural heart diseases, leverage our first-mover advantages, expedite sales and marketing in the global market, facilitate the progress of international multi-center clinical study, and increase the number of surgeries with our products in domestic mid-to-high-end hospitals, in an endeavor to improve our profitability.

## IV. RISK MANAGEMENT

### Principal Risks and Uncertainties facing the Company

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

***Risks relating to Our Business***

*Risks relating to the Development of Our Product Candidates*

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

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

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

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

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

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

*Risks relating to Extensive Government Regulations*

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

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

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

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

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

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

*Risks relating to the Commercialization and Distribution of Our Products*

- If our products cause, or are perceived to cause, severe adverse events, our reputation, revenue and profitability could be materially and adversely affected.

- Failure to achieve broad market acceptance or maintain good reputation necessary for our cardiovascular products and any future products would have a material adverse impact on our results of operations and profitability.

- We rely on our in-house marketing force to promote our products.

- There is no guarantee that we will succeed in expanding our sales network to cover new hospitals.

- If we fail to maintain an effective distribution channel for our products, our business and sales of the relevant products could be adversely affected.

- If we experience delays in collecting payments from our distributors, our cash flows and operations could be adversely affected.

- We face substantial competition, which may result in others discovering, developing or commercializing competing products before or more successfully than we do.

- Our sales may be affected by the level of medical insurance reimbursement patients receive for TAVR procedures using our products.

*Risks relating to the Manufacture and Supply of Our Products*

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

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

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

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

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

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

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

*Risks relating to Our Intellectual Property Rights*

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

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

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

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

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

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

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

*Risks relating to Our Reliance on Third Parties*

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

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

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

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

*Risks relating to Our Financial Position and Need for Additional Capital*

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

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

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

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

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

*Risks relating to Our Operations*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*Risks relating to Doing Business in China*

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

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

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

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

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

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

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

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

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

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

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

### Key Principles of Risk Management

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

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

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

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

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

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

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

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

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

  – implement appropriate risk responses where necessary; and

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

We consider that the Directors and senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control.

### *Intellectual Property Rights Risk Management*

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

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

# Directors, Supervisors and Senior Management

## DIRECTORS

**Mr. Min Frank Zeng (曾敏),** aged 60, is the chairman of our Board and an executive Director. Mr. Zeng joined our Group in June 2013 as a Director. He is primarily responsible for the overall management, business strategies, regulatory approvals and commercial suitability and sustainability of products of the Group.

Mr. Zeng has more than 19 years of industry experience. Prior to joining our Group, Mr. Zeng served as a non-executive director of LifeTech Scientific Corporation, a company listed on the Stock Exchange (Stock Code: 1302) from September 2006 to August 2012. Mr. Zeng was the chief executive officer of Horizon Scientific Corporation, which primarily incubates new technologies for medical devices, from April 2004 to present.

Since Mr. Zeng joined our Company, he has brought in global vision and local expertise to every aspect of our business and helped our Company maintain close contact with leading cardiologists. He has overseen our Company's R&D of our comprehensive product portfolio that covers the transcatheter solutions for all four heart valves, including core valve products and complementary products, to provide comprehensive treatments for patients with structural heart diseases, particularly our overseas R&D. Mr. Zeng is also responsible for organizing our clinical trials. He has also led our manufacturing team and the management of commercialization of products, and has contributed to the personnel training of our Company.

Mr. Zeng received a bachelor's degree in solid mechanics from Tsinghua University in the PRC in July 1986 and a master's degree in engineering from the University of Texas at Austin in the United States in August 1994.

**Mr. Zhenjun Zi (訾振軍),** aged 53, is an executive Director and general manager of our Company. Mr. Zi joined our Group in November 2012 as a Director and general manager of our Company. He is primarily responsible for the overall management, business strategies, regulatory approvals and commercial suitability and sustainability of products of the Group.

Mr. Zi has extensive industry experience. Mr. Zi has served a non-executive director of Broncus Holding Corporation, a company listed on the Stock Exchange (Stock Code: 2216) since May 2021. Prior to joining our Group, Mr. Zi served as a member of senior management of Lifetech Scientific Corporation, a company listed on the Stock Exchange (Stock Code: 1302) from January 2003 to December 2011.

Since Mr. Zi joined our Group, he has led and contributed hugely to the pre-clinical, clinical trial and registration of our TMVR products and TPVR product for heart valves, such as VenusA-Valve and VenusP-Valve. Mr. Zi is primarily responsible for collaborating with well-known physicians and professionals from hospitals and research institutions and maintaining close relationships and communications with KOLs in the industry to understand the clinical needs of transcatheter heart valve replacement procedures.

Mr. Zi received a master's degree of science in applied chemistry from Hefei University of Technology in the PRC in April 1998.

**Ms. Meirong Liu (柳美榮),** aged 47, is an executive Director and the vice president of our Company responsible for global regulatory legal affairs of the Company and serves as its CE MDR compliance officer. Before joining our Company in November 2017, Ms. Liu was a medical affairs manager and acting director of NAMSA (Shanghai) Medical Device Technology Consulting Company (能盛(上海)醫療器械科技諮詢公司) between November 2015 and November 2017 and was a regulatory affairs director of Cook (China) Medical Trading Co., Ltd. (庫克(中國)醫療貿易有限公司) between September 2011 and November 2015. She served as a high commissioner for regulatory affairs and quality control at C.R. Bard Medical Device (Beijing) Co., Ltd. (巴德醫療器械(北京)有限公司) from February 2008 to August 2011 and a manager of regulatory and quality department at Dahe Kangye Technology Development (Beijing) Co., Ltd. (大河康業科技發展(北京)有限公司) from April 2007 to January 2008. Between April 2001 and March 2007, Ms. Liu was the head of medical products department at Youyan Yijin New Material Co., Ltd. (有研億金新材料股份有限公司).

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

**Mr. Ao Zhang (張奧),** aged 38, is a non-executive Director of our Company. Mr. Zhang has around 10 years of experience in healthcare investments. Mr. Zhang has worked at Qiming Weichuang Chuangye Investment Management (Shanghai) Ltd. Co. since January 2015 and is currently a Principal. Mr. Zhang served as a vice president and was responsible for the healthcare investment area at WI Harper Group, a venture capital firm focusing on early to growth stage companies across the United States, Greater China, and Asia Pacific, from June 2013 to December 2014. Prior to that, he worked as an investment associate at CEC Capital Group (formerly known as China eCapital Corporation) (易凱資本有限公司), an investment bank with a core focus on healthcare, consumer and technology, media and telecom sectors, from May 2010 to May 2013. Mr. Zhang was appointed as a director of Broncus Holding Corporation (堃博醫療控股有限公司) (a company whose shares are listed on the Stock Exchange with stock code: 2216) on April 29, 2021 and re-designated as a non-executive director on May 6, 2021. He is primarily responsible for participating in formulating Broncus Holding Corporation's corporate and business strategies.

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

**Mr. Ting Yuk Anthony Wu (胡定旭),** aged 69, was appointed as a Director in November 2018 and was re-designated as an independent non-executive Director in July 2019. Mr. Wu is primarily responsible for participating in the decision-making for our Company's significant events and advising on issues relating to corporate governance, audit and the remuneration and assessment of our Directors, Supervisors and senior management.

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

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

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

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

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

**Mr. Wan Yee Joseph Lau (劉允怡),** aged 76, was appointed as an independent non-executive Director in July 2019, with effect from the Listing Date. Mr. Lau is primarily responsible for participating in the decision-making for our Company's significant events and advising on issues relating to corporate governance, audit and the remuneration and assessment of our Directors, Supervisors and senior management.

Mr. Lau, a world-renowned expert on hepato-pancreato-biliary surgery and an academician of the Chinese Academy of Sciences, is the Founding Master of Lee Woo Sing College and Choh-Ming Li Professor of Surgery of The Chinese University of Hong Kong, current chairman of the Medical Council of Hong Kong, past president of the International Hepato-Pancreato-Biliary Association and Asian-Pacific Hepato-Pancreato-Biliary Association. Mr. Lau has served an independent non-executive director of Broncus Holding Corporation, a company listed on the Stock Exchange (Stock Code: 2216) since September 2021 and served an independent non-executive director of Clarity Medical Group Holding Limited, a company listed on the Stock Exchange (Stock Code: 1406) since June 2022. Mr. Lau has been an independent non-executive director of NISI (HK) Limited, a company specialized in noninvasive surgical innovations, since February 2017.

Mr. Lau holds many key positions in government and professional organizations. He is an editorial board member of 23 national and 10 international journals. He has been the chairman of the Medical Council of Hong Kong since March 2012. He was the president of the International Hepato-Pancreato-Biliary Association from April 2002 to May 2004. He was elected as an academician of the Chinese Academy of Sciences in 2003, and was awarded Honorary Fellow of Royal Australasian College of Surgeons in October 2003. He was the president of Asian-Pacific Hepato-Pancreato-Biliary Association from March 2009 to September 2011, and was awarded Honorary Fellow of College of Surgeons of Hong Kong in September 2011.

Mr. Lau was awarded the Wu Jieping Medical Prize in September 2012 for his momentous lifetime contributions to the global medical field and the Silver Bauhinia Star (SBS) in 2013 for his distinguished service to Hong Kong.

Mr. Lau received a bachelor's degrees in medicine and surgery from the University of Hong Kong in November 1972 and a doctor of medicine from the Chinese University of Hong Kong in December 1995.

**Mr. Chi Wai Suen (孫志偉),** aged 59, was appointed as an independent non-executive Director in July 2019, with effect from the Listing Date. Mr. Suen is primarily responsible for participating in the decision-making for our Company's significant events and advising on issues relating to corporate governance, audit and the remuneration and assessment of our Directors, Supervisors and senior management.

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

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

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

## SUPERVISORS

**Ms. Min Shao (邵敏),** aged 48, was appointed as an employee representative Supervisor and the chairwoman of the second session of supervisory committee of the Company on August 31, 2022. Ms. Shao is primarily responsible for monitoring the financial affairs of our Company, supervising the performance of our Directors and members of senior management and performing other supervisory duties as a Supervisor.

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

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

**Mr. Wei Wang (王瑋),** aged 41, was appointed as a Shareholders' representative Supervisor on November 26, 2018. Mr. Wang is primarily responsible for monitoring the financial affairs of our Company, supervising the performance of our Directors and members of senior management and performing other supervisory duties as a Supervisor.

Mr. Wang joined our Group in November 26, 2018. Mr. Wang has served as a managing director of DCP Capital since 2017, focusing on private equity transactions in the Greater China region. Prior to that, Mr. Wang served as a director at Kohlberg Kravis Roberts & Co. L.P. from February 2011 to March 2016.

Mr. Wang has served as a non-executive director of China Outfitters Holdings Limited, a company listed on the Stock Exchange (Stock Code: 1146), since May 2012.

Mr. Wang received a bachelor of science degree in economics from Shanghai Jiaotong University in the PRC in July 2005.

**Ms. Yue Li (李月),** aged 33, was appointed as a Shareholders' representative Supervisor on May 30, 2022. Ms. Li is primarily responsible for monitoring the financial affairs of our Company, supervising the performance of our Directors and members of senior management and performing other supervisory duties as a Supervisor.

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

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

## SENIOR MANAGEMENT

**Mr. Zhenjun Zi (訾振軍)** is an executive Director and the general manager of our Company. For details of his biography, see "DIRECTORS" in this section.

**Mr. Lim Hou-Sen (Lin Haosheng) (林浩昇),** aged 50, is the chief operating officer and the chief technology officer of our Company. Mr. Lim joined our Group in December 2016 as the chief technology officer. Mr. Lim is primarily responsible for business operations, regulatory approvals, quality control and commercial suitability and sustainability of products of the Group. On December 13, 2022, due to other work commitments, Mr. Lim resigned as an executive Director of the Company.

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

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

**Mr. Haiyue Ma (馬海越),** aged 45, was appointed as the chief financial officer when he joined our Group in June 2018, and the joint company secretary in July 2019, and was re-appointed as the joint company secretary on December 13, 2022. Mr. Ma is primarily responsible for the finance management of our Group. Prior to joining our Group, Mr. Ma served as an executive director at the investment banking division of Morgan Stanley Huaxin Securities Co., Ltd. from July 2017 to June 2018. From November 2004 to July 2017, Mr. Ma held various positions at KPMG Huazhen LLP, including an audit manager from November 2004 to June 2007, an audit senior manager from July 2007 to September 2011 and an audit partner from October 2011 to July 2017. From May 2002 to November 2004, Mr. Ma held various positions, including audit manager at Ernst & Young Da Hua.

Mr. Ma received a bachelor's degree in accounting from Shanghai University of Finance and Economics in the PRC in June 1998. Mr. Ma is a member of the Chinese Institute of Certified Public Accountants.

# Directors' Report

The Board presents this directors' report in the Group's annual report for the year ended December 31, 2022.

## PRINCIPAL ACTIVITIES

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

There were no significant changes in the nature of the Group's principal activities during the year ended December 31, 2022.

## BUSINESS REVIEW

### Overview and Performance of the Year

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

### Environmental Policies and Performance

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

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

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

## Compliance with Relevant Laws and Regulations

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

## Key Relationships with Stakeholders

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

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

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

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

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

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

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

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

## Key Risks and Uncertainties and Risk Management

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

## Events after the Reporting Period

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

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

### List of Directors and Supervisors

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

### Directors

***Executive Directors***

Mr. Min Frank Zeng (曾敏) *(Chairman of the Board)*
Mr. Zhenjun Zi (訾振軍) *(General Manager)*
Mr. Lim Hou-Sen (Lin Haosheng) (林浩昇) *(Chief Operating Officer, Chief Technology Officer) (resigned on January 30, 2023)*
Ms. Meirong Liu (柳美荣) *(appointed on January 30, 2023)*

***Non-executive Director***

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

***Independent Non-executive Directors***

Mr. Ting Yuk Anthony Wu (胡定旭)
Mr. Wan Yee Joseph Lau (劉允怡)
Mr. Chi Wai Suen (孫志偉)

***Supervisors***

Ms. Yan Xiao (肖燕) *(Chairwoman of the Supervisory Committee) (resigned on August 31, 2022)*
Ms. Min Shao (邵敏) *(Chairwoman of the Supervisory Committee) (appointed on August 31, 2022)*
Mr. Wei Wang (王瑋)
Ms. Lingling Yang (楊玲玲) *(resigned on May 30, 2022)*
Ms. Yue Li (李月) *(appointed on May 30, 2022)*

### Biographies of Directors, Supervisors and Senior Management

The biographical details of the Directors, Supervisors and senior management of the Company are set out in "Directors, Supervisors and Senior Management" of this report.

Save as disclosed in this annual report, since the publication of the interim report for the six months ended June 30, 2022 of the Company and up to the date of this annual report, there was no change to information which was required to be disclosed by the Directors and senior management members pursuant to Rule 13.51B(1) of the Listing Rules.

## Changes in Directors, Supervisors and Senior Management

### *(i) Change in Directors and Composition of Board Committees*

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

Saved as disclosed above, during the Reporting Period, there were no changes in Directors and composition of Board Committees.

### *(ii) Change in Supervisors*

Ms. Lingling Yang resigned as a Supervisor and such resignation was effective upon the conclusion of the 2021 AGM and Ms. Yue Li has been elected as a Shareholders' representative Supervisor for the second session of the Supervisory Committee at the 2021 AGM.

Ms. Yan Xiao resigned as an employee representative Supervisor and the chairperson of the second session of supervisory committee of the Company with effect from August 31, 2022. On the same day, Ms. Min Shao has been elected as an employee representative Supervisor and the chairperson of the second session of supervisory committee of the Company. For details, please refer to the announcement published by the Company on August 31, 2022.

Save as disclosed above, during the Reporting Period, there were no other changes in Supervisors.

### *(iii) Change in Senior Management*

Mr. Amit Ashkenazi, the previous head of our Israeli operations left our Company due to our business re-arrangement in Israeli during the Reporting Period. Mr. Amit Ashkenazi confirmed that there was no disagreement between him/her and the Company, the Board, and the Supervisory Committee of the Company, respectively.

Save as disclosed above, there were no other changes in senior management during the Reporting Period.

### Service Contracts of Directors, Supervisors and Senior Management

Our Directors namely Mr. Min Frank Zeng, Mr. Zhenjun Zi, Mr. Ting Yuk Anthony Wu, Mr. Wan Yee Joseph Lau and Mr. Chi Wai Suen, entered into service contracts with the Company in May 2022, and Mr. Ao Zhang and Ms. Meirong Liu entered into service contracts with the Company in January 2023. The principal particulars of these service contracts comprise (a) a term of three years, which is equivalent to the term of the Board; and (b) termination provisions in accordance with their respective terms. Our Directors may offer themselves for re-election and reappointment subject to the Shareholders' approval. Their service contracts may be renewed pursuant to the Articles of Association and applicable regulations.

Our Supervisors namely Mr. Wei Wang and Ms. Yue Li entered into a contract with the Company in May 2022, and Ms. Min Shao entered into a contract with the Company based on the current position held by her in the Company. Each contract contains provisions relating to compliance with relevant laws and regulations, observation of our Articles of Association and resolution of disputes by means of arbitration.

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

### Remuneration of Directors, Supervisors and Five Highest-Paid Individuals

The Company offers competitive remuneration packages to our Directors, and the Directors' remuneration are determined by our Board based on the recommendation of the Remuneration and Assessment Committee. Details of the remuneration of the Directors, Supervisors and the five highest paid individuals in the Group are set out in "Notes to Financial Statements – 8. Directors', Supervisors' and Chief Executive's Remuneration" and "Notes to Financial Statements – 9. Five Highest Paid Employees" of this report.

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

### Directors' Retirement Benefits

Save as the pension scheme contributions disclosed in "Notes to Financial Statements – 8. Directors', Supervisors' and Chief Executive's Remuneration", none of the directors received or will receive any retirement benefits during the years ended December 31, 2022 and 2021.

### Consideration Provided to Third Parties for Making Available Directors' Services

During the years ended December 31, 2022 and 2021, the Group did not pay consideration to any third parties for making available directors' services.

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

Saved as disclosed in the section headed "Connected Transactions" in "Directors' Report" of this report, there were no other loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the years ended December 31, 2022.

### Employees and Remuneration Policies

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

### Confirmation of Independence from the Independent Non-Executive Directors

The Company has received the annual confirmations of independence from all independent non-executive Directors, namely, Mr. Ting Yuk Anthony Wu, Mr. Wan Yee Joseph Lau and Mr. Chi Wai Suen, pursuant to Rule 3.13 of the Listing Rules. The Company has duly reviewed their respective confirmations of independence, and considers that all independent non-executive Directors have been independent for the year ended December 31, 2022 and remain so as of the date of this report.

### Directors' Interests in Competing Businesses

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

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

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

## CONNECTED TRANSACTIONS

The Group did not conduct any other non-exempt connected transactions or continuing connected transactions in accordance with the Listing Rules during the Reporting Period.

During the Reporting Period, the Company had (i) made several loans to Mr. Zhenjun Zi in total sum of approximately RMB468.3 million and the interest for such loans in the total sum of approximately RMB8.5 million were repaid as at the date of this report; and (ii) made several loans to Mr. Min Frank Zeng in the total sum of approximately RMB235.0 million and the interest for such loans in the total sum of approximately RMB6.8 million were repaid as at the date of this report. For details of the above-mentioned loans, please refer to the further detailed disclosure to be made by the Company in due course.

In relation to Mr. Zi Loans and Mr. Zeng Loans, given each of Mr. Zi and Mr. Zeng is an executive Director of the Company, each of Mr. Zi and Mr. Zeng is a connected person of the Company. Hence, the provision of Mr. Zi Loans and Mr. Zeng Loans constitute connected transactions for the Company under Chapter 14A of the further disclosure to be made Listing Rules. For details of the above-mentioned connected transactions, please refer to the further detailed disclosure to be made by the Company in due course.

For the year ended December 31, 2022, save for the above-mentioned Mr. Zi loans and Mr. Zeng loans, no other related party transactions as set out in "Notes to Financial Statements – 38. Related Party Transactions" and "Notes to Financial Statements – 23. Loans to Directors" of this report constitute connected transactions or continuing connected transactions required to be disclosed under the Listing Rules.

## DISCLOSURE OF INTERESTS

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

As of December 31, 2022, the interests or short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

| Name of Director/Supervisor/ Chief Executive | Class of Shares | Capacity | Number of Securities/Type of Shares Held | Approximate Percentage of Shareholding in the Total Listed Share Capital of the Company *(Note 5)* | Approximate Percentage of Shareholding in the Relevant Class of Shares *(Note 5)* |
|---|---|---|---|---|---|
| Mr. Min Frank Zeng *(Note 1)* | H Shares | Interest of controlled corporations | 33,651,618/ Long position | 7.63% | 7.63% |
| Mr. Zi *(Note 2)* | H Shares | Beneficial owner | 32,197,802/ Long position | 7.30% | 7.30% |
| | | Interest of controlled corporations | 20,261,919/ Long position | 4.59% | 4.59% |
| | Unlisted Foreign Shares | Other | 1,208/ Long position | 0.00% | 100.00% |
| Mr. Lim Hou-Sen (Lin Haosheng) *(Note 3)* | H Shares | Interest of controlled corporations | 3,142,361/ Long position | 0.71% | 0.71% |
| | Unlisted Foreign Shares | Interest of controlled corporations | 1,208/ Long position | 0.00% | 100.00% |
| Ms. Nisa Bernice Wing-Yu Leung *(Note 4)* | H Shares | Beneficial owner | 386,406/ Long position | 0.09% | 0.09% |

*Notes:*

(1) Horizon Binjiang LLC, an investment holding company incorporated in California, the United States, owns 33,651,618 H Shares of the Company. Mr. Min Frank Zeng, as its sole shareholder, is deemed to be interested in the interest owned by Horizon Binjiang LLC under the SFO.

(2) Mr. Zi beneficially owns 32,197,802 H Shares of the Company. In addition to his direct shareholding, he is also deemed to be interested in 20,261,919 H Shares and 1,208 Unlisted Foreign Shares of the Company through the below intermediaries he controlled under the SFO:

- Adventure 03 Limited, an investment holding company incorporated in Hong Kong, owns 9,000,636 H Shares in the Company. Dinova Healthcare Gamma Fund (USD) L.P. (as the sole shareholder of Adventure 03 Limited), Dinova Venture Partners GP III, L.P. (as the general partner of Dinova Healthcare Gamma Fund (USD) L.P.) and Dinova Capital Limited (as the general partner of Dinova Venture Partners GP III, L.P.), Xin Nuo Tong Investment Limited (as the sole shareholder of Dinova Capital Limited) and Mr. Zi (as the sole shareholder of Xin Nuo Tong Investment Limited) are deemed to be interested in the interest owned by Adventure 03 Limited in the Company under the SFO.

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

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

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

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

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

(3) Mr. Lim Hou-Sen (Lin Haosheng) is deemed to be interested in 3,142,361 H Shares and 1,208 Unlisted Foreign Shares of the Company under the SFO through his interest in the Offshore Employee Entities (Blue Summit Management Limited, Mercury Holding Limited and Jupiter Holding Limited). Mr. Lim Hou-Sen (Lin Haosheng) resigned as an executive Director of the Company on December 13, 2022 and his resignation was effective upon the conclusion of the 2023 First EGM.

(4) Ms. Nisa Bernice Wing-Yu Leung resigned as a non-executive Director of the Company on December 13, 2022 and her resignation was effective upon the conclusion of the 2023 First EGM.

(5) The Company has two classes of Shares: H Shares as one class of Shares, Unlisted Foreign Shares as another class. As of December 31, 2022, the total issued share capital of the Company was 441,011,443 Shares, which comprise 441,010,235 H Shares and 1,208 Unlisted Foreign Shares.

## Substantial Shareholders' Interests or Short Positions

As of December 31, 2022, to the knowledge of the Company and the Directors after making reasonable inquiries, the following persons (other than the Directors, Supervisors and chief executive of the Company as disclosed above) have interests or short positions in Shares or underlying Shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be maintained by the Company under Section 336 of the SFO:

| Name of Shareholders | Class of Shares | Capacity | Number of Securities/Type of Shares Held | Approximate Percentage of Shareholding in the Total Share Capital of the Company *(Note 4)* | Approximate Percentage of Shareholding in the Relevant Class of Shares *(Note 4)* |
|---|---|---|---|---|---|
| Horizon Binjiang LLC *(Note 1)* | H Shares | Interest of controlled corporations | 33,651,618/ Long position | 7.63% | 7.63% |
| Qiming Corporate GP III, Ltd. *(Note 2)* | H Shares | Interest in controlled corporations | 58,777,980/ Long position | 13.33% | 13.33% |
| Qiming GP III, L.P. *(Note 2)* | H Shares | Interest in controlled corporations | 58,777,980/ Long position | 13.33% | 13.33% |
| Qiming Venture Partners III, L.P. *(Note 2)* | H Shares | Interest in controlled corporations | 41,231,229/ Long position | 9.35% | 9.35% |

| Name of Shareholders | Class of Shares | Capacity | Number of Securities/Type of Shares Held | Approximate Percentage of Shareholding in the Total Share Capital of the Company *(Note 4)* | Approximate Percentage of Shareholding in the Relevant Class of Shares *(Note 4)* |
|---|---|---|---|---|---|
| Ming Zhi Investments Limited *(Note 2)* | H Shares | Interest in controlled corporations | 41,231,229/ Long position | 9.35% | 9.35% |
| Ming Zhi Investments (BVI) Limited *(Note 2)* | H Shares | Beneficial owner | 41,231,229/ Long position | 9.35% | 9.35% |
| Mr. Haifeng David Liu *(Note 3)* | H Shares | Interest in controlled corporations | 24,713,752/ Long position | 5.60% | 5.60% |
| Mr. Julian Juul Wolhardt *(Note 3)* | H Shares | Interest in controlled corporations | 24,713,752/ Long position | 5.60% | 5.60% |
| DCP, Ltd. *(Note 3)* | H Shares | Interest in controlled corporations | 24,713,752/ Long position | 5.60% | 5.60% |
| DCP General Partner, Ltd *(Note 3)* | H Shares | Interest in controlled corporations | 24,713,752/ Long position | 5.60% | 5.60% |
| DCP Capital Partners, L.P. *(Note 3)* | H Shares | Interest in controlled corporations | 24,713,752/ Long position | 5.60% | 5.60% |
| Red Giant Limited *(Note 3)* | H Shares | Interest in controlled corporations | 24,713,752/ Long position | 5.60% | 5.60% |
| Muheng Capital Partners (Hong Kong) Limited *(Note 3)* | H Shares | Beneficial Owner | 24,713,752/ Long position | 5.60% | 5.60% |

*Notes:*

(1) Horizon Binjiang LLC, an investment holding company incorporated in California, the United States, owns 33,651,618 H Shares of the Company. Mr. Zeng, as its sole shareholder, is deemed to be interested in the interest owned by Horizon Binjiang LLC under the SFO.

(2) Qiming Corporate GP III, Ltd. is deemed to be interested in 58,777,980 H Shares of the Company through the below intermediaries it controls under the SFO:

- Ming Zhi Investments (BVI) Limited, an investment holding company incorporated in the British Virgin Islands, owns 41,231,229 H Shares of the Company. For the purpose of the SFO, Ming Zhi Investments Limited (as the sole shareholder of Ming Zhi Investments (BVI) Limited), Qiming Venture Partners III, L.P. (as a 96.94% shareholder of Ming Zhi Investments Limited) and Qiming GP III, L.P. (as the general partner of Qiming Venture Partners III, L.P) are deemed to be interested in the interest owned by Ming Zhi Investments (BVI) Limited.

- QM22 (BVI) Limited, an investment holding company incorporated in the British Virgin Islands, owns 17,546,751 H Shares of the Company. For the purpose of the SFO, QM22 Limited (as the sole shareholder of QM22 (BVI) Limited), Qiming Venture Partners III Annex Fund, L.P. (as the sole shareholder of QM22 Limited), Qiming GP III, L.P. (as the general partner of Qiming Venture Partners III Annex Fund, L.P.) and Qiming Corporate GP III, Ltd. (as the general partner of Qiming GP III, L.P.) are deemed to be interested in the interest owned by QM22 (BVI) Limited.

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

(4) The Company has two classes of Shares: H Shares as one class of Shares, Unlisted Foreign Shares as another class. As of December 31, 2022, the total issued share capital of the Company was 441,011,443 Shares, which comprise 441,010,235 H Shares and 1,208 Unlisted Foreign Shares.

## RIGHTS OF DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

During the year ended December 31, 2022 and up to the date of this report, none of the Directors, Supervisors or their respective spouses or minor children under the age of 18 years were granted with rights, or had exercised any such rights, to acquire benefits by means of purchasing Shares or debentures of the Company. Neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors, Supervisors or their respective spouses or minor children under the age of 18 years to acquire such rights from any other body corporates.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended December 31, 2022 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income of this report.

The Board has resolved not to recommend the payment of a final dividend for the year ended December 31, 2022 (2021: Nil).

## SHARE CAPITAL

Details of the issued shares of the Group during the year ended December 31, 2022 are set out in "Notes to Financial Statements – 32. Share Capital" of this report.

## RESERVES AND DISTRIBUTABLE RESERVES

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

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

## INVESTMENT PROPERTIES, PROPERTY AND EQUIPMENT

As at 31 December 2022, the Company did not own any properties for investment purposes or held for development and/or sale where one or more percentage ratios (as defined under Rule 14.07 of the Listing Rules) exceed 5%.

## CHARITABLE DONATIONS

During the Reporting Period, charitable and other donations made by the Group amounted to RMB70.3 million (2021: RMB107.5 million).

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended December 31, 2022 are set out in "Notes to Financial Statements – 13. Property, Plant and Equipment" of this report.

## ISSUANCE OF SHARES AND UTILIZATION OF PROCEEDS

### (i) Use of Proceeds from the Initial Global Offering

The net proceeds received by the Company from its initial global offering (including the full exercise of the over-allotment option) amounted to HK$2,846 million (equivalent to RMB2,558 million) (after deducting the underwriting commissions and other estimated expenses in connection with the exercise of the initial global offering and the over-allotment option).

As of December 31, 2022, the Group had used the net proceeds from the Global Offering for the following purposes:

| Use of proceeds | Percentage of total net proceeds (in the same proportion as stated in the Prospectus) (%) | Amount of net proceeds for the relevant use (in the same proportion as stated in the Prospectus) (RMB million) | Amount of net proceeds available to be utilized as of January 1, 2022 (RMB million) | Amount of net proceeds utilized during the Reporting Period (RMB million) | Actual amount of proceeds utilized as of December 31, 2022 (RMB million) | Amount of proceeds unutilized as of December 31, 2022 (RMB million) |
|---|---|---|---|---|---|---|
| **(A) For our Core Products:** | 35.00 | 895.30 | 446.0 | 267.20 | 716.50 | 178.80 |
| (i) ongoing sales and marketing of VenusA-Valve in China and planned commercialization of VenusA-Valve in other countries | 5.00 | 127.90 | 46.5 | 10.36 | 91.76 | 36.14 |
| (a) the continuous expansion of market coverage of VenusA-Valve in China | 3.15 | 80.60 | – | – | 80.60 | – |
| (b) in the commercialization in Colombia | 0.70 | 17.90 | 17.8 | 5.19 | 5.29 | 12.61 |
| (c) the commercialization in the Philippines | 0.70 | 17.90 | 17.6 | 1.24 | 1.54 | 16.36 |
| (d) the commercialization in other jurisdictions such as Brazil and Taiwan | 0.45 | 11.50 | 11.1 | 3.93 | 4.33 | 7.17 |

| Use of proceeds | Percentage of total net proceeds (in the same proportion as stated in the Prospectus) (%) | Amount of net proceeds for the relevant use (in the same proportion as stated in the Prospectus) (RMB million) | Amount of net proceeds available to be utilized as of January 1, 2022 (RMB million) | Amount of net proceeds utilized during the Reporting Period (RMB million) | Actual amount of proceeds utilized as of December 31, 2022 (RMB million) | Amount of proceeds unutilized as of December 31, 2022 (RMB million) |
|---|---|---|---|---|---|---|
| (ii) ongoing and planned R&D and commercial launches of VenusA-Plus | 12.00 | 307.00 | 76.3 | 27.77 | 258.47 | 48.53 |
| (a) pre-clinical activities in China | 0.32 | 8.20 | – | – | 8.20 | – |
| (b) the ongoing clinical trial in China | 0.90 | 22.90 | – | – | 22.90 | – |
| (c) registration | 0.37 | 9.60 | 4.7 | 0.21 | 5.11 | 4.49 |
| registration in China | 0.11 | 2.80 | – | – | 2.80 | – |
| registration in other jurisdictions | 0.26 | 6.80 | 4.7 | 0.21 | 2.31 | 4.49 |
| (d) the commercialization in various jurisdictions | 8.37 | 214.10 | 49.7 | 16.46 | 180.86 | 33.24 |
| commercialization in China | 6.32 | 161.70 | – | – | 161.70 | – |
| commercialization in other markets | 2.05 | 52.40 | 49.7 | 16.46 | 19.16 | 33.24 |
| (e) post-marketing surveillance | 2.04 | 52.20 | 21.9 | 11.10 | 41.40 | 10.80 |

| Use of proceeds | Percentage of total net proceeds (in the same proportion as stated in the Prospectus) (%) | Amount of net proceeds for the relevant use (in the same proportion as stated in the Prospectus) (RMB million) | Amount of net proceeds available to be utilized as of January 1, 2022 (RMB million) | Amount of net proceeds utilized during the Reporting Period (RMB million) | Actual amount of proceeds utilized as of December 31, 2022 (RMB million) | Amount of proceeds unutilized as of December 31, 2022 (RMB million) |
|---|---|---|---|---|---|---|
| (iii) ongoing and planned R&D and commercial launches of VenusP-Valve | 18.00 | 460.40 | 323.2 | 229.07 | 366.27 | 94.13 |
| (a) pre-clinical activities in the U.S. | 1.06 | 27.10 | – | – | 27.10 | – |
| (b) the clinical trial to be conducted for the FDA approval | 2.17 | 55.50 | 52.4 | 3.97 | 7.07 | 48.43 |
| (c) registration | 0.92 | 23.40 | 10.2 | 3.32 | 16.52 | 6.88 |
| NMPA | 0.07 | 1.80 | – | – | 1.80 | – |
| FDA | 0.46 | 11.70 | 10.2 | 3.32 | 4.82 | 6.88 |
| CE Marking | 0.39 | 9.90 | – | – | 9.90 | – |
| (d) commercialization in various jurisdictions | 13.14 | 336.20 | 244.3 | 215.50 | 307.40 | 28.80 |
| China | 3.85 | 98.50 | 40.1 | 40.10 | 98.50 | – |
| U.S. and Canada | 1.27 | 32.50 | 32.2 | 9.37 | 9.67 | 22.83 |
| EU | 2.68 | 68.60 | 68.3 | 66.23 | 66.53 | 2.07 |
| Other markets | 5.34 | 136.60 | 103.7 | 99.80 | 132.70 | 3.90 |
| (e) post-marketing surveillance | 0.71 | 18.20 | 16.3 | 6.28 | 8.18 | 10.02 |
| **(B) Allocated to our other products and product candidates:** | 30.00 | 767.40 | 135.0 | 80.34 | 712.74 | 54.66 |
| (i) ongoing and planned R&D and marketing of CEP device | 17.00 | 434.90 | 100.2 | 63.16 | 397.86 | 37.04 |
| (a) pre-clinical activities | 4.18 | 106.90 | 12.5 | 0.24 | 94.64 | 12.26 |
| (b) clinical trials primarily for the ongoing Phase II REFLECT trial in the U.S. and the clinical trial for TriGUARD3 planned to be conducted in China | 3.69 | 94.40 | 52.3 | 33.54 | 75.64 | 18.76 |
| (c) registration and post-marketing surveillance | 3.93 | 100.50 | 20.2 | 14.18 | 94.48 | 6.02 |
| (d) commercialization in various jurisdictions | 5.20 | 133.10 | 15.2 | 15.20 | 133.10 | – |

| Use of proceeds | Percentage of total net proceeds (in the same proportion as stated in the Prospectus) (%) | Amount of net proceeds for the relevant use (in the same proportion as stated in the Prospectus) (RMB million) | Amount of net proceeds available to be utilized as of January 1, 2022 (RMB million) | Amount of net proceeds utilized during the Reporting Period (RMB million) | Actual amount of proceeds utilized as of December 31, 2022 (RMB million) | Amount of proceeds unutilized as of December 31, 2022 (RMB million) |
|---|---|---|---|---|---|---|
| (ii) ongoing and planned R&D of VenusA-Pilot | 3.00 | 76.70 | 18.3 | 0.68 | 59.08 | 17.62 |
| (iii) ongoing and planned R&D of mitral valve products | 2.00 | 51.20 | – | – | 51.20 | – |
| (iv) R&D of tricuspid valve products | 2.00 | 51.20 | 1.9 | 1.90 | 51.20 | – |
| (v) ongoing and planned R&D of valvuloplasty balloon products such as V8 and TAV8 | 2.00 | 51.20 | 14.6 | 14.60 | 51.20 | – |
| (vi) ongoing and planned R&D of other product candidates | 4.00 | 102.20 | – | – | 102.20 | – |
| **(C) Payment of considerations and other transaction expenses related to acquisition of Keystone** *(1)* | 10.00 | 255.80 | 255.8 | – | – | 255.80 |
| **(D) Our continued expansion of product portfolio through internal research and/or potential acquisition** | 15.00 | 383.70 | 0.3 | – | 383.40 | 0.30 |
| **(E) Working capital and other general corporate purposes** | 10.00 | 255.80 | – | – | 255.80 | – |
| **TOTAL** | 100.00 | 2,558.00 | 837.1 | 347.54 | 2,068.44 | 489.56 |

*Note 1:*

The amount of unutilized proceeds for this purpose represents the amount of certain contingent milestone payment of consideration related to the acquisition of Keystone. As part of the share purchase agreement of Keystone, contingent consideration is payable depending on the occurrence of certain milestone events for TriGUARD3, which includes, among others, authorization and clearance by the FDA to market and sell TriGUARD3 in the U.S. Given the marketing application of TriGUARD3, which was contemplated under the share purchase agreement of Keystone and filed with the FDA, has been suspended in September 2021, the Board is of the opinion that such contingent consideration was no longer payable according to the share purchase agreement. The Company is considering the reallocation of the amount of unutilized proceeds for this purpose of RMB255.8 million to other purposes, and will make announcement on any change in use of proceeds of such use as appropriate in due course.

### (ii) Use of Proceeds from the September 2020 Placing

Regarding the net proceeds that had not been utilized as of December 31, 2022, the Company intends to use them in the same manner and proportions as stated in the Prospectus, and the unutilized amount of net proceeds is expected to be fully utilized by December 31, 2023, which are later than originally planned as the Company was no longer required to pay the contingent considerations payable in relation to the acquisition of Keystone, and the use of the unutilized proceeds is subject to further deliberation.

The net proceeds received by the Company from the placing of an aggregate of an aggregated of 18,500,000 new H Shares taken place in September 2020 (the "September 2020 Placing") were approximately HK$1,173 million (equivalent to RMB1,034.01 million) after deducting the expenses of the placing.

The 2021 Interim Report of the Company published on September 29, 2021 (the "2021 Interim Report") included a table on p. 37 which indicated that all of the proceeds from the September 2020 Placing (the "September 2020 Placing Proceeds") were intended for working capital and other general corporate purposes. In this regard, the Company published an announcement dated March 14, 2022 (the "Supplemental UoP Announcement") to supplement that due to an inadvertent clerical error, and to be consistent with the announcements on the September 2020 Placing dated September 3, 2020 and September 10, 2020 (the "September 2020 Placing Announcements") and the section under "Corporate Governance and Other Information – XI. Issuance of Shares and Utilization of Proceeds – The September 2020 Placing" of the 2021 Interim Report, the September 2020 Placing Proceeds were actually intended to be used for both (i) investments in upstream and downstream companies and (ii) working capital and other general corporate purposes. For clarity, the breakdown of the intended purposes of the September 2020 Placing Proceeds are listed in the table below. The use of the September 2020 Placing Proceeds for the year ended December 31, 2022 are as listed in the table below. All of the September 2020 Placing Proceeds have been used up in line with the intended purpose of the September 2020 Placing Proceeds as disclosed in the September 2020 Placing Announcements.

As of December 31, 2022, the Group had used the net proceeds from the placing for the following purposes:

| Purposes for use of proceeds | Amount of intended use of net proceeds (RMB million) | Amount of net proceeds available to be utilized as of January 1, 2022 (RMB million) | Amount of net proceeds utilized during the Reporting Period (RMB million) | Amount of actual use of net proceeds as of December 31, 2022 (RMB million) | Amount of unutilized proceeds as of December 31, 2022 (RMB million) |
|---|---|---|---|---|---|
| (i) investment in upstream and downstream companies | 471.30 | 471.30 | 471.30 | 471.30 | – |
| (ii) working capital and other general corporate purposes | 562.71 | – | – | 562.71 | – |
| TOTAL | 1,034.01 | 471.30 | 471.30 | 1,034.01 | – |

## (iii) Use of Proceeds from the January 2021 Placing

The net proceeds (the "January 2021 Placing Proceeds") received by the Company from the placing of an aggregate of 18,042,500 new H Shares taken place in January 2021 (the "January 2021 Placing") were approximately HK$1,427 million (equivalent to RMB1,191.00 million) after deducting the expenses of the placing. As of the date of the Supplemental UoP Announcement, the Company has used RMB204.19 million for the following purposes:

| Purposes for use of proceeds | Amount of intended use of net proceeds (RMB million) | Amount of actual use of net proceeds as of January 1, 2022 (RMB million) | Amount of net proceeds available to be as of January 1, 2022 (RMB million) | Amount of net proceeds utilized from January 1, 2022 to the date of the Supplemental UoP Announcement (RMB million) | Amount of actual use of net proceeds as of the date of the Supplemental UoP Announcement (March 14, 2022) (RMB million) | Amount of net proceeds available to be utilized as of the date of the Supplemental UoP Announcement (March 14, 2022) (RMB million) |
|---|---|---|---|---|---|---|
| (i) development and research of the Company's product candidates, including Venus PowerX Valve, Venus Vitae Valve, an aortic valve repair device at pre-clinical stage (Leaflex), transcatheter mitral valve replacement (TMVR), transcatheter tricuspid valve replacement (TTVR) and other products and technologies ("Development and Research") | 714.60 | 50.98 | 663.62 | – | 50.98 | 663.62 |
| (ii) development of and investment in other new technologies ("Investments") | 238.20 | 35.66 | 202.54 | 13.94 | 49.60 | 188.60 |
| (iii) working capital and other general corporate purposes ("General Working Capital") | 238.20 | – | 238.20 | 103.61 | 103.61 | 134.59 |
| TOTAL | 1,191.00 | 86.64 | 1,104.36 | 117.55 | 204.19 | 986.81 |

As disclosed in the Supplemental UoP Announcement, having considered the reasons as stated in the paragraphs under "Reasons for Change in Use of Proceeds" in the Supplemental UoP Announcement, and to capture acquisition opportunities which may complement the Group's coverage in the field of medical devices for heart valve replacement and repair, the Group intends to expand the scope of the unutilized January 2021 Placing Proceeds allocated to Development and Research to the following: accelerating the development and research of the Company's product candidates including Venus PowerXValve, Venus Vitae Valve, an aortic valve repair device at pre-clinical stage (Leaflex), transcatheter mitral valve replacement (TMVR), transcatheter tricuspid valve replacement (TTVR) and other products and technologies, and expansion of the Company's product candidates through investments, acquisition or other collaboration arrangements ("Expanded Development and Research"). Set out below is the proposed change of the use of the unutilized January 2021 Placing Proceeds:

| **Original use of net proceeds** | **Changed use of net proceeds** | **Allocation of unutilized net proceeds (same as the amount of unutilized net proceeds as at the date of the Supplemental UoP Announcement (March 14, 2022)** (RMB million) |
|---|---|---|
| (i) Development and Research – i.e. accelerating the development and research of the Company's product candidates, including Venus PowerX Valve, Venus Vitae Valve, an aortic valve repair device at pre-clinical stage (Leaflex), transcatheter mitral valve replacement (TMVR), transcatheter tricuspid valve replacement (TTVR) and other products and technologies | (i) Expanded Development and Research – i.e. accelerating the development and research of the Company's product candidates including Venus PowerX Valve, Venus Vitae Valve, an aortic valve repair device at pre-clinical stage (Leaflex), transcatheter mitral valve replacement (TMVR), transcatheter tricuspid valve replacement (TTVR) and other products and technologies**, and expansion of the Company's product candidates through investments, acquisition or other collaboration arrangements** | 663.62 |
| (ii) Investments | Same as original | 188.60 |
| (iii) General Working Capital | Same as original | 134.59 |
| Total | | 986.81 |

From the date of the date of the Supplemental UoP Announcement (March 14, 2022) and as at December 31, 2022, the Company had used the net proceeds from the January 2021 Placing for the following purposes as below:

| Purposes for use of proceeds | Amount of intended use of net proceeds (RMB million) | Amount of net proceeds utilized from the date of the Supplemental UoP Announcement to December 31, 2022 (RMB million) | Amount of actual use of net proceeds as of December 31, 2022 (RMB million) | Amount of net proceeds available to be utilized as of December 31, 2022 (RMB million) |
|---|---|---|---|---|
| (i) Expanded Development and Research | 663.62 | 245.45 | 296.43 | 418.17 |
| (ii) Investments | 188.60 | – | 49.60 | 188.60 |
| (iii) General Working Capital | 134.59 | 111.02 | 214.63 | 23.57 |
| TOTAL | 986.81 | 356.47 | 560.66 | 630.34 |

Regarding the net proceeds that had not been utilized as of December 31, 2022, the Company intends to use them in the same manner and proportions as stated in the Supplemental UoP Announcement (March 14, 2022). The Board expects that the unutilized Expanded Development and Research proceeds to be used by December 31, 2023 and the unutilized Investments proceeds and General Working Capital proceeds to be used by December 31, 2023 which are later than originally planned, due to cost savings achieved via improved operational efficiency and moving outsourced services internally.

## ADVANCE TO AN ENTITY

As disclosed in the section headed "Connected Transactions" in "Directors' Report" of this report, during the Reporting Period, the Company had made loans to Mr. Zhenjun Zi in total sum of RMB468.3 million and the interest for such loans in the total sum of RMB8.5 million were repaid.

As the amount of the abovesaid loans exceeds 8% of the Company's total assets as at December 31, 2022, the entering into of such loan agreement constituted an advance to an entity under Rule 13.13 of the Listing Rules.

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

There was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiaries during the year ended December 31, 2022.

## CONVERTIBLE BONDS

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

## BANK LOANS AND OTHER BORROWINGS

Bank loans and other borrowings of the Group as of December 31, 2022 are set out in "Notes to Financial Statements – 28. Interest-bearing Bank Borrowings" of this report.

## EQUITY-LINKED AGREEMENTS

Saved as disclosed in this report, there was no equity-linked agreement entered into by the Company during the year ended December 31, 2022.

## PERMITTED INDEMNITY

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

The Company has maintained appropriate liability insurance policies for its Directors, Supervisors and senior management during the year ended December 31, 2022.

## MANAGEMENT CONTRACTS

Save for employment contracts with employees, the Company did not enter into any contracts nor had any existing contracts in respect of all or any significant part of management and administration of business of the Company for the year ended December 31, 2022 and up to the date of this report.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association and there is no restriction against such rights which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

## TAX RELIEF AND EXEMPTION INFORMATION FOR HOLDERS OF H SHARES

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

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

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

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

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2022, the percentage of sales attributable to the Group's top and five largest customers did not exceed 30% of the total sales of the Group.

During the year ended December 31, 2022, the percentage of purchases attributable to the Group's five largest suppliers did not exceed 30%.

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

### Relationships with Major Customers and Suppliers

#### *Customers*

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

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

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

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

### Suppliers

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

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

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

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

## MATERIAL LITIGATION AND ARBITRATION

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

## MATERIAL CONTRACTS AND EXECUTION

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

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company had adopted and applied the principles and code provisions as set out in the Corporate Governance Code. Saved as disclosed in the section headed "Connected Transactions" in "Directors' Report" of this report, during the year ended December 31, 2022, the Company has complied with the code provisions in the Corporate Governance Code. For details, please refer to "Corporate Governance Report" of this report.

## SUFFICIENCY OF PUBLIC FLOAT

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

## AUDITORS

The consolidated financial statements of the Group for the year ended December 31, 2022 have been audited by Ernst & Young, certified public accountants. There were no change in the auditors of the Company in the preceding three years.

By order of the Board
**Mr. Min Frank Zeng**
*Chairman of the Board*

Hangzhou, the People's Republic of China, March 31, 2023

# Corporate Governance Report

## I. OVERVIEW OF CORPORATE GOVERNANCE

The Board presents this corporate governance report in the Group's annual report for the year ended December 31, 2022.

During the year ended December 31, 2022, the Company has strictly complied with the provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

## II. SHAREHOLDERS AND GENERAL MEETINGS

### (i) Rights of Shareholders' General Meetings and Shareholders

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

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

During the year ended December 31, 2022, our Company held one general meeting on May 30, 2022. All the proposed Shareholders' resolutions put to the above general meeting were resolved by poll vote and were duly passed. The vote tally of each such resolution was set out in the Company's announcements released on the day of the general meeting.

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

The attendance records of each Director at the Shareholders' general meeting of the Company during the year ended December 31, 2022 are set out below:

| Name of Director | Attendance/ Number of General Meeting |
|---|---|
| Mr. Min Frank Zeng | 1/1 |
| Mr. Zhenjun Zi | 1/1 |
| Mr. Lim Hou-Sen (Lin Haosheng) *(resigned on January 30, 2023)* | 1/1 |
| Ms. Nisa Bernice Wing-Yu Leung *(resigned on January 30, 2023)* | 1/1 |
| Mr. Ting Yuk Anthony Wu | 1/1 |
| Mr. Wan Yee Joseph Lau | 1/1 |
| Mr. Chi Wai Suen | 1/1 |

## III. BOARD OF DIRECTORS AND PERFORMANCE OF DUTIES

### (i) Chairman and Chief Executive

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

The Chairman of the Board is Mr. Min Frank Zeng. The Company does not maintain the office of chief executive officer. Instead, the general manager, Mr. Zhenjun Zi, is responsible for the day-to-day management of the Company. The division of responsibilities between the Chairman of the Board and the general manager has been clearly established.

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

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

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

### (iii) Composition of the Board of Directors

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

As at the end of the Reporting Period, the Board of our Company comprises seven Directors, including three executive Directors (Mr. Min Frank Zeng, Mr. Zhenjun Zi and Mr. Lim Hou-Sen (Lin Haosheng) (resigned on January 30, 2023)), one non-executive Director (Ms. Nisa Bernice Wing-Yu Leung) (resigned on January 30, 2023)) and three independent non-executive Directors (Mr. Ting Yuk Anthony Wu, Mr. Wan Yee Joseph Lau and Mr. Chi Wai Suen). None of the Directors, Supervisors and senior management existed the relationships (including financial, business, family or other material/relevant relationships) with other Directors, Supervisors and members of the senior management of our Company. The Board complied with the requirements of appointing at least three independent non-executive Directors (among whom at least one independent non-executive Director holds the appropriate professional qualifications or accounting or relevant financial management professional knowledge) as set out in Rules 3.10(1) and 3.10(2) of the Listing Rules at any time during the year ended December 31, 2022. The Company also complied with the requirements of appointing independent non-executive Directors, accounting for one-third of the members of the Board, as set out in Rule 3.10A of the Listing Rules.

Directors are elected by the Shareholders' general meeting to serve a term of three years and are eligible for consecutive appointment if re-elected, where the term of re-election shall not exceed six years for independent non-executive Directors. Our Company has received the annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. Our Company considers that each independent non-executive Director is independent as specified in the Listing Rules. Independent non-executive Directors are able to exercise independent and objective judgments and protect the interests of minority Shareholders.

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

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

The Directors (including the independent non-executive Directors) have entered into service contracts with the Company for a term of three years and all of the Directors may offer themselves for re-election and re-appointment subject to the approval of the Shareholders. Their service contracts may be renewed in accordance with the Articles of Association and applicable regulations.

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

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

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

The Board held five meetings during the year ended December 31, 2022 for reviewing and approving the annual results for the year ended December 31, 2021, unaudited interim results for the six months ended June 30, 2022, and review of corporate governance policy of the Company and duties performed by the Board under paragraph D.3.1 of the Corporate Governance Code.

The chairman of the Board held one meeting with the independent non-executive Directors during the year ended December 31, 2022 without the presence of other Directors.

The attendance records of each Director at the Board meetings during the year ended December 31, 2022 are set out below:

| Name of Director | Attendance/ Number of Board Meetings |
|---|---|
| Mr. Min Frank Zeng | 5/5 |
| Mr. Zhenjun Zi | 5/5 |
| Mr. Lim Hou-Sen (Lin Haosheng) *(resigned on January 30, 2023)* | 5/5 |
| Ms. Nisa Bernice Wing-Yu Leung *(resigned on January 30, 2023)* | 5/5 |
| Mr. Ting Yuk Anthony Wu | 5/5 |
| Mr. Wan Yee Joseph Lau | 5/5 |
| Mr. Chi Wai Suen | 5/5 |

### (v) Training for Directors

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

According to the records provided by the Directors, a summary of training received by the Directors for the year ended December 31, 2022 is as follows:

| Name of Director | Training* |
|---|---|
| Mr. Min Frank Zeng | ✓ |
| Mr. Zhenjun Zi | ✓ |
| Mr. Lim Hou-Sen (Lin Haosheng) *(resigned on January 30, 2023)* | ✓ |
| Ms. Nisa Bernice Wing-Yu Leung *(resigned on January 30, 2023)* | ✓ |
| Mr. Ting Yuk Anthony Wu | ✓ |
| Mr. Wan Yee Joseph Lau | ✓ |
| Mr. Chi Wai Suen | ✓ |

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

## IV. BOARD COMMITTEES AND PERFORMANCE OF DUTIES

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

| Name of Committees | Members of Committee |
|---|---|
| Audit Committee | Mr. Chi Wai Suen (Chairman) *(Note 1)*, Mr. Ting Yuk Anthony Wu and Mr. Wan Yee Joseph Lau |
| Remuneration and Assessment Committee | Mr. Ting Yuk Anthony Wu (Chairman), Mr. Wan Yee Joseph Lau and Mr. Chi Wai Suen |
| Nomination Committee | Mr. Wan Yee Joseph Lau (Chairman), Mr. Ting Yuk Anthony Wu and Mr. Chi Wai Suen |

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

### (i) Audit Committee

#### *1. Functions of the Committee*

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

### 2. *Work Summaries and Meetings of the Committee*

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

- reviewing the annual results and financial report for the year ended December 31, 2021;
- reviewing the unaudited interim results and financial report for the six months ended June 30, 2022;
- reviewing the financial reporting and the compliance procedures;
- reviewing the policies and practices on corporate governance;
- reviewing the compliance with the Corporate Governance Code and the disclosure requirement in the corporate governance report as contained in Appendix 14 to the Listing Rules;
- reviewing the code of conduct and the compliance manuals for employees and the Directors, the financial, operational and compliance monitoring;
- reviewing the risk management and internal control systems;
- reviewing the internal audit work of the risk management and internal audit department; and
- reviewing the work of the external auditor.

The Audit Committee met with the external auditor of the Company in the absence of the management of the Company once in relation to the provision of audit service to the Company for the year ended December 31, 2022.

### 3. Attendance of Members of the Committee

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

| Name of Committee Member | Attendance/ Number of Meeting(s) |
|---|---|
| Mr. Chi Wai Suen | 2/2 |
| Mr. Ting Yuk Anthony Wu | 2/2 |
| Mr. Wan Yee Joseph Lau | 2/2 |

The Company's annual results for the year ended December 31, 2022 have been reviewed by the Audit Committee on March 31, 2023. The Audit Committee considers that the annual financial results for the year ended December 31, 2022 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

## (ii) Remuneration and Assessment Committee

### 1. Functions of the Committee

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

### 2. *Work Summaries and Meetings of the Committee*

During the Reporting Period, the Remuneration and Assessment Committee held one meeting during the year ended 31 December 2022 to review the remuneration policy and structure of the Company, and consider and make recommendation to the Board on the remuneration packages of the Directors, Supervisors and the senior management of the Company.

### 3. *Attendance of Members of the Committee*

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

| Name of Committee Member | Attendance/ Number of Meeting(s) |
|---|---|
| Mr. Ting Yuk Anthony Wu | 1/1 |
| Mr. Wan Yee Joseph Lau | 1/1 |
| Mr. Chi Wai Suen | 1/1 |

Details of the Directors' and Supervisors' remuneration are set out in "Notes to Financial Statements – 8. Directors', Supervisors' and Chief Executive's Remuneration" of this report. In addition, the remuneration payable to the senior management of the Company (who are not the Directors) by band for the year ended December 31, 2022 are set out in the section headed "Corporate Governance Report – V. Remuneration of Senior Management" of this report.

## (iii) Nomination Committee

### 1. *Functions of the Committee*

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

With respect to the nomination of new directors and re-election of directors, our Company follows a considered and transparent nomination policy. Details of which are set out in the sub-section "Other Relevant Matters – (XI) Nomination Policy" below.

### 2. *Work Summaries and Meetings of the Committee*

During the Reporting Period, the Nomination Committee held two meetings during the year ended December 31, 2022 to review the structure, size, composition and diversity (including skills, knowledge, experience, gender, age, cultural and educational background, ethnicity, professional experience and length of service) of the Board and make recommendations to the Board relating to the re-election of Directors to ensure that the Board has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company; to review the training and continuous professional development of the Directors and senior management; and to assess the independence of the independent non-executive Directors.

### *3. Attendance of Members of the Committee*

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

| Name of Committee Member | Attendance/ Number of Meeting(s) |
|---|---|
| Mr. Wan Yee Joseph Lau | 2/2 |
| Mr. Ting Yuk Anthony Wu | 2/2 |
| Mr. Chi Wai Suen | 2/2 |

## V. REMUNERATION OF SENIOR MANAGEMENT

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

| | Number of senior management Year ended December 31, | |
|---|---|---|
| Band of remuneration (in RMB) | **2022** | 2021 |
| 0-1,000,000 | **1** | – |
| 1,000,000 – 2,000,000 | **2** | 1 |
| 2,000,000 – 3,000,000 | **–** | 1 |
| 3,000,000 – 4,000,000 | **–** | 1 |

## VI. CONVENING AN EXTRAORDINARY GENERAL MEETING BY SHAREHOLDERS

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

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

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

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

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

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

### (i) Putting Forward Enquiries to the Board

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

### (ii) Putting Forward Proposals at General Meetings

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

## VII. OTHER RELEVANT MATTERS

### (i) Compliance with the Model Code

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

The Company's employees, who are likely to be in possession of inside information of the Company, have also been subject to the code of conduct regarding Directors' and Supervisors' securities transactions of the Company. No incident of non-compliance of the code of conduct regarding Directors' and Supervisors' securities transactions by the employees was noted by the Company during the year ended December 31, 2022.

### (ii) Responsibilities of Directors for the Consolidated Financial Statements

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

All Directors acknowledge and confirm their responsibilities of preparing the consolidated financial statements which truly reflect the business and operating results of the Group for the year ended December 31, 2022, including the results and cash flows of the Group.

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

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

### (iii) Appointment and Remuneration of Auditing

The Company appointed Ernst & Young as the auditor of the consolidated financial statements of the Group prepared under International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance for the year ended December 31, 2022. There has been no change in the auditor appointed during the Reporting Period.

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

During the year ended December 31, 2022, the remuneration paid/payable to the external auditor of the Company for the provision of audit services for the year ended December 31, 2022 amounted to RMB7.1 million (including auditing fees incurred by each subsidiary).

During the year ended December 31, 2022, the remuneration paid/payable to the external auditor of the Company in respect of non-audit services for the year ended December 31, 2022 amounted to RMB0.6 million. The nature of such non-audit services is to provide advisory services.

### (iv) Review by Audit Committee

The Audit Committee has reviewed the 2022 consolidated financial statements of the Group for the year ended December 31, 2022.

### (v) Joint Company Secretaries

Mr. Haiyue Ma ("Mr. Ma"), our chief financial officer and one of our joint company secretaries, is responsible for raising corporate governance-related suggestions to the Board, and ensuring compliance with policies and procedures of the Board, applicable laws, rules and regulations.

To ensure a high standard of corporate governance, we have also appointed Mr. Wong Wai Chiu[1], a member of the Hong Kong Institute of Certified Public Accountants, to act as the other joint company secretary and to provide assistance to Mr. Ma. During the Reporting Period, Mr. Wong worked closely with Mr. Ma, the main contact person of Mr. Wong in the Company, to jointly discharge the duties and responsibilities as company secretary and assist Mr. Ma in acquiring the relevant experience as required under Rules 3.28 and 8.17 of the Listing Rules since his appointment date on January 18, 2021. Mr. Ma is also assisted by (a) the compliance advisor of our Company for the first full financial year from the Listing Date, particularly in relation to Hong Kong corporate governance practices and compliance issues; and (b) the Hong Kong legal advisor of our Company, on matters concerning our Company's ongoing compliance with the Listing Rules and the applicable laws and regulations.

Both Mr. Ma and Mr. Wong have confirmed that they had received no less than 15 hours of relevant professional training during the year ended December 31, 2022.

### (vi) Communication with Shareholders

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

1 Mr. Wong Wai Chiu has been appointed as the joint company secretary and an authorized representative with effect from January 18, 2021. For details, please refer to the announcement of the Company dated January 18, 2021.

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

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

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

The implementation and effectiveness of the initiatives taken by the Company has been reviewed by the Board during the year ended December 31, 2022 and considered that it is adequate and effective, having considered the communication channels in place provided Shareholders and investment community with information about the latest development of the Group in a timely manner, and the Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders to allow the Company to receive feedback effectively.

### (vii) Board Diversity Policy

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

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

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

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

As of December 31, 2022, we had 871 full-time employees, of which 378 were male and 493 were female. The male-female ratio in the workforce (including senior management) was approximately 3:4. The Company has achieved and will continue to maintain a relatively balanced gender ratio in the workforce. The Company will continue to monitor and evaluate the diversity policy from time to time to ensure its continued effectiveness. The Company is not aware of any mitigating factor or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

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

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

### (viii) Amendments to the Articles of Association

During the Reporting Period, the Articles of Association was not amended.

On January 1, 2022, the Listing Rules had been amended by, among others, adopting a uniform set of 14 core standards for shareholder protections for issuers regardless of their place of incorporation set out in Appendix 3 to the Listing Rules.

After the Reporting Period, on January 30, 2023, the Articles of Association was approved to be amended to (i) conform to the said core standards for shareholder protections; (ii) provide flexibility for the Company to hold general meetings by allowing participants to attend, participate and vote at general meetings via electronic devices; (iii) discontinue the position of vice-chairman and (iv) make other corresponding and house-keeping amendments to further improve and standardise the Articles of Association.

### (ix) Risk Management and Internal Control

#### *1. Risk Management*

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

#### *2. Establishment of the Internal Control System*

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

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

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

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

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

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

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

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

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

- The Company has an internal audit function, which primarily carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems, and reports their findings to the Board on, at least, an annual basis. During the year ended December 31, 2022, the Company did not identify any material issues.

### 4. *Procedures for Processing and Releasing Inside Information*

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

### 5. *Appraisal of Internal Control*

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

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

As disclosed in the section headed "Connected Transactions" in "Directors' Report" of this report, the relevant transactions that were not approved are found by the Company. The Company is engaging an internal control advisor to evaluate and make recommendations for improvement on the internal control level of the Company and will be devoted to resolving the internal control issues identified in the internal control report issued by the internal control advisor by working with the internal control advisor. The Company would keep posted of the latest progress of internal control rectification for any further improvement to be made.

The Company has taken or will take the following internal control rectification measures:

(i) The Company will engage an internal control consultant to identify any deficiencies of the Group's internal control policies for monitoring the connected transactions and continuing connected transactions under the Listing Rules, and make recommendations to enhance the relevant internal control policies.

(ii) The audit committee of the Company consisting of three independent non-executive Directors will be entrusted with the responsibility to review and improve the internal control system and financial reporting system of the Company.

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

(iv) The Group will issue relevant guidance and training materials, in particular, on how to identify notifiable and connected transactions under the Listing Rules, to the Directors, senior management and the relevant staff of the Group. The Group will also arrange training sessions on compliance requirements for notifiable and connected transactions so as to improve the standard of corporate governance and operating management of the Company.

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

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

The Board conducts annual review on the risks management and internal control system of the Company. During the year ended December 31, 2022, save as disclosed above, the Group was not aware of any material defect in internal control of the Group. The Board is of the view that the Group should further strengthen the resources, qualifications and experiences of the staff in the areas of finance, internal audit and the financial reporting function and ensure that the training and budget of the staff are adequate.

## (x) Dividend Policy

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

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

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

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

- offsetting losses in prior years, if any;

- allocating to the statutory reserve fund equivalent to 10% of our profit after payment of all tariff item, and, when the statutory reserve fund reaches more than 50% of our registered capital, no further allocations to this statutory reserve fund will be required; and

- allocating to the discretionary reserve fund according to the resolutions of the Shareholders' general meeting.

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

As at December 31, 2022, no arrangement was reached pursuant to which the shareholders of the Company waived or agreed to waive their dividends.

### (xi) Nomination Policy

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

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

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

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

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

# Environmental, Social and Governance Report

This is the environmental, social and governance ("ESG") report (the "Report") of the Company and its subsidiaries (collectively referred to as "Venus Medtech", "the Group" or "we/us"), which aims to disclose the Group's ESG performance for the year 2022 (the "Year") in a transparent and open manner in response to the concerns and expectations of stakeholders on the Group's sustainable development management.

## REPORTING SCOPE

As we conduct manufacturing and sales activities primarily in China, the scope of the Report covers the major operations of Venus Medtech in China, and there are no significant changes in reporting scope compared to the 2021 ESG report. The environmental key performance indicators (KPIs) mainly cover the Group's headquarters in Hangzhou, including office buildings, factories and research and development (R&D) centers; the employee-related KPIs in the social aspect only cover the Group's employees in China, while the other social KPIs mainly cover the Company and all its subsidiaries in China.

## REPORTING STANDARD

The Report has been prepared in compliance with Appendix 27 of the Environmental, Social and Governance Reporting Guide (the "Guide") of the Main Board Listing Rules of the Stock Exchange and the contents covered herein comply with the disclosure principles required by the Guide and have complied with the "comply or explain" provisions set out in the Guide, and the content follows the four reporting principles of "Materiality", "Quantitative", "Balance" and "Consistency".

**Materiality:** The Report has identified and disclosed the ESG materiality issues and the criteria for their selection, as well as the process and results of stakeholder engagement.

**Quantitative:** The statistical criteria, methods, assumptions, and calculation tools used to report greenhouse gas emissions/energy consumption, as well as the sources of conversion factors, are described in the Report.

**Balance:** The Report presents the Group's performance in 2022 in an unbiased manner to avoid selections, omissions or formats of presentation that might improperly influence readers' decisions or judgments.

**Consistency:** The statistical methods used to disclose data in the Report are consistent with the 2021 ESG report. If any changes are made, they will be clearly stated in the Report.

## REPORTING LANGUAGE

The Report is published in both traditional Chinese and English. In case of any ambiguity, the traditional Chinese version shall prevail.

## REPORT APPROVAL

The Report was approved by the Board of Directors of the Group (the "Board") on March 31, 2023.

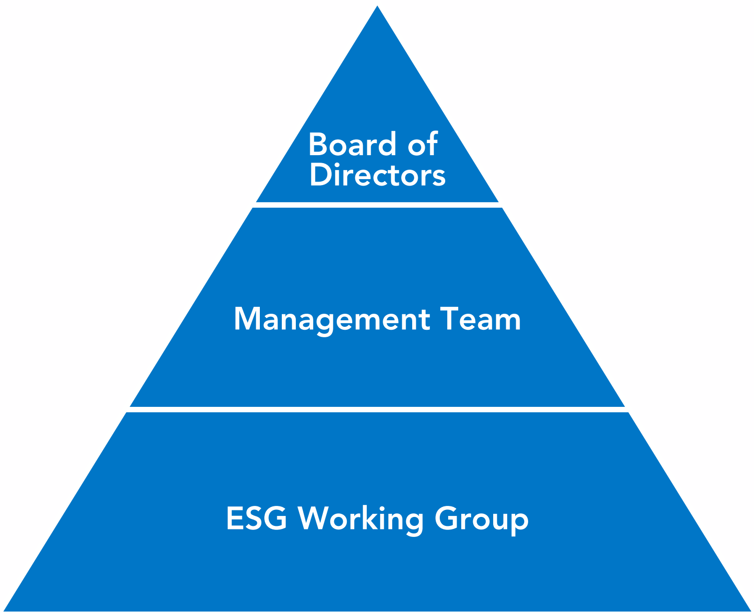
## BOARD STATEMENT

The Group has established an ESG governance structure, in which the Board is responsible for ESG strategy and reporting, including monitoring and reviewing the performance and progress of ESG tasks, and supervising and approving ESG management policies and strategies, such as material ESG issues, risks and opportunities. During the Year, the Board has reviewed the ESG issues. Under the supervision of the Board, the Group has successfully achieved the environmental targets set for 2022, and has established the environmental targets for 2023.

Going forward, we will continue to uphold the concept of sustainable development, provide patients with reliable, accessible and affordable products and services, and proactively undertake environmental and social responsibilities, striving to achieve our ESG targets for upcoming periods.

## ESG MANAGEMENT STRUCTURE

Venus Medtech has been committed to improving its sustainable development management system and incorporating ESG-related factors into its routine business decision-making processes, including providing safe and reliable medical products and services to the public, protecting the legitimate rights and interests of employees, creating a comfortable working environment and improving its environmental performance. We have established a three-tier ESG governance structure consisting of the Board, senior management and the ESG working group with clearly defined ESG governance functions among them, so as to realize top-down ESG supervision and guarantee the smooth progress of ESG tasks of the Group.




ESG Management Structure

As the highest decision-making body of the Group on ESG issues, the Board is responsible for formulating ESG management policies, reviewing ESG-related matters, and ensuring that the Group establishes an appropriate and effective ESG risk management and internal control system. Meanwhile, the Board regularly reviews the performance of the Group and approves the information disclosed in the ESG report with reference to the progress towards achieving the ESG-related objectives.

The Group's management is responsible for executing ESG risk management and internal control systems, reporting ESG risks and opportunities to the Board, and ensuring the effective operation of relevant ESG systems.

The ESG working group of Venus Medtech is composed of the key departments of the Group, with direct engagement of the department heads. It reports ESG-related risks of the Group, implements ESG management policies approved by the upper-level departments or persons, and designates specific persons to carry out ESG management and reporting.

## STAKEHOLDER ENGAGEMENT

The Group attaches great importance to maintaining close communication with stakeholders. In order to understand the concerns and relevant suggestions of stakeholders of the Group to the ESG issue of Venus Medtech, we have established various communication channels with major stakeholders such as the government and regulators, shareholders and investors, employees, customers, suppliers and communities to balance the interests of all parties. We proactively collect and understand the expectations and requirements of stakeholders towards the Group on ESG issues, so as to constantly improve our ESG performance.

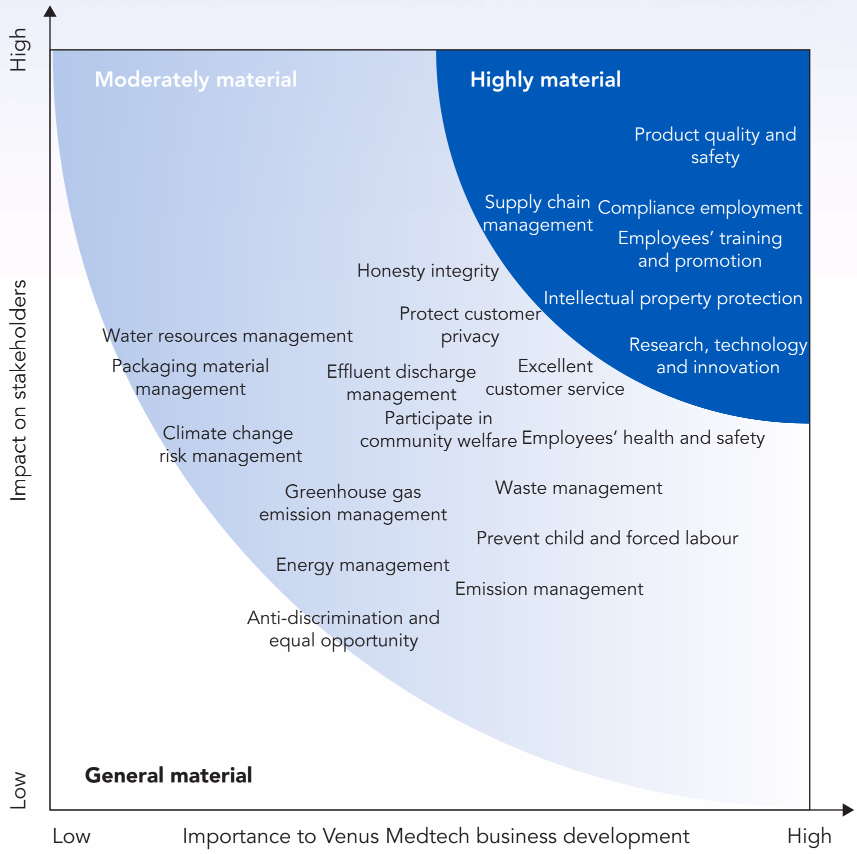
| Stakeholders | Expectations and concerns | Communication channels | Communication frequency |
|---|---|---|---|
| **Governments and regulators** | Compliance with laws and regulations<br>Paying taxes<br>Product compliance<br>Lead the healthy development of the industry<br>Regular epidemic prevention and control | Compliance management<br>Voluntary taxation<br>Complying with national policies<br>Continuous R&D innovation<br>Risk analysis reports<br>Reporting adverse events timely<br>Participating government projects actively | Multiple times per year |
| **Shareholders and investors** | Return on investment<br>Corporate governance<br>Information disclosure<br>Regular epidemic prevention and control | Announcements and circulars<br>Financial reports<br>Shareholders' meetings<br>Roadshow<br>Investor meetings | Multiple times per year |
| **Employees** | Protection of employees' rights<br>Career development channel<br>Healthy and safe working environment<br>Regular epidemic prevention and control | Employee satisfaction survey<br>Regular meetings and trainings<br>Employee care<br>Intranet website and suggestion box | Multiple times per month |

| Stakeholders | Expectations and concerns | Communication channels | Communication frequency |
|---|---|---|---|
| **Customers** | Protection of customers' rights and interests<br>Product quality and safety<br>Responsible marketing<br>R&D innovation<br>Improve product competitiveness | Daily communication and meetings<br>Training courses<br>Seminars<br>R&D cooperation<br>Service hotline and mailbox | Multiple times per month |
| **Suppliers** | Fair and open procurement<br>Win-win cooperation<br>Audit and performance evaluation | Daily communication and meetings<br>Business visits | Multiple times per month |
| **Communities** | Community engagement<br>Environmental protection | The Group's official website<br>Public welfare activities | Multiple times per year |

### Materiality Assessment

In 2021, the Group invited stakeholders to conduct materiality assessment through online questionnaire. The ESG working group and the management confirmed that the results of 2021 are still applicable to the Year as (i) there was no significant change in the business and operating environment of the Group for the Year; (ii) the materiality assessment results of 2021 are still capable of addressing expectations of stakeholders during the Year; and (iii) there was no significant change in the ranking of material issues. Readers may refer to the 2021 ESG report for the method and process of materiality assessment.

The Group identified a total of 21 ESG issues, including 6 of highly material issues and 15 of moderately material issues, which have been disclosed herein to various degrees and taken as important considerations when formulating ESG policies and strategies.




Materiality Assessment Matrix

## QUALITY CONTROL

As China's leading R&D-driven medical device enterprise engaged in transcatheter aortic valve replacement (TAVR) products, Venus Medtech has made solemn commitment to provide quality products and services to customers, and upheld "quality" as one of its core values. We make constant efforts for improvement in every detail from quality assurance, quality control and customer rights, and strive to provide reliable, accessible and affordable medical products and services for patients, in a bid to promote health and well-being through science and technology.

**Mission**

- To become a global leader that develops, supplies, and commercialises transcatheter solutions for structural heart diseases

**Quality policy**

- Quality first, meet the requirements of applicable regulations, rely on the quality management awareness of all employees to continuously improve the quality system, provide customers with safe and excellent products and services in an effective manner

### Quality Management System

A mature quality management system is the basic guarantee for the production of quality medical devices. The Group strictly complies with the applicable laws, regulations and standards of each place of operation, including *the Product Quality Law of the People's Republic of China*《中華人民共和國產品質量法》, *Measures for the Supervision and Administration of Medical Device Production*《醫療器械生產監督管理辦法》, *Good Manufacturing Practices (GMP) for Medical Devices*《醫療器械生產質量管理規範》, the MDR of the European Union, the RDC of Brazil, the QSR of the United States and the relevant regulations of the ISO 13485 Medical Device Quality Management System, establishes a complete system document comprising quality manual, procedure documents, management regulations and technical documents, and has passed independent third-party certification. The chief executive officer of the Group is ultimately responsible for the operation of the quality management system, while the senior management of each division of the Group cooperates closely with the director of the quality management department to supervise the effective operation of the quality management system. During the Reporting Period, the Group has obtained the quality management system certification ISO 13485 and the production quality management system has been certified by regulatory authorities in the PRC, the European Union and Brazil.


DEKRA

CERTIFICATE

The management system of:

Venus MedTech (Hangzhou) Inc.

Room 311, 3/F, Block 2,
No.88, Jiangling Road, Binjiang District, Hangzhou City
310051, Zhejiang
P.R. China

Manufacturing Address:
Area B, 2/F and Room 311, 3/F, Block 2
No. 88 Jiangling Road, Binjiang District, Hangzhou City
310051, Zhejiang
P.R. China

including the implementation meets the requirements of the standard:

EN ISO 13485:2016/ISO 13485:2016

Certificate expiry date: 1 February 2024
Certificate effective date: 11 July 2022
Certified since: 11 July 2022
DEKRA Certification B.V.

B.T.M. Holtus
Managing Director

J.A. van Vugt
Certification Manager

ISO 13485 Quality Management System Certification

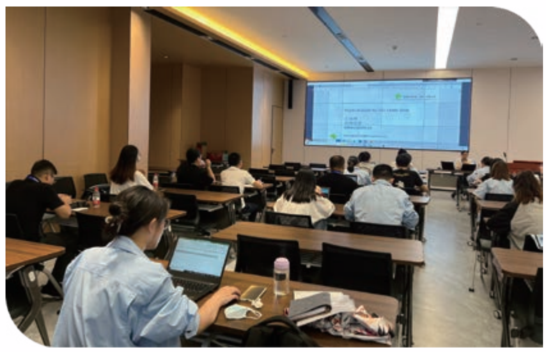
## Quality Assurance (QA)

| Quality assurance team |
|---|
| • Establish, implement and maintain a quality management system<br>• Monitor our operations in real time throughout the development and production process to ensure operations are in compliance with applicable regulatory and standards requirements |
| **Internal audit function** |
| • Conduct at least one internal audit per year of all departments covered by the system to ensure that the quality policy, objectives and procedures are effectively implemented<br>• Perform at least one management review of the quality management system annually to ensure the suitability, adequacy and effectiveness of the quality system<br>• Submit the review report and the results of audit and correction to the relevant regulatory authorities every year |
| **Regular training** |
| • The quality management department will follow up on the new laws and regulations, interpret the latest laws through monthly meetings and special sharing sessions, and improve and update the relevant systems<br>• Invite internal and external industry quality management experts to conduct professional training to strengthen the theoretical and practical skills of employees |

During the Reporting Period, the quality team organized the launch of Medical Device Single Audit Program (MDSAP) regulation introduction in March 2022 and submitted the MDSAP certification application to the certification body in April, and has completed the first stage document audit and the second stage on-site audit for MDSAP certification. We are organizing the audit reports and expect to receive the MDSAP certificate in April 2023. Besides, we also introduced the intelligent supervision information system, including connection to the data of the safety and intelligent supervision "Black-Box" project of Zhejiang Medical Products Administration, intelligent supervision platform of Hangzhou Municipal Medical Products Administration, key monitoring data of transcatheter replacement system during the "14th Five-Year", and UDI application information system construction. Relevant information will ultimately be aggregated in Venus Medtech's Business Central Platform to strengthen the Company's quality control adequacy and effectiveness.

The Group organized a total of five external training sessions, including training on the revised regulations supporting the supervision and management rules of medical devices, post-market surveillance ("PMS") & Vigilance training, Medical Device Single Audit Program (MDSAP) certification basic and practical course training, ISO 13485 standard training and pre-clinical assessment training, in order to enhance the capability of the quality control team and ensure the effectiveness of audits.

MDSAP Certification Basic and Practical Course Training


ISO 13485 standard training

## Quality Control (QC)

We have an independent quality control system and a dedicated quality control group. We conduct quality inspections and overall supervision of raw materials, pre-stock, design and development, production processes, transportation and after-sales in accordance with our *Product and Process Monitoring and Measurement Control Procedure*《產品和過程的監視與測量控制程序》to ensure that products meet relevant quality requirements and that each step is documented in a timely manner to meet traceability requirements.

**Procurement phase**

- Background investigation, sample inspection, and production facility site visit for suppliers
- For raw material suppliers, conduct necessary on-site audits and off-site data evaluation, and suppliers meeting the requirements are required to sign quality assurance agreements

**Product design and development process**

- Strict adherence to relevant procedures throughout the process to ensure that design and development outputs meet applicable legal and regulatory standards requirements

**Production process**

- Ensure compliance with applicable regulatory and industry standards throughout the manufacturing process through on-site inspections
- Conduct rigorous sample testing of work in progress, semi-finished products and finished products, and promptly dispose of or destroy products that do not meet quality standards

**Transportation and warehousing of raw materials and products**

- Carry out strict quality management on the warehousing and transportation of raw materials and products as required by relevant quality regulations

For sample testing, in order to better ensure the quality of laboratory test results, the Group established a laboratory management system and formulated a relevant management manual with reference to the *Accreditation Criteria for the Competence of Testing and Calibration Laboratories*《檢測和校準實驗室能力認可準則》(CNAS-CL01:2018) to meet the requirements of the China National Accreditation Service for Conformity Assessment (CNAS). During the Reporting Period, the Group became the first CNAS-accredited enterprise testing center in China with "Bioprosthetic Heart Valve" as the main feature and the most comprehensive coverage of testing capability. This signifies that the system construction and testing capability of the testing center have reached international first-class level, and its authority and credibility have been recognized globally. Venus Medtech will continue to pay attention to and improve the professional testing capability of the testing center, further enhance the product development and production quality control capabilities, and lay a solid foundation for the globalization of innovative products.


ilac-MRA CNAS

中国合格评定国家认可委员会

实验室认可证书

（注册号：CNAS L16211）

兹证明：

杭州启明医疗器械股份有限公司检测中心

浙江省杭州市滨江区江陵路88号2幢3楼311室，310051

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

获认可的能力范围见标有相同认可注册号的证书附件，证书附件是本证书组成部分。

生效日期：2022-04-01

截止日期：2028-03-31

中国合格评定国家认可委员会授权人

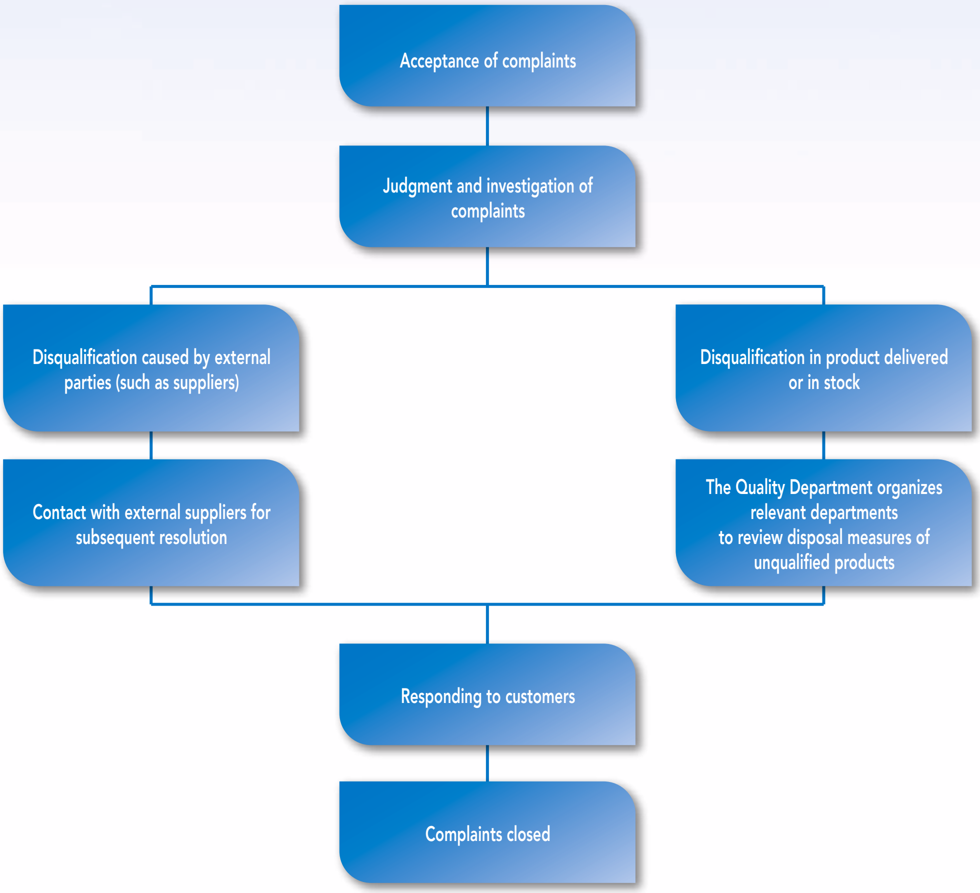
CNAS Laboratory Accreditation Certificate

## Protecting Customers' Rights

The Group complies with the *Advertising Law of the People's Republic of China*《中華人民共和國廣告法》, *the Regulations on Supervision and Administration of Medical Devices*《醫療器械監督管理條例》and other laws and regulations relating to advertising and promotion in the field of medical devices. We strictly control the marketing information published on our website, packaging, brochures and other channels to ensure that such promotional information is legal and compliant, and avoid using promotional materials that exaggerate, deceive or mislead consumers.

The Group strictly abides by the laws and regulations such as the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests*《中國人民共和國消費者權益法》and the *Product Quality Law of the People's Republic of China*《中華人民共和國產品質量法》, and listens to the opinions of our customers with an open mind as a means to improve the quality of our products and services. Customers can give feedback to the Quality Department via face-to-face communication, telephone and email. Any employee who receives external feedback from users, patients, economic operators, regulatory bodies, etc., is required to provide feedback to the Quality Department. The Quality Department will record, judge and organize complaint investigation activities by relevant departments. We classify complaints into medical complaints, device quality complaints, commercial complaints and other types of complaints according to their types, and make judgements according to *the Feedback Control Procedures*《反饋控制程序》and *Complaint Handling Control Procedures*《投訴處理控制程序》as well as the relevant procedural documents of the corresponding markets of the products, and take corrective activities according to the relevant methods, and keep track of and feedback on the follow-up activities to ensure that customer complaints are effectively resolved. During the Reporting Period, the Group did not receive any complaints about the quality of its products and services.

| Complaint channels: |
|---|
| Complaint Hotline: 0571-87772180 |
| Complaint Email: pms@venusmdtech.com |




Complaint Handling Process

## Product Recall

To ensure the interests of our customers, the Group establishes guidance documents in accordance with the *Measures for the Recall Management of Medical Devices*《醫療器械召回管理辦法》and the *Measures for the Monitoring and Revaluation Management of Adverse Events on Medical Devices*《醫療器械不良事件監測和再評價管理辦法》, such as *Recall Control Procedure in China*《中國召回控制程序》, to regulate the product recall management process. If a marketed medical device product is defective and needs to be disposed of by inspection, repair or destruction, the recall process will be initiated. We classify medical device recall levels into three levels and implement corresponding response measures according to the severity of the health safety risks posed by medical devices. During the Reporting Period, there were no cases in which the Group had to recall products for safety and health reasons.

**Recall investigation and assessment**

- According to the collected information, the Quality Management Department organizes relevant departments to carry out investigation on product defects and draws up the Evaluation Report on Recall Investigation (《召回調查評估報告》)

**Recall announcement**

- If the safety issues meet the recall conditions, the Quality Management Department will draw up the Recall Announcement (《召回公告》), Recall Plan (《召回計劃》), and Recall Report on the Medical Devices (《醫療器械召回事件報告》), and file them with the relevant food and drug
- Publish the recall announcement on relevant websites and notify the relevant customers

**Implementation of the recall**

- The Marketing Department recalls products in accordance with the Recall Plan (《召回計劃》). If the product has been implanted into human body, it should be handled through negotiation with the patient
- The Supply Chain Department isolates the recalled products and performs the return or exchange of products for customers, and the Quality Management Department is responsible for the disposal of recalled products
- Fill out the Report on the Implementation of Recall Plan (《召回計劃實施情況報告表》)

**Assessment on the effectiveness of recalls**

- Evaluate the recall effect afterwards and draw up the Evaluation Report on the Recall of Medical Devices (《醫療器械召回評估報告》)

### Intellectual Property and Privacy Protection

The Group has always insisted on independent development and recognizes the importance of protecting intellectual property rights for the sustainable development of the Group. We strictly abide by the *Patent Law of the People's Republic of China*《中華人民共和國專利法》, the *Copyright Law of the People's Republic of China*《中華人民共和國著作權法》, the *Trademark Law of the People's Republic of China*《中華人民共和國商標法》, the *Anti-Unfair Competition Law of the People's Republic of China*《中華人民共和國反不正當競爭法》and other laws and regulations, and actively conducts intellectual property rights protection. At the same time, we formulate the *General Rules of Intellectual Property Management*《知識產權管理總則》to protect intangible assets by strengthening the management of intellectual property rights. In addition, we attach great importance to the protection of intellectual property rights and have set up a specific department to handle intellectual property management, which is mainly responsible for coordinating the management of intellectual property rights within our Group, reviewing intellectual property rights applications filed by business units and file management, and handling external intellectual property rights applications and litigation.

In order to encourage employees to participate in technical innovation and actively put forward rationalization proposals, we establish the *Venus Innovation Incentive Policy*《啓明"五小"創新獎勵制度》to select and reward employees for their "inventions", "innovations" and "renovations". At the same time, we strengthen employees' knowledge of intellectual property protection through the system annual training and publicity program. During the Reporting Period, the Intellectual Property Department organized a total of four department-specific trainings and set up online IP training courses on the Company's DingTalk Beisen learning platform, which any employee of the company can participate in.

As of December 31, 2022, the number of our issued patents was 493.

The Group has always attached great importance to the security of corporate data and the protection of customer privacy. The Group abides by the *Regulations of the People's Republic of China on Protecting the Safety of Computer Information Systems*《中華人民共和國計算機信息系統安全保護條例》, *Personal Information Protection Law of the People's Republic of China full translation*《中華人民共和國個人信息保護法》, *Cyber Security Law of the People's Republic of China*《中華人民共和國網絡安全法》and other relevant laws and regulations, and has formulated internal systems such as the *Management Policy of Changes in Information System*《信息系統變更管理制度》, *Management Policy of Information System Accounts*《信息系統賬號管理制度》, *Management Procedures for Important Information Backup*《重要信息備份管理程序》and *Contingency Plans for Information System Security*《信息系統安全應急預案》. We effectively strengthen the prevention of network operation security and information security as operation guidelines for employees in information security and privacy management. We have established an information security management system according to the international framework of ISO 27001 to manage and protect many aspects of information such as security policies and technical controls, and have been certified by a third party.


ISO/IEC 27001

萬泰認證

认 证 证 书

杭州启明医疗器械股份有限公司

建立的管理体系，按照以下标准评审合格，特发此证。

认证标准

GB/T 22080-2016/ISO/IEC 27001:2013

认证范围

适用性声明 (SoA) 版本: A/0

ISO 27001 Information Security Management System Certification

To reduce the risk of leakage and misuse of confidential data, we engage a third party network security company to conduct regular system checks to ensure that customer data is protected and desensitized to prevent leakage of sensitive information. We also store user data in encrypted format and use sophisticated encrypted data transmission, especially for user data, to ensure data confidentiality. We also contact with our confidential suppliers to launch our encryption system and record a special video on supplier confidentiality training to train their employees. At the same time, we regularly promote information security awareness to our employees through emails and promotional videos. During the Reporting Period, we organized a number of special education and training sessions on information security management in order to continuously strengthen the Group's information security protection and enhance the confidentiality awareness and network risk prevention capability of all employees.


ISO 27001 Information Security Management System Training

## RESPONSIBLE OPERATION

### Integrity and honesty

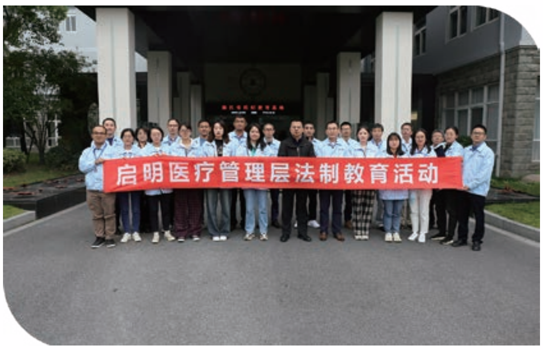
The Group always upholds the value of integrity and honesty and adopts a zero-tolerance attitude towards unethical behaviors such as corruption and bribery, and is committed to integrating the concepts of fairness, honesty and legal compliance into the entire operation process to create a good business environment together with its business partners. The Group strictly complies with laws and regulations such as the *Criminal Law of the People's Republic of China* (《中華人民共和國刑法》), *Interim Provisions on Banning Commercial Bribery* (《關於禁止商業賄賂行為的暫行規定》) and *Anti-Money Laundering Law of the People's Republic of China* (《中華人民共和國反洗錢法》), and has established a series of systems such as the *Anti-Corruption and Anti-Commercial Bribery Policy* (《反腐敗反商業賄賂制度》) and the *Anti-Money Laundering Management Regulations* (《反洗錢管理規定》), focusing on the supervision and management efforts in key areas prone to corruption such as business hospitality, business meetings, funding, sponsorship and donations.

In addition, we have developed a series of anti-corruption policies to ensure that all of our employees, distributors, contractors and suppliers implement and enforce the integrity requirements, and that bribery, extortion, fraud, monopoly and unfair competition are eliminated. For our partners, we have established the *Distributor/Agent Anti-Corruption Compliance Policy* 《《經銷商/代理商反腐敗合規政策》》, which prohibits all employees, officers or directors of distributors from obtaining business advantages through improper conduct. In the course of cooperation with the Group, distributors, agents and their subordinate distributors are required to sign the *Confirmation Letter of Compliance Commitment for Distributors*《經銷商合規承諾確認函》to ensure in writing that they comply with the Group's anti-corruption policy. Employees within the Group are required to sign the *Employee Anti-Corruption Policy Certification*《員工反腐敗政策認證》to regulate their own behavior and promote an honest and fair work environment.

The Group has established a Security Affairs Department and a professional team with professional experience in public security and economic investigation to specifically investigate and prevent cases of employee corruption, abuse of authority or dereliction of duty and other frauds, and to investigate and handle violations independently and impartially. Our business units are responsible for screening and recording transactions of significant amounts that are clearly inconsistent with our business operations and reporting them to the Security Affairs Department for investigation, the results of which will be submitted to the Audit Committee of the Board for handling. At the same time, we have in place open reporting channels such as email addresses and hotlines to encourage internal and external personnel to report any misconduct identified, and we will keep the information and identity of the whistleblower confidential. If any misconduct is verified, the Company will, depending on the severity of the circumstances, issue a notice of criticism, a demerit or dismissal, and impose appropriate financial penalties as appropriate, and if it constitutes a crime, the same will be transferred to the judicial authorities for treatment in accordance with the law. During the Reporting Period, the Group was not involved in any judicial proceedings related to corruption, fraud and money laundering.

| Reporting channels: |
| --- |
| E-mail: hegui@venusmedtech.com |
| Hotline: 400 0902500 |

In order to further promote anti-corruption practices and raise employees' alertness to conflict of interest and integrity matters, the Group insists on providing various forms of anti-corruption trainings for directors and employees, embedding compliance requirements and concept promotion into employees' daily work and supplier operations to ensure compliance requirements are effectively implemented and further improve the Group's legal and compliance construction. We have included corporate compliance training in the training of new employees and daily training to continuously enhance the compliance awareness of all employees. During the Reporting Period, we conducted a number of integrity education trainings, including training on the protection of corporate trade secrets, legal training for all staff, anti-fraud training for employees, integrity and anti-corruption, and education and publicity on the prevention of internet fraud. During the Reporting Period, the Group has provided anti-corruption training to employees, including directors, to enable them to gain a comprehensive understanding of the Group's relevant anti-corruption policies.



Management law and discipline education activities


Employee anti-fraud education

## Supply Chain Management

A good and orderly supply chain is a decisive factor to ensure the smooth operation of an enterprise. Venus Medtech attentively operates supply chain management, strictly implements the relevant regulations on supply chain management, controls the quality of raw materials in the front-end procurement process, and lays a solid foundation for high-quality products. The Group has formulated internal documents such as *Procedure of Procurement Control*《採購控制程序》, *Control Procedures of Supplier Management*《供應商管理控制程序》and *Regulations of Supplier Audit Management*《供應商審核管理規定》, which clarify the selection, evaluation, review and management of suppliers and enhance the safety level and reliability of suppliers. On the basis of legal compliance, we put forward requirements related to environmental protection and social responsibility to our suppliers, such as green procurement, prohibition of child labor and forced labor, etc.

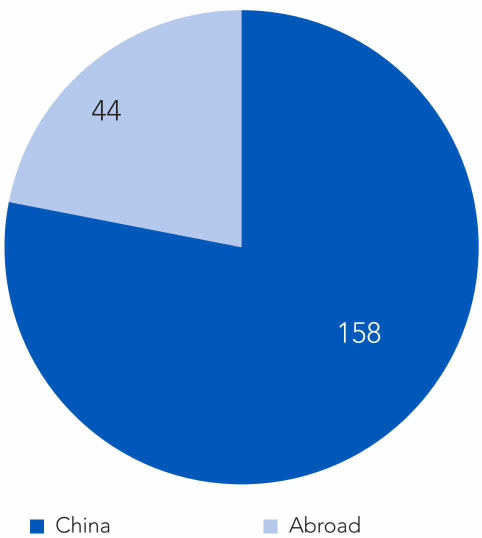
The Group's supplier management is categorized into new supplier development and existing supplier management:

| New Suppliers: |
| --- |
| • Review their qualifications, sample quality, delivery time, price, and quality system through document review, sample review, on-site review, and other methods. Suppliers reviewed as qualified will be included in the List of Qualified Suppliers《合格供方目錄》<br>• For suppliers of animal-derived raw materials, we will review their relevant qualification certificates, animal quarantine certificates, quarantine standards they have implemented and other materials, and carry out extended investigation on, if necessary, breeding conditions, fodders, storage and transportation, and control on potentially infective viruses and infectious pathogens<br>• For procurement of supplies with high cleanliness grade, suppliers are required to provide testing reports on their clean rooms |
| **Existing suppliers:** |
| • Monitor their product quality, services and other performance and make regular evaluation, including annual routine evaluation and quality system evaluation, to continuously track the quality of products and services<br>• Suppliers rated as excellent will be considered as priority partners<br>• For suppliers with poor scores, we will issue a rectification notice, requiring them to rectify within a time limit, and review again. Suppliers that fail to pass the rectification will be removed from the list |

To strengthen the Group's supplier management and create a sustainable supply chain, we advocate that all suppliers conduct their business in a sustainable manner and strictly comply with relevant laws and regulations. We manage the status and capabilities of our production material suppliers, engineering contractors and transportation contractors in terms of environmental protection/occupational health and safety in accordance with the *Environmental and Health and Safety Impact Control Program of Relevant Parties*《相關方環境及健康安全影響控制程序》. For example, when we select suppliers of production materials, we check whether they have obtained ISO 14001/ISO 45001 certification, whether they exceed pollution emission standards, and whether they have had any workplace injuries or environmental accidents. In addition, we inform them of our environmental/occupational health and safety policies and make requests for environmental improvements, such as encouraging suppliers to recycle packaging materials as much as possible. The Group's screw suppliers have been recycling disposable plastic boxes used for packaging screws and replacing paper-made shipping boxes with more durable plastic crates as required, saving approximately 5,000 disposable plastic boxes and 32 shipping cartons per annum.

During the Reporting Period, our suppliers mainly consisted of suppliers of raw materials, machinery and equipment and service providers from third parties such as contract research institutes, animal laboratories and marketing agents. We have 202 suppliers, of which 158 are from China. During the Reporting Period, we conducted annual evaluations of 115 suppliers, of which 3 suppliers were dismissed because they did not meet our requirements.

**Number of suppliers by geographical region**



## Promoting Industry Progress

As a leading emerging high-tech medical company, we are aware of our social responsibility and mission. We actively share our valuable experience in medical technology with our industry partners and work hand in hand with them to brainstorm new ideas, new technologies and new platforms in the field of structural heart diseases and to promote the development of the medical industry.

The Venus Medtech VenusP-Valve™ U.S. IDE Clinical Investigator Meeting was successfully held in June 2022 during the 2022 Congress of Congenital, Structural and Valvular Heart Interventions (CSI). The Company plans to conduct a prospective, multi-center, non-randomized, interventional study in the United States in patients with autologous right ventricular outflow tract (RVOT) disorders with moderate to severe pulmonary regurgitation. The clinical investigator meeting is a key milestone prior to the formal launch of the U.S. clinical study of VenusP-Valve™.

VenusP-Valve™ US IDE Clinical Investigator Conference

## Employee Care

Venus Medtech regards employees as our valuable resources and an important support for sustainable business development. We fully respect and protect the basic rights and interests of all employees, and are committed to creating a fair, harmonious and healthy working environment, as well as providing diverse career development opportunities for our employees so that they can show their talents and ideas on our platform and realize the common development of the Group and our employees.

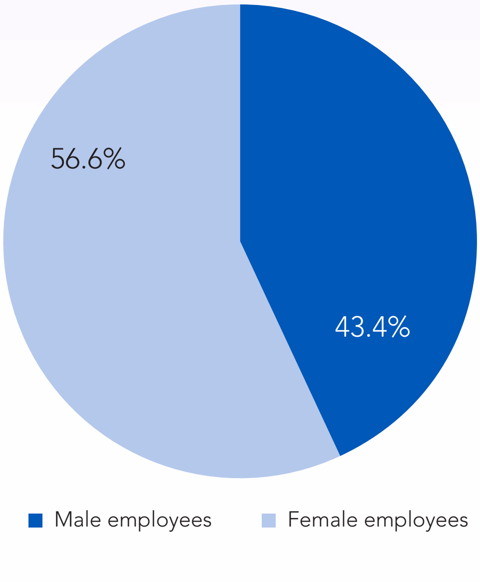
## Legal Employment

The Group strictly complies with the *Labor Law of the People's Republic of China*《中華人民共和國勞動法》, the *Labor Contract Law of the People's Republic of China*《中華人民共和國勞動合同法》, the *Provisions on the Prohibition of Using Child Labor*《禁止使用童工規定》and other labor and employment-related laws and regulations, and has formulated internal rules and regulations such as the *Employee Manual*《員工手冊》, the *Employee Remuneration and Performance Management Policy*《員工薪酬與績效管理制度》and the *Measures for the Management of Attendance, Leave and Overtime Working*《考勤、休假及加班管理辦法》to regulate the management of the Group's employees and protect the legitimate rights and interests of employees.

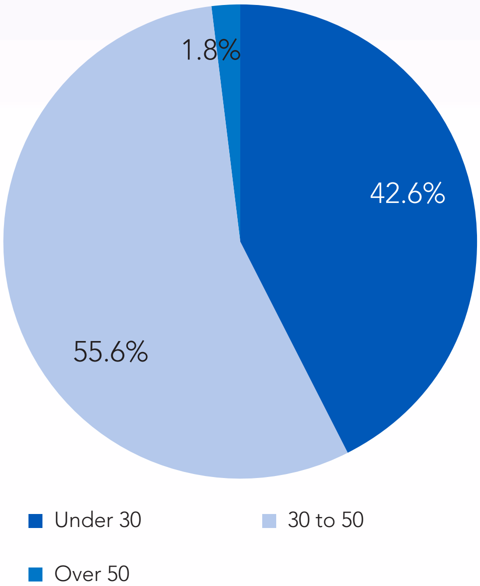
We uphold the principle of "open recruitment and merit-based recruitment; appointing people by abilities and objective assessment; giving priority to internal candidates over external ones under the same conditions" in hiring employees. The HR and Administration Department is responsible for implementing HR recruitment based on business planning and human resources plans. We choose a combination of effective recruitment channels according to the position and rank, including internal referral, online recruitment sites, offline job fairs, headhunters, etc. During the recruitment process, we focus on objective factors such as experience, professional ability, potential, overall quality, values and motivation of each candidate as important indicators for selecting outstanding talents. We conduct a number of assessments on candidates, including interviews, written tests and background checks, to ensure that the recruitment process is open and fair and that candidates meet the Company's job requirements. We require interviewees and engaged employees to provide original and photocopies of ID cards, academic certificates and other relevant information during the recruitment and onboarding process to ensure that all personnel reach the legal employment age and satisfy position requirements. The Group implements standard working hours, comprehensive calculation of working hours and irregular working hours, and employees clock in via DingTalk to regulate the management of working hours. Employees who need to work overtime must apply in advance and we will pay overtime or arrange compensatory time off in accordance with the relevant regulations of the state and the Group. Our employees enjoy various types of leave such as rest days, holiday leave, paid annual leave, sick leave, maternity leave, wedding leave and funeral leave as stipulated by national laws and regulations and the Group's systems. We firmly resist a series of illegal and unlawful employment practices, such as the employment of child labor and forced labor. If the Group discovers any incident of employing child labor or forced labor, we will immediately terminate the contract and investigate the incident, and refer it to the judicial authorities if necessary. During the Reporting Period, there were no incidents of child labor or forced labor within the Group.

As of December 31, 2022, the Group had 871 employees in China region, with the breakdown as follows:

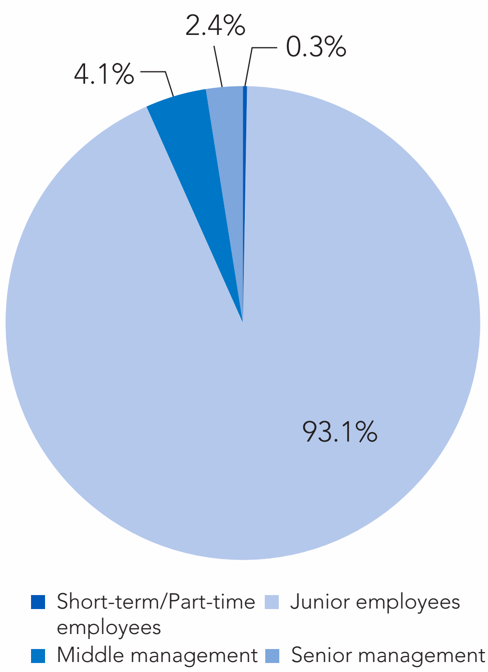
**Proportion of employees by gender**



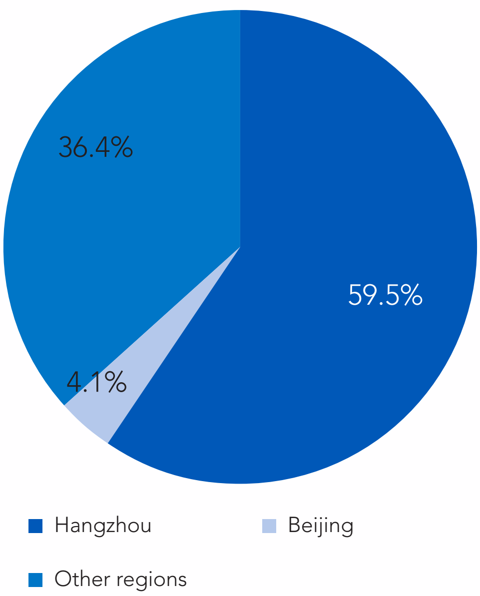

**Proportion of employees by age group**




**Proportion of employees by employee category[1]**




**Proportion of employees by region**



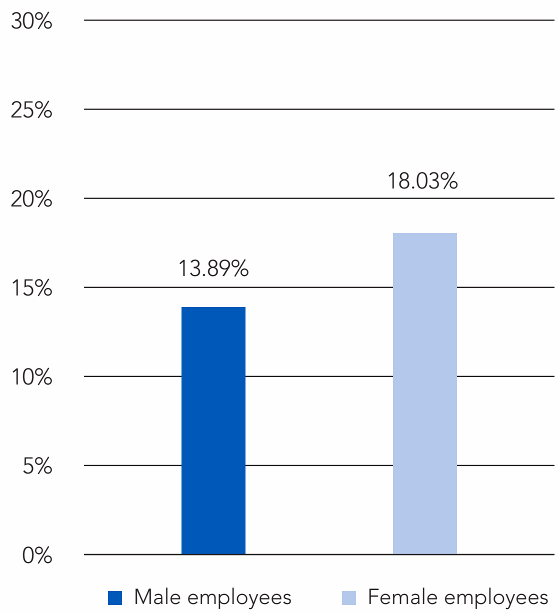

1 There may be a slight discrepancy between the sum of individual items and the total as shown in the table owing to rounding

## Promotion and Dismissal

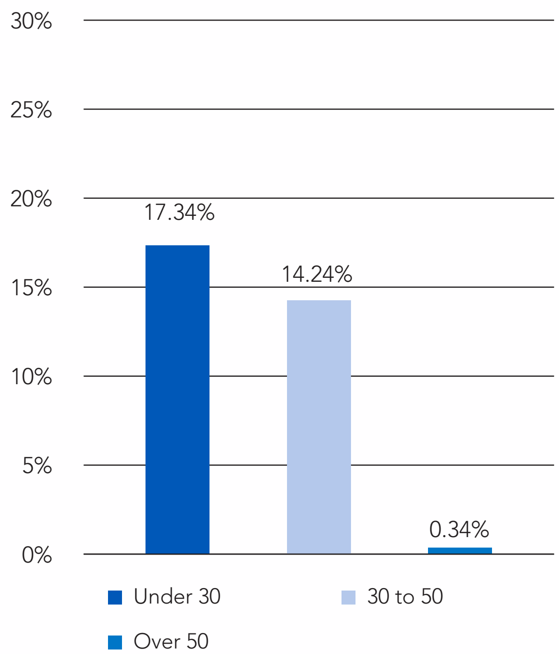
In order to make the best use of talents, meet the career development needs of employees and build a high-quality talent pool, we have clearly stated the job requirements for various positions in the *Employee Manual*《員工手冊》and clarified the qualifications for promotion at each level. In addition, we have a set of fair and open *Performance Management System*《績效管理制度》, the assessment results will be the basis for employee promotion. We conduct annual appraisals for our employees. Before the start of the appraisal period, both parties jointly confirm and set performance goals, and conduct self-summary and result evaluation within the period. The department head evaluates the performance of employees based on their daily work and makes suggestions for improvement, so that the employees can receive true and comprehensive feedback. In order to ensure the efficiency of the Group's performance management operation, we provide a performance appeal channel, and employees who have objections to the performance appraisal results can appeal to their supervisors or the HR and Administration Department.

Employees may terminate their employment relationship with the Group on their own, subject to agreement with their supervisor and confirmation of their last date of employment. We proactively conduct face-to-face interviews with departing employees to understand their reasons for leaving. If any employee decides to resign, arrangements will be made by the Group and the employee in compliance with the terms set out in the *Employee Manual*《員工手冊》and the employee is required to make a proper handover of their work. As at December 31, 2022, the Group's total employee turnover rate was 31.92%[2].

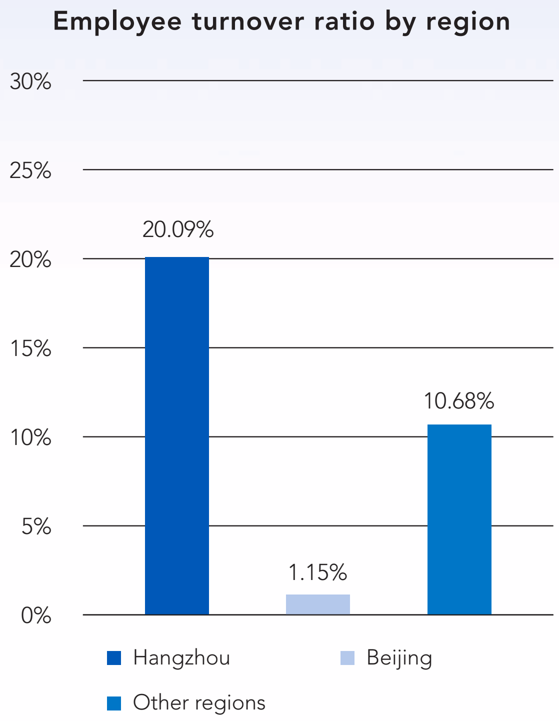
**Employee turnover ratio by gender**




**Employee turnover ratio by age**




2 Calculation method of staff turnover rate: number of departing staff ÷ number of staff at year end × 100%.




## Compensation and Benefits

The Group has established a market-competitive remuneration and benefit system for its employees to continuously drive their motivation at work. Employees' remuneration consists of basic salary, performance salary, post salary and year-end bonus, etc. The specific remuneration is determined by the importance and difficulty of the work performed, work ability, performance, seniority and working conditions. We regularly evaluate the performance of our employees and provide incentives to those with outstanding performance to attract and retain outstanding talents.

We pay “Five Insurance and One Fund” for all employees who have signed employment contracts with the Company, including: pension, medical, unemployment, work injury and housing provident fund and other social security. We also purchase accident insurance for our employees’ children. We provide free medical checkup, holiday allowance, summer heat allowance, welfare leave, wedding gift and other benefits to our employees every year. Employees can enjoy benefits such as free physical examination, holiday allowance, summer high temperature allowance, welfare leave and wedding gift. We provide lounge, massage chair, and convalescence activities for front-line production employees to soothe cervical spondylosis and eye fatigue caused by long working hours and prevent related diseases.

### Equal Opportunity, Diversity, Anti-discrimination

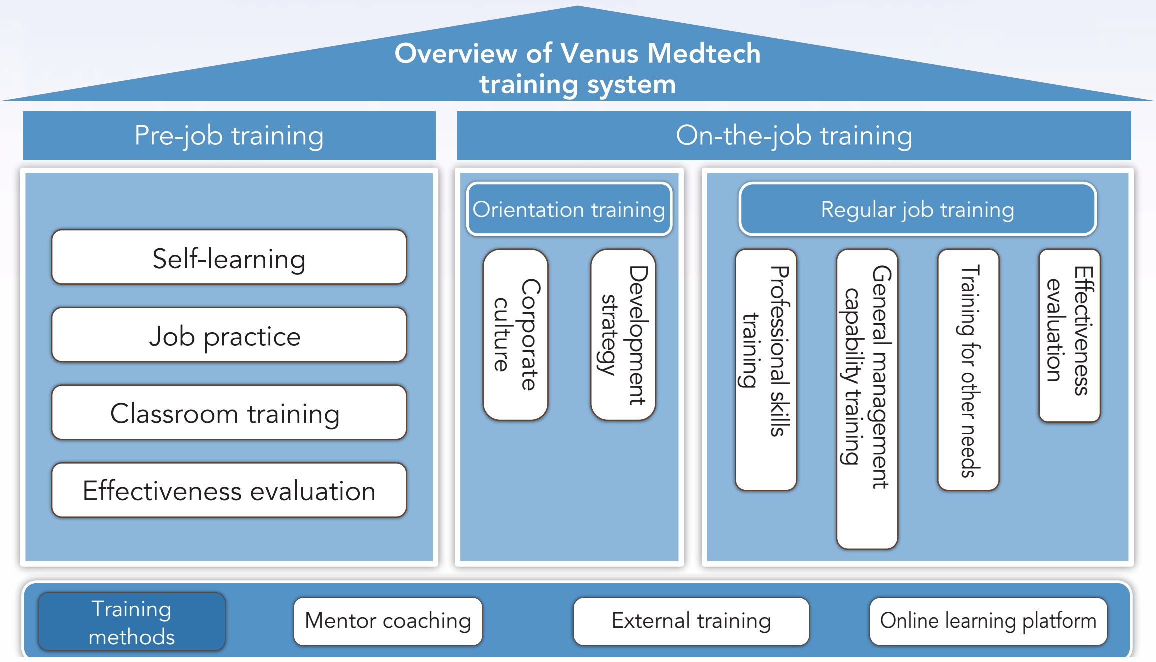
The Group spares no effort to protect the equal and legitimate rights and interests of our employees and is committed to promoting equal opportunities and fair treatment for our employees. We will not tolerate any direct or indirect discrimination against any employee or applicant for reasons of gender, race, pregnancy, disability, marital status or family status. We also advocate “mutual respect, cooperation, helpfulness, patience and honesty” in our collegial relationships, hoping that colleagues will help each other and create a harmonious and non-discriminatory work environment. We are committed to promoting gender equality in our Company, and gender equality is deeply rooted in our corporate culture, with female employees enjoying the same opportunities for promotion and influence at all levels, starting with the management positions.

## Talent Development

The Group is committed to building a learning organization and employee development is a top priority in our talent development management. We have established the *Training Management System*《培訓管理制度》and a comprehensive training system, and uphold the principle of top-down employee training, requiring all employees, including management level, to participate in customized training and learning programs to help employees realize their potential and improve their work performance, promoting the mutual growth of employees and Venus Medtech.

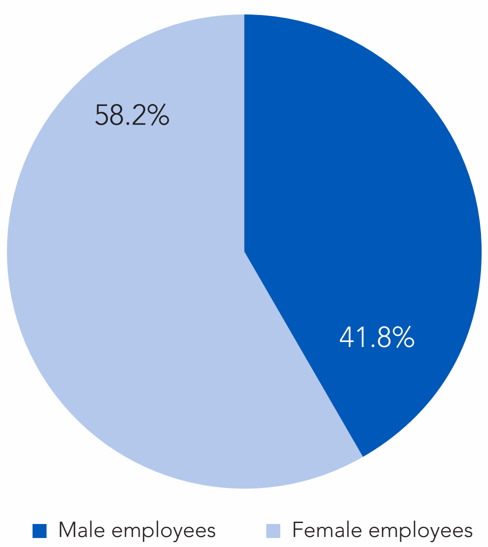
We establish an annual employee training plan at the beginning of each year and fully mobilize internal and external resources to cultivate our internal team of trainers and develop a series of training courses to improve employees' professional skills and knowledge and help them keep up with the times and adapt to changing work demands through effective training. Each employee's training and progress is recorded in the personal training file, including employee training and evaluation records, qualification certificates, etc., in order to track the development of employees' abilities.

In order to promote the professional growth of our employees and improve their professional skills, we offer cash incentives for employees who receive higher education or titles. At the same time, we fully mobilize experienced employees to take on lecturing or curriculum development responsibilities based on business needs. We better contribute to organizational capacity building through knowledge transfer and experience sharing. Outstanding internal training lecturers will receive appropriate allowances and recognition.

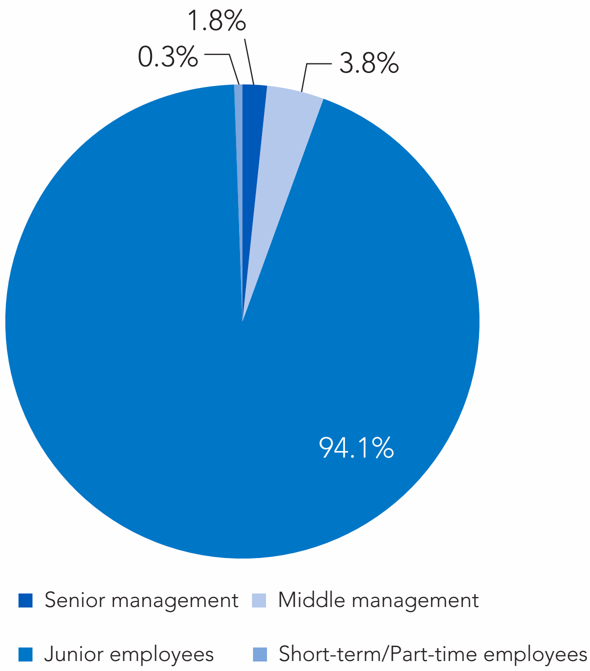



As of December 31, 2022, the training rate of the Group's employees was 83.70%.

**The percentage of employees trained by gender**

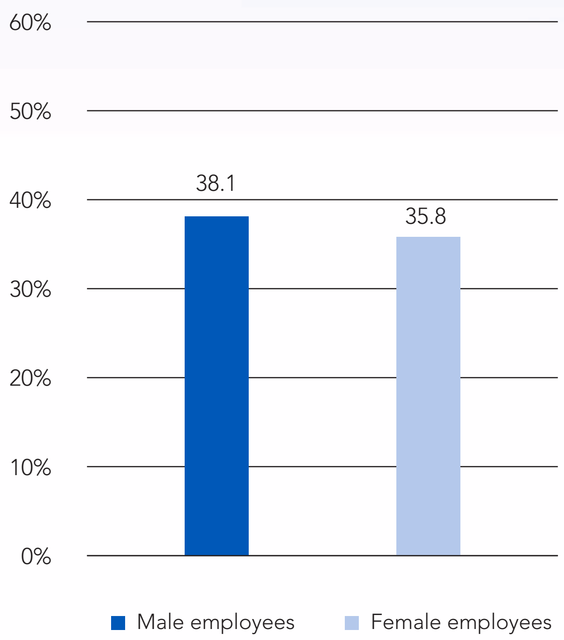



**The percentage of employees trained by employee category[3]**

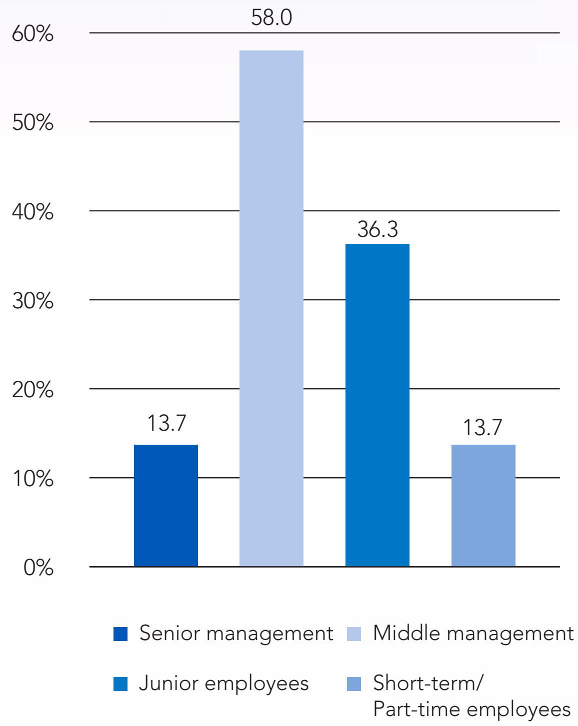



3 Calculation method of percentage of employees trained by category: number of employees trained in a category ÷ number of employees trained × 100%

**The average training hours completed per employee by gender (Unit: hours/person)**




**The average training hours completed per employee by employee category[4] (Unit: hours/person)**




4 Calculation method of average training hours completed per employee: total training hours completed by employees of a category ÷ total number of employees in the category

## Health and Safety

Safety is a prerequisite and foundation for sound business operation. The Group has always given priority to the health and life safety of our employees, adhered to the safety policy of "Safety First and Prevention Crucial" and the principle of "Safety Before Production", and strictly abided by the laws and regulations on occupational health and safety such as the *Work Safety Law of the People's Republic of China*《中華人民共和國安全生產法》and *the Law of the People's Republic of China on Prevention and Control of Occupational Diseases*《中華人民共和國職業病防治法》. At the same time, we firmly implement ISO 45001 occupational safety management system and formulate *Safety Production Inspection Management Procedures*《安全生產檢查管理程序》, *Hidden Hazard Investigation and Management Procedures*《隱患排查治理管理程序》, *Hazardous Chemical Control System*《危險化學品控制制度》, *Occupational Health Management Procedures*《職業健康管理程序》, *Occupational Hazard Notification and Warning System*《職業危害告知和警示制度》, *EHS Management Manual*《EHS管理手冊》and *EHS Inspection Management Procedures*《EHS檢查管理程序》, which provide for safety hidden hazard investigation, accident management, work injury insurance, training management, etc. to clarify safety management requirements and effectively protect employees' safety and health. We organize the review of ISO 45001 occupational health and safety system at least once a year, and have passed the third-party certification.


ISO 45001 Occupational Health and Safety System

We establish a work safety leading team composed of the Chief Operating Officer (COO) of the Group, the Safety Management Department and the heads of each department, and in addition, each department is required to be equipped with a production safety manager with safety qualification certificate after being trained and qualified by the production safety supervision institution. The work safety leading team holds at least one safety special meeting every quarter to coordinate and solve safety production problems. In order to fully implement the production safety policy and clarify the production safety responsibilities of employees at all levels, we have formulated the production safety objectives of each department according to the production safety objectives and formulated the safety responsibility agreement for each department. Each department is required to sign the agreement to work together for the safe operation of the Company. In addition, we have developed the *EHS Performance Appraisal Management System* 《EHS績效考核管理制度》 to ensure the successful achievement of company-wide production safety policies and objectives, and to motivate officers and employees at all levels to strive for continuous improvement in safety performance. The system clearly sets out the scope and grade of assessment. Quarterly and annual appraisals are conducted to promote self-management of organizations and personnel at all levels. The 2022 occupational hazards testing report shows that there were no harmful factors in our inspected environment that exceed occupational exposure limits, and no employees with occupational diseases were found in the on-the-job physical examination. In the past three years (including the Reporting Period), we had no work-related fatalities. The number of working days lost by the Group due to work-related injuries was 0.


Work Safety Leading Team

We carry out safety management through multiple perspectives such as occupational disease protection, special equipment management, chemicals management, and related party management to meet the relevant safety production requirements.

| | |
|---|---|
| Occupational disease protection | We provide employees with personal protective equipment meeting national and industry standards, improve employees' self-protection ability, and conduct pre-job, on-the-job and post-employment occupational health checks for employees engaged in hazardous operations. Designated staff in the Safety Management Department are responsible for the monitoring of occupational hazards in the workplace and commissions a professionally qualified third-party organization to monitor occupational hazards at least once a year, establish corresponding employee occupational health files, and report to the local production safety supervision and management department |
| Special equipment management | We have strict regulations on the responsibilities of each department, the acquisition, installation, registration, file management and use requirements of special equipment to ensure the safe use of special equipment. For gas cylinders and other special equipment, we require suppliers to provide *Gas Cylinder Filling License*《氣瓶充裝許可證》and store and use them properly according to regulations. Special operators must receive professional trainings and obtain relevant qualification certificates before engaging in special operations |
| Chemicals management | We give priority to the use of non-toxic and low-toxic materials instead of materials with high toxic content. We put signs for hazardous materials in storage rooms, provide Chinese manuals for toxic and hazardous substances, and strengthen ventilation. Explosion-proof lamps, explosion-proof cabinets, explosion-proof exhaust devices and fire extinguishing equipment are equipped in the storage rooms of precursor chemicals and explosive chemicals. 24-hour continuous monitoring is conducted to deliver warnings under abnormal conditions. For hazardous workplace, we take protective measures such as isolation and set up warning signs |
| Related party management | For external constructors, we sign a safety agreement with them and take charge of the safety management and supervision of site operation |

We conduct regular daily inspections, comprehensive inspections, professional (electrical, fire, chemical, etc.) inspections, and safety inspections in different seasons and before holidays to effectively prevent all types of safety accidents. We attach importance to the ability to respond to safety accidents. For unexpected accidents, and develop *Management Procedures for Safety Accidents*《安全事故管理程序》, in which the safety management team will organize accident investigation and propose treatment in a timely manner when an accident occurs. Employees subjected to work-related injuries will be provided with work-related injury insurance benefit according to relevant laws and regulations.

The Group organizes various forms of training activities with rich contents to continuously enhance employees' awareness of safety management, strengthen their awareness of safety production and ensure the orderly implementation of safety work. We require new employees to undergo three-level safety education and training at the company level, department level and team level and pass relevant assessment before they are allowed to work. We also conduct training on occupational disease prevention and control, health knowledge and related laws and regulations, and have employees study and discuss the accidents that occur in the current period. In addition, we invite external professional organizations to conduct comprehensive safety training activities such as first aid, firefighting practice exercise and special operations, which greatly improve the safety awareness and ability of our employees.

Firefighting Practice Exercise

Occupational Health Seminar


Safety Activities

## Employee Care

The Group has always attached importance to the physical and mental health of our employees, actively organizes various activities that are beneficial to the body and mind of employees, cultivates and strengthens the sense of their belonging, exerts every effort to ensure the health and wellbeing of our employees and makes them feel satisfied with their work. We have a well-established communication channel for our employees, through internal communication platforms such as WeChat, DingTalk, complaint boxes and emails, as well as annual satisfaction surveys, to listen and respond to employees' voices in a timely manner. In addition, we further ensure the protection of employee rights, employee care and recreational activities through the labor union. We establish soccer, basketball and badminton clubs and arrange annual group activities, as well as provide various kinds of holiday and birthday subsidies for employees, and send condolence and provide assistances to employees suffering difficulties in their lives, in order to better strengthen team cohesion and integration.

Wuyun Mountain Hiking Activity


Law Study Week

Blood Donation Activity

## ENVIRONMENTAL RESPONSIBILITY

Venus Medtech upholds the concept of green operation, actively responds to the national call for energy conservation and emission reduction, and integrates environmental protection and green operation into its production and operation. The Group strictly complies with the requirements of laws and regulations such as the *Environmental Protection Law of the People's Republic of China* 《中華人民共和國環境保護法》, the Energy Conservation Law of the People's Republic of China 《中華人民共和國節約能源法》, the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* 《中華人民共和國固體廢物污染環境防治法》 and the *Regulations on the Safety Administration of Dangerous Chemicals* 《危險化學品安全管理條例》. During the Reporting Period, the Group did not violate any laws and regulations relating to emissions of exhaust gases and greenhouse gases, discharge to water and land, generation of hazardous and non-hazardous waste, significant impact on the environment and natural resources, etc.

### Environmental Management

We have established a sound environmental management system in accordance with the ISO 14001 environmental management system standard and have passed the ISO 14001 environmental management system. In order to strengthen the identification and prevention of environmental risks, the Group ensures that all factors that have or may have significant impact on the environment are identified and controlled through the environmental risk factor identification process. At the same time, we ensure that corrective measures are in place by conducting regular environmental inspections and special inspections.

The Group has established an Environment, Health and Safety (EHS) management system consisting of representatives of the EHS management representative, head of the Safety Management Department, heads of each department and full-time safety management personnel. In accordance with the principle of "environmental management is indispensable from production management", a series of internal systems have been formulated to provide guidelines on environmental issues such as resource use, emission management and pollution prevention, including the *EHS Performance Evaluation Management Policy*《EHS績效考核管理制度》, the *Identification and Assessment Management Procedure of Environmental Factors*《環境因素識別與評價管理程序》, the *Control Procedure of Environmental Monitoring and Measurement*《環境監測與測量控制程序》, the *Energy and Resource Saving Control Procedure*《能源資源節約控制程序》, the *Hazardous Waste Management Policy*《危險廢棄物管理制度》, and the Management Procedure for Sewage and Waste Gas Discharge and Noise Control《污水廢氣排放及噪聲控制管理程序》. For the office area, we have formulated the *Office Area Management Policy*《辦公區域管理制度》to clarify the management responsibilities of each department for relevant equipment and areas, strengthen the management of energy saving and emission reduction in the office area, and create a green office environment. We also actively promote the green culture and advocate environmental protection as an important content in the daily training of employees to enhance their awareness of environmental protection and help the Company achieve green development.


ISO 14001 Environmental Management System Certification

For new, reconstruction, and expansion projects, the Group's Engineering Equipment Department organizes internal assessment, review, and acceptance of construction projects in strict accordance with relevant government and the Group's regulations to ensure that environmental protection facilities should be designed, constructed, and put into use in sync with the main part of the project.

We review and update our environmental protection objectives annually. The 2022 environmental protection objectives have all been achieved.

| | |
|---|---|
| **Environmental protection objectives** | • Electricity and water consumption per unit product in 2022 would be the same as that or lower than that in 2021 |
| | • All new, reconstruction, and expansion projects in 2022 achieve organised exhaust gas management |
| | • 80% reduction of hazardous waste liquid through low-temperature distillation, molecular sieve adsorption, and other processes by 2023 |

## Resource and Energy Management

We adhere to the production and operation principles of energy conservation, low carbon and environmental protection, and implement energy conservation initiatives to reduce energy and resource consumption by clarifying the relevant regulations on the use of various energy and resources.

**Energy saving**

- Optimize operating procedures, organize production according to the plan, and avoid midway production stoppages
- Control the opening and closing time and temperature settings of air conditioners to save energy
- Choose office equipment that meets environmental protection requirements
- Install single-tube energy-saving lamps in public areas of new production workshops in the factory, and complete regional electricity distribution in the design phase to achieve the goal of controlling the total electricity
- Check the fuel used in commercial vehicles and ask for re-check in case of the fuel consumption exceeding the standard
- Put up obvious signs of saving electricity and ask the staff to turn off the power in time after work

**Water saving**

- Use ultrasonic cleaning in manufacturing technique to realize the recycling of water resources, thereby achieving the purpose of saving water
- Put up obvious signs of water conservation and conduct regular checks on water valves to avoid leakage

**Other resources saving**

- Establish an online sharing platform for hazardous chemicals to realize real-time sharing between departments and avoid over-purchasing, overstock, and waste
- Implement paper-saving measures such as planned paper use, double-sided use of paper, and management by specific personnel

In 2022, our office water supply was sourced from the municipal water supply and there were no issue in sourcing water. The Group's KPIs in resource consumption are shown in the table below:

| Type of resources | 2022 | 2021 | 2020 |
|---|---|---|---|
| Total energy consumption (MWh)[5] | 7,738.85 | 7,557.42 | 3,555.44 |
| Total direct energy consumption (MWh) | 238.85 | 133.42 | 296.00 |
| Including: gasoline (MWh) | 238.55 | 133.42 | 296.00 |
| Total indirect energy consumption (MWh) | 7,500.00 | 7,424.00 | 3,259.44 |
| Including: purchased electricity (MWh) | 7,500.00 | 7,424.00 | 3,259.44 |
| Intensity of energy consumption (MWh/unit) | 0.99 | 1.09 | 0.83 |
| Total water consumption (tonnes)[6] | 16,540 | 38,680 | 7,374 |
| Intensity of water consumption (tonnes/unit) | 2.11 | 5.60 | 1.73 |
| Total consumption of packaging materials used for finished products[7] (tonnes) | 83.43 | 8.47 | 5.39 |
| Intensity of packaging materials used for finished products (kg/unit) | 10.63 | 1.23 | 1.26 |

5 The total energy consumption of the Group is calculated with reference to "How to Prepare Environmental, Social and Governance Reports – Appendix II: Guidelines for Reporting Environmental Key Performance Indicators" of the Stock Exchange

6 The Group's water consumption is mainly for domestic and production use and sourced from municipal water system, which can meet the water demand of daily operation

7 Packaging materials include plastics, cartons, blister boxes and packaging bags

## Emissions Management

We actively respond to national waste reduction requirements and continuously strengthen pollutant control to minimize the impact on the environment. We strictly regulate the emissions generated during the operation process and implement a series of measures to ensure that the related environmental impact is minimized.

| Emissions reduction |
| --- |
| • Production and household effluent are collected separately through two sewage pipelines, which are strictly separated from rainwater pipelines, and are finally incorporated into the designated sewage pipeline network system in the industrial park for unified disposal and up-to-standard discharge<br>• Collect and classify hazardous waste generated in the production process and liquid waste generated by the disinfectant configuration at designated locations and regularly send them to the hazardous waste warehouse for temporary storage. The waste is then harmlessly processed by a qualified third-party environmental protection company on a regular basis. We entrust the medical waste disposal companies to handle the waste generated in the production process, such as petri dishes and test boxes<br>• External monitoring of wastewater outlet, exhaust gas outlet, and factory noise is conducted by a third-party professional environmental monitoring company every year, and any non-complying items are rectified timely<br>• Dry waste and hazardous waste collection bins was placed in the office areas and raise employees' awareness of waste sorting through waste sorting promotion activities |

In 2022, the Group's KPIs in emissions aspect are shown in the table below:

| Type of emissions | 2022 | 2021 | 2020 |
|---|---|---|---|
| Emission of Nitrogen oxide ($NO_x$) (kg)[8] | 146.86 | 18.63 | 21.70 |
| Emission of Sulfur dioxide ($SO_2$) (kg)[8] | 0.38 | 0.22 | 0.50 |
| Emission of particulate matter (PM) (kg)[8] | 13.98 | 1.37 | 1.60 |
| Total amount of effluent (tonnes) | 16,020 | 38,204 | 7,374 |
| Total amount of hazardous waste emissions (tons)[9] | 551.66 | 491.78 | 266.90 |
| Intensity of hazardous waste emissions (tonnes/unit) | 0.007 | 0.07 | 0.06 |
| Total amount of non-hazardous waste emissions (tons)[10] | 20.98 | 10.60 | 0.86 |
| Intensity of non-hazardous waste emissions (kg/unit) | 2.67 | 1.53 | 0.20 |

8 The waste gas emissions of the Group, which are mainly derived from gasoline used in vehicles, and are accounted in accordance with How to Prepare ESG Report? Appendix 2: Reporting Guidance on Environmental KPIs issued by HKEX

9 The hazardous wastes generated by the Group mainly include waste reagent bottles, leftover materials of swine pericardium and hazardous liquid waste generated during the production process

10 The non-hazardous wastes generated by the Group mainly include packaging waste left during the production processes. Due to the increase in production of the Group in 2022, the total amount of harmless waste discharged in 2022 recorded a large increase compared with that in 2021.

| Type of emissions | 2022 | 2021 | 2020 |
|---|---|---|---|
| Total greenhouse gas emissions (Scope 1 and Scope 2) (tons of carbon dioxide equivalent ($tCO_2e$))[11] | 4,427.71 | 5,255.40 | 2,365.39 |
| Direct greenhouse gas emissions (Scope 1) ($tCO_2e$) | 70.21 | 32.62 | 72.37 |
| Including: gasoline ($tCO_2e$) | 70.21 | 32.62 | 72.37 |
| Indirect greenhouse gas emissions (Scope 2) ($tCO_2e$) | 4,357.50 | 5,222.78 | 2,293.02 |
| Including: purchased electricity ($tCO_2e$) | 4,357.50 | 5,222.78 | 2,293.02 |
| Intensity of greenhouse gas emissions ($tCO_2e$/unit) | 0.56 | 0.76 | 0.55 |

11 Based on operational characteristics, our greenhouse gas emissions are mainly from direct greenhouse gas emissions caused by gasoline consumption of vehicles (Scope 1) and indirect greenhouse gas emissions caused by purchased electricity (Scope 2).

### Noise Control

We strictly abide by the *Law of the People's Republic of China on Prevention and Control of Environmental Pollution from Noise*《中華人民共和國環境噪聲污染防治法》, formulate the *Management Procedure of Sewage and Waste Gas Emissions and Noise Control*《污水廢氣排放及噪聲控制管理程序》, regularly monitor the noise generated by the Company, and conduct sound insulation and imitation for equipment with great noise to ensure that the noise generated by our production workshops and workplaces is lower than the noise tolerance value specified in the *Noise Hygienic Standard for Industrial Enterprises*《工業企業噪聲衛生標準》.

### Environment and Natural Resources

Except as disclosed above, we do not cause other significant environmental impacts or make significant use of other environmental and natural resources in our operations.

### Climate Change

Extreme weather induced by climate change is bringing a wide range of negative impacts to different business sectors. As part of the community, we conduct climate risk assessments to identify and assess potential risks to our business operations and to facilitate the development of our climate risk mitigation measures.

Through the above methodology, the Group has identified the following climate risks that may have an impact on the Group's business:

#### *Physical Risks*

Temperature rise and extreme weather events, such as: typhoons, floods, etc. affect normal business operations. In order to improve the Group's ability to respond to severe weather emergencies to ensure rapid, efficient and orderly implementation of emergency response, to further control the occurrence of safety accidents and to protect the normal operation of the business, we have formulated the *Emergency Plan for Work Safety Accidents*《生產安全事故應急預案》to standardize the special emergency plan for the prevention of typhoons and floods, and to clarify the personnel and corresponding responsibilities of the command department, material guarantee group, rescue and relief group, and publicity and information group to ensure that when abnormal conditions occur, we will take timely measures to avoid the impact of extreme weather on the Group's operation and employees' health.

*Transition Risk*

As countries are expected to actively commit to carbon neutrality, governments may implement more stringent policies and measures to achieve carbon emission reduction targets. At the same time, our reputation may be damaged and our competitiveness may decline due to changes in market demand as a result of our inability to adapt to climate change, which may result in property damage. Therefore, we will closely monitor the updates of environmental laws, regulations and policies, and take timely measures to ensure our compliance.

## COMMUNITY CONTRIBUTION

We have always strived to promote the advancement of medical technology and the development of human health, and our value is to leverage our own resources and technical advantages to save patients' lives and improve their quality of life. As a socially responsible company, we never forget to exert our influence, mobilize our resources to give back to the community, shine our light and deliver warmth to more people.

During the Reporting Period, Venus Medtech expressed its concern and care for the public security officers on the front line of epidemic prevention and control. We visited the Binjiang District Branch Economic Investigation Brigade and the Xixing Police Station respectively to send them epidemic prevention resources and donated approximately 9,000 masks in total.

# Independent Auditor's Report

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**To the shareholders of Venus Medtech (Hangzhou) Inc.**
(Established in the People's Republic of China with limited liability)

## OPINION

We have audited the consolidated financial statements of Venus Medtech (Hangzhou) Inc. (the "Company") and its subsidiaries (the "Group") set out on pages 161 to 299, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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 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.

## KEY AUDIT MATTERS (Continued)

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

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Impairment assessment of goodwill and purchased intellectual property** | |
| The Group had goodwill of RMB1,238,535,000 in the consolidated financial statements and intellectual property of RMB571,367,000 as disclosed in note 16 to the consolidated financial statements as at 31 December 2022. Intellectual property is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life. The Group is required to perform an impairment test of goodwill at least on an annual basis, and to perform an impairment test of intellectual property when an indication of impairment exists. The impairment test is based on the recoverable amount of the cash-generating unit to which the goodwill is allocated, and the recoverable amount of each individual asset, which is applicable. The recoverable amount is the higher of the cash-generating unit's or asset's value in use and its fair value less costs of disposal. This matter was significant to our audit because the impairment test process was complex and involved significant judgements and estimates.<br><br>The Group's disclosures about the impairment test of goodwill and intellectual property are included in notes 2.4, 3, 15 and 16 to the consolidated financial statements. | We evaluated management's identification of the cash-generating units and the allocation of goodwill within the Group. We also evaluated management's assessment of impairment indications and management's determination of the cash-generating units to which the intellectual property belongs. We obtained and reviewed management's future forecasted cash flows and key assumptions used in the value-in-use calculation by comparing to the Group's development plan, budget and financial projections and analysis on the industry. We reviewed management's rationales that the cash-generating unit's value in use was higher than its fair value less costs of disposal based on the current available information. We involved our valuation specialist to assist us in evaluating the key valuation parameters such as the discount rate calculation, the terminal growth rate applied and the valuation model with forecasted cash flows. We also focused on the adequacy of the disclosures in the consolidated financial statements. |

## KEY AUDIT MATTERS (Continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Cut-off of research and development costs** | |
| The Group incurred significant research and development ("R&D") costs of RMB527,451,000 in the consolidated financial statements for the year ended 31 December 2022, which mainly consisted of clinical trial expenses and service fees paid to outsourced service providers, staff costs and others. The R&D activities with these service providers were typically performed over an extended period. This matter was significant to our audit because the amount of research and development costs was significant and allocation of these costs to the appropriate reporting period based on the progress of the R&D projects involved judgement.<br><br>The Group's disclosures about R&D costs are included in notes 2.4 and 3 to the consolidated financial statements. | We reviewed the key terms set out in agreements with the outsourced service providers. We evaluated the progress of the R&D projects based on inquiry with project managers, inspection of supporting documents and obtaining confirmations from the outsourced service providers, on a sample basis, to determine whether these costs were recorded in the appropriate reporting period. We also performed search for unrecorded liabilities procedure subsequent to the year ended 31 December 2022. |

## KEY AUDIT MATTERS (Continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Significant acquisition** | |
| On 25 January 2022, the Group acquired a 94.38% equity interest in Mitraltech Holdings Ltd. and its subsidiaries (the "MTH Group") at a consideration of RMB1,086,594,000. The Group is required to account for the acquisition of MTH Group in accordance with IFRS 3 *Business Combinations*. This matter is significant to our audit because the accounting for the acquisition of MTH Group was complex and involved significant judgements and estimates.<br><br>The Group's disclosures about the acquisition are included in notes 2.4, 3 and 35 to the consolidated financial statements. | We obtained and read the equity transfer agreement and examined the payment of consideration. We assessed the objectivity, independence and competence of the external appraisers engaged by the Group to perform the valuation. We involved our internal valuation specialist to assist us in evaluating the valuation methodologies adopted and the assumptions used in the valuation of identifiable assets and liabilities and contingent consideration with respect to the acquisition of MTH Group, in particular, the discount rate. We also focused on the forecasts regarding to future revenues and operating results by comparing the forecasts with business development plans and market data of similar products commercialised in the market.<br><br>We also evaluated the adequacy of the disclosures in the consolidated financial statements. |

## OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the Management Discussion and Analysis of the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Chairman's Statement, the Directors' Report, the Corporate Governance Report and the Environmental, Social and Governance Report, which are expected to be made available to us after that date.

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

## OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT (Continued)

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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Chairman's Statement, the Directors' Report, the Corporate Governance Report and the Environmental, Social and Governance Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee.

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

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

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

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

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

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

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.

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

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

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

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

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

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 Lai Chee Kong.

**Ernst & Young**
*Certified Public Accountants*
Hong Kong
31 March 2023

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2022

| | Notes | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| REVENUE | 5 | **406,461** | 415,862 |
| Cost of sales | | **(92,463)** | (91,518) |
| Gross profit | | **313,998** | 324,344 |
| Other income and gains | 5 | **147,988** | 307,147 |
| Selling and distribution expenses | | **(260,382)** | (216,067) |
| Research and development costs | | **(527,451)** | (258,336) |
| Administrative expenses | | **(192,178)** | (128,585) |
| Other expenses | | **(557,781)** | (389,257) |
| Impairment losses on financial assets, net | | **(21,972)** | (3,185) |
| Finance costs | 7 | **(44,623)** | (1,905) |
| Share of losses of: | | | |
| A joint venture | | **(4,092)** | – |
| Associates | | **(9,851)** | (11,711) |
| LOSS BEFORE TAX | 6 | **(1,156,344)** | (377,555) |
| Income tax credit | 10 | **34,302** | 6,161 |
| LOSS FOR THE YEAR | | **(1,122,042)** | (371,394) |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | | |
| Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods: | | | |
| Exchange differences on translation of foreign operations | | **118,952** | (17,671) |
| Share of other comprehensive income of associates | | **737** | – |
| Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods | | **119,689** | (17,671) |

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2022

| | Note | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods: | | | |
| Equity investments designated at fair value through other comprehensive income: | | | |
| Changes in fair value | | **(787)** | 3,158 |
| Income tax effect | | **321** | (568) |
| Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods | | **(466)** | 2,590 |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX | | **119,223** | (15,081) |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR | | **(1,002,819)** | (386,475) |
| Loss attributable to: | | | |
| Owners of the parent | | **(1,057,699)** | (373,636) |
| Non-controlling interests | | **(64,343)** | 2,242 |
| | | **(1,122,042)** | (371,394) |
| Total comprehensive loss attributable to: | | | |
| Owners of the parent | | **(940,052)** | (388,578) |
| Non-controlling interests | | **(62,767)** | 2,103 |
| | | **(1,002,819)** | (386,475) |
| LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | |
| Basic and diluted | 12 | **RMB(2.42)** | RMB(0.85) |

# Consolidated Statement of Financial Position

31 December 2022

| | Notes | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 13 | **318,139** | 142,237 |
| Right-of-use assets | 14(a) | **143,144** | 108,510 |
| Goodwill | 15 | **1,238,535** | 519,711 |
| Other intangible assets | 16 | **611,171** | 304,744 |
| Investment in a joint venture | 17 | **2,728** | – |
| Investments in associates | 18 | **70,283** | 76,184 |
| Deferred tax assets | 31 | **9,941** | 8,170 |
| Equity investments designated at fair value through other comprehensive income | 19 | **15,747** | 16,194 |
| Financial assets at fair value through profit or loss | 24 | **388,322** | 477,155 |
| Prepayments, other receivables and other assets | 22 | **15,855** | 16,930 |
| Total non-current assets | | **2,813,865** | 1,669,835 |
| CURRENT ASSETS | | | |
| Inventories | 20 | **104,396** | 90,519 |
| Trade receivables | 21 | **303,388** | 302,096 |
| Prepayments, other receivables and other assets | 22 | **119,868** | 89,232 |
| Due from directors | 38(b) | **34,400** | – |
| Pledged deposits | 25 | **27,487** | 2,563 |
| Cash and cash equivalents | 25 | **1,879,431** | 2,955,212 |
| Total current assets | | **2,468,970** | 3,439,622 |
| CURRENT LIABILITIES | | | |
| Trade payables | 26 | **9,126** | 8,751 |
| Lease liabilities | 14(b) | **23,457** | 17,727 |
| Other payables and accruals | 27 | **227,590** | 144,732 |
| Interest-bearing bank borrowings | 28 | **222,603** | 4,900 |
| Government grants | 29 | **1,370** | 14,993 |
| Contract liabilities | 30 | **2,952** | 2,845 |
| Refund liabilities | | **–** | 14,106 |
| Tax payable | | **5,006** | 480 |
| Total current liabilities | | **492,104** | 208,534 |
| NET CURRENT ASSETS | | **1,976,866** | 3,231,088 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **4,790,731** | 4,900,923 |

## Consolidated Statement of Financial Position

31 December 2022

| | Notes | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank borrowings | 28 | **573,379** | – |
| Other payables and accruals | 27 | **487,826** | 167,480 |
| Lease liabilities | 14(b) | **80,204** | 48,148 |
| Deferred tax liabilities | 31 | **17,411** | 53,451 |
| Government grants | 29 | **600** | – |
| Total non-current liabilities | | **1,159,420** | 269,079 |
| Net assets | | **3,631,311** | 4,631,844 |
| EQUITY | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | 32 | **441,012** | 441,012 |
| Reserves | 33 | **3,166,852** | 4,104,618 |
| | | **3,607,864** | 4,545,630 |
| Non-controlling interests | | **23,447** | 86,214 |
| Total equity | | **3,631,311** | 4,631,844 |

**Mr. Min Frank Zeng** **Mr. Zhenjun Zi** **Ms. Meirong Liu**

# Consolidated Statement of Changes in Equity

Year ended 31 December 2022

| | Attributable to owners of the parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 (note 32) | Treasury shares RMB'000 | Share premium* RMB'000 (note 33) | Other reserves* RMB'000 (note 33) | Fair value reserve* RMB'000 (note 33) | Exchange fluctuation reserve* RMB'000 (note 33) | Accumulated losses* RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| At 1 January 2021 | 422,969 | – | 3,938,987 | 268,195 | (30,814) | (37,190) | (746,723) | 3,815,424 | 41,611 | 3,857,035 |
| Loss for the year | – | – | – | – | – | – | (373,636) | (373,636) | 2,242 | (371,394) |
| Other comprehensive loss for the year: | | | | | | | | | | |
| Exchange differences related to foreign operations | – | – | – | – | – | (17,532) | – | (17,532) | (139) | (17,671) |
| Changes in fair value of equity investments at fair value through other comprehensive income, net of tax | – | – | – | – | 2,590 | – | – | 2,590 | – | 2,590 |
| Total comprehensive loss for the year | – | – | – | – | 2,590 | (17,532) | (373,636) | (388,578) | 2,103 | (386,475) |
| Capital contribution by non-controlling shareholders | – | – | – | – | – | – | – | – | 42,500 | 42,500 |
| Issue of placing shares | 18,043 | – | 1,187,853 | – | – | – | – | 1,205,896 | – | 1,205,896 |
| Share issue expenses | – | – | (14,564) | – | – | – | – | (14,564) | – | (14,564) |
| Shares repurchased | – | (72,548) | – | – | – | – | – | (72,548) | – | (72,548) |
| At 31 December 2021 | 441,012 | (72,548) | 5,112,276 | 268,195 | (28,224) | (54,722) | (1,120,359) | 4,545,630 | 86,214 | 4,631,844 |

| | **Attributable to owners of the parent** | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Share capital RMB'000 (note 32)** | **Treasury shares RMB'000** | **Share premium* RMB'000 (note 33)** | **Other reserves* RMB'000 (note 33)** | **Fair value reserve* RMB'000 (note 33)** | **Exchange fluctuation reserve* RMB'000 (note 33)** | **Accumulated losses* RMB'000** | **Total RMB'000** | **Non-controlling interests RMB'000** | **Total equity RMB'000** |
| At 1 January 2022 | **441,012** | **(72,548)** | **5,112,276** | **268,195** | **(28,224)** | **(54,722)** | **(1,120,359)** | **4,545,630** | **86,214** | **4,631,844** |
| Loss for the year | **–** | **–** | **–** | **–** | **–** | **–** | **(1,057,699)** | **(1,057,699)** | **(64,343)** | **(1,122,042)** |
| Other comprehensive loss for the year: | | | | | | | | | | |
| Exchange differences related to foreign operations | **–** | **–** | **–** | **–** | **–** | **117,376** | **–** | **117,376** | **1,576** | **118,952** |
| Changes in fair value of equity investments at fair value through other comprehensive income, net of tax | **–** | **–** | **–** | **–** | **(466)** | **–** | **–** | **(466)** | **–** | **(466)** |
| Share of other comprehensive income of associates | **–** | **–** | **–** | **–** | **–** | **737** | **–** | **737** | **–** | **737** |
| Total comprehensive loss for the year | **–** | **–** | **–** | **–** | **(466)** | **118,113** | **(1,057,699)** | **(940,052)** | **(62,767)** | **(1,002,819)** |
| Equity-settled share option arrangement in an associate | **–** | **–** | **–** | **2,286** | **–** | **–** | **–** | **2,286** | **–** | **2,286** |
| At 31 December 2022 | **441,012** | **(72,548)** | **5,112,276** | **270,481** | **(28,690)** | **63,391** | **(2,178,058)** | **3,607,864** | **23,447** | **3,631,311** |

* These reserve accounts comprise the consolidated reserves of RMB3,166,852,000 (2021: RMB4,104,618,000) in the consolidated statement of financial position.

# Consolidated Statement of Cash Flows

Year ended 31 December 2022

| | Notes | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Loss before tax | | **(1,156,344)** | (377,555) |
| Adjustments for: | | | |
| Finance costs | 7 | **44,623** | 1,905 |
| Bank interest income | 5 | **(19,230)** | (33,380) |
| Other interest income | 5 | **(15,418)** | (16,100) |
| Fair value gain on a derivative financial instrument | 5 | **–** | (10,014) |
| Fair value adjustments of contingent considerations | 27 | **55,549** | (239,048) |
| Loss on disposal of items of property, plant and equipment | 6 | **130** | 18 |
| Loss on termination of leases | 14(c) | **(689)** | – |
| Impairment of trade and other receivables, net | | **21,972** | 3,048 |
| Loss on liquidation of a subsidiary | | **–** | 136 |
| Depreciation of property, plant and equipment | 13 | **27,072** | 14,844 |
| Depreciation of right-of-use assets | 14 | **27,370** | 14,325 |
| Amortisation of other intangible assets | 16 | **57,910** | 22,452 |
| Reversal of write-down of inventories to net realisable value | 20 | **(202)** | (1,434) |
| Share of profits and losses of a joint venture and associates | | **13,943** | 11,711 |
| Fair value losses, net: | | | |
| Financial assets at fair value through profit or loss – mandatorily classified as such | | **189** | 656 |
| Impairment of other intangible assets | 16 | **111,735** | 46,189 |
| Impairment of property, plant and equipment | 13 | **4,197** | – |
| Impairment of goodwill | 15 | **304,301** | 189,957 |
| Foreign exchange differences, net | | **(81,727)** | 42,222 |
| | | **(604,619)** | (330,068) |
| Increase in inventories | | **(13,675)** | (29,181) |
| Increase in trade receivables | | **(7,847)** | (74,132) |
| Increase in prepayments and other assets | | **(45,559)** | (17,263) |
| Increase in other receivables | | **(3,038)** | (21,292) |
| Increase in trade payables | | **375** | 3,456 |
| Decrease in other payables and accruals | | **(43,611)** | (8,553) |
| Increase in contract liabilities | | **107** | 403 |
| Decrease in refund liabilities | | **(14,106)** | (49) |
| Decrease in government grants | | **(13,023)** | (115) |
| Increase in pledged time deposits | | **(1,947)** | (121) |

# Consolidated Statement of Cash Flows

Year ended 31 December 2022

| | Notes | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| Cash used in operations | | **(746,943)** | (476,915) |
| Interest received | | **20,553** | 28,643 |
| Net income tax paid | | **(3,069)** | (8,645) |
| Net cash flows used in operating activities | | **(729,459)** | (456,917) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of items of property, plant and equipment | | **(169,980)** | (82,070) |
| Payment for leasehold land | | **–** | (43,389) |
| Purchases of other intangible assets | | **(8,794)** | (19,705) |
| Purchase of a shareholding in a joint venture | | **(6,335)** | – |
| Investments in associates | | **–** | (51,075) |
| Purchases of equity investments designated at fair value through other comprehensive income | | **–** | (6,511) |
| Purchases of financial assets at fair value through profit or loss | | **(91,835)** | (413,338) |
| Proceeds from disposal of items of property, plant and equipment | | **9,408** | – |
| Repayment of consideration from non-controlling shareholders of a subsidiary | | **–** | 22,500 |
| Proceeds from disposal of financial assets at fair value through profit or loss | | **–** | 54,142 |
| Advances to related parties | 38(a) | **(703,285)** | (207,168) |
| Repayments of advances to related parties | 38(a) | **705,625** | 207,168 |
| Loans to third parties | | **–** | (339,000) |
| Repayments of loans to third parties | | **4,000** | 335,000 |
| Interest received | | **2,424** | 15,000 |
| Acquisition of a subsidiary | 35 | **(813,494)** | (124,592) |
| Net cash flows used in investing activities | | **(1,072,266)** | (653,038) |

## Consolidated Statement of Cash Flows

Year ended 31 December 2022

| | Notes | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Capital contribution from non-controlling shareholders | | **–** | 42,500 |
| Proceeds from issue of placing shares | | **–** | 1,191,332 |
| Proceeds from a deposit for a guarantee of a loan facility | | **–** | 247,594 |
| Interest income from a deposit for a guarantee of a loan facility | | **–** | 4,737 |
| New bank borrowings | 36(b) | **939,141** | – |
| Repayment of bank borrowings | 36(b) | **(213,381)** | (4,700) |
| Principal portion of lease payments | 36(b) | **(24,076)** | (15,552) |
| Interest portion of lease payments | 36(b) | **(5,402)** | (1,835) |
| Interest paid | 36(b) | **(38,405)** | (127) |
| Increase in pledged time deposits | | **(22,740)** | – |
| Repurchase of shares | | **–** | (72,548) |
| Net cash flows from financing activities | | **635,137** | 1,391,401 |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | **(1,166,588)** | 281,446 |
| Cash and cash equivalents at beginning of year | | **2,955,212** | 2,708,170 |
| Effect of foreign exchange rate changes, net | | **90,807** | (34,404) |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | **1,879,431** | 2,955,212 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | | **1,550,271** | 2,604,591 |
| Non-pledged time deposits | | **329,160** | 350,621 |
| Cash and cash equivalents as stated in the statement of cash flows and statement of financial position | 25 | **1,879,431** | 2,955,212 |

## 1. CORPORATE INFORMATION

Venus Medtech (Hangzhou) Inc. (the "Company") is a joint stock company with limited liability established in the People's Republic of China (the "PRC"). The registered office of the Company is located at Room 311, 3/F, Block 2, No. 88, Jiangling Road, Binjiang District, Hangzhou, the PRC.

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

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

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

### Information about subsidiaries

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

| Name | Place and date of incorporation/ registration and place of operations | Nominal value of issued ordinary/ registered share capital | Percentage of equity attributable to the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| Venus Medtech (Hong Kong) Limited ("Venus HK") | Hong Kong 20 September 2018 | Hong Kong dollars ("HK$") 10,000 | 100% | – | Research and development |
| Venus Medtech of America | United States of America ("USA") 31 August 2012 | United States dollars ("US$") 10,000,000 | 100% | – | Research and development |
| Hangzhou Nuocheng Medical Technology Co., Ltd. ("Nuocheng")* | PRC/Mainland China 9 November 2017 | RMB100,000,000 | – | 100% | Research and development |
| Keystone Heart Ltd. ("Keystone") | Israel 17 November 2004 | Nil | – | 100% | Research and development and manufacture of heart valves |

## 1. CORPORATE INFORMATION (Continued)

### Information about subsidiaries (Continued)

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

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

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

During the year, the Group acquired MTH from independent third parties. Further details of this acquisition are included in note 35 to the consolidated financial statements.

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

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income and financial assets and liabilities 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 (collectively referred to as the "Group") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

## 2.1 BASIS OF PREPARATION (Continued)

### Basis of consolidation (Continued)

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 accumulated losses, 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 3 | *Reference to the Conceptual Framework* |
| Amendments to IAS 16 | *Property, Plant and Equipment: Proceeds before Intended Use* |
| Amendments to IAS 37 | *Onerous Contracts – Cost of Fulfilling a Contract* |
| *Annual Improvements to IFRS Standards 2018-2020* | Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41 |

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

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

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

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

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

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

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

## 2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024
5 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
6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

## 2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

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

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

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

## 2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

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

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

## 2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Investments in associates and joint ventures

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investments in associates and joint ventures (Continued)

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and a joint venture is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint venture are eliminated to the extent of the Group's investments in the associates or joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint venture is included as part of the Group's investments in associates or joint venture.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Business combinations and goodwill (Continued)

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 equity investments at fair value through other comprehensive income and financial assets and liabilities 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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Fair value measurement (Continued)

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

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

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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment of non-financial assets

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

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

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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property, plant and equipment and depreciation

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

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

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

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

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

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in 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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Construction in progress represents a building under construction, machinery and office equipment under installation and leasehold improvements under construction, which are stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

### Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The 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.

#### *Intellectual property*

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

#### *Software*

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Intangible assets (other than goodwill) (Continued)

#### *Research and development costs*

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

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

### Leases

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

#### *Group as a lessee*

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

At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases (Continued)

#### *Group as a lessee (Continued)*

*(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:

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

## 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.

*(c) Short-term leases*

The Group applies the short-term lease recognition exemption to its short-term leases of office premises (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). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investments and other financial assets

#### *Initial recognition and measurement*

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

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

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

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

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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investments and other financial assets (Continued)

***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 designated at fair value through other comprehensive income (equity investments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are 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, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investments and other financial assets (Continued)

***Subsequent measurement (Continued)***

*Financial assets at fair value through profit or loss*

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

This category includes 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.

### Derecognition of financial assets

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

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Derecognition of financial assets (Continued)

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

### Impairment of financial assets

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

#### *General approach*

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

## 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 market historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial liabilities

***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or 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, interest-bearing bank borrowings and contingent consideration payables.

***Subsequent measurement***

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

*Financial liabilities at fair value through profit or loss (contingent consideration payables)*

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial liabilities (Continued)

***Subsequent measurement (Continued)***

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

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

After initial recognition, interest-bearing bank 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.

*Financial guarantee contracts*

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Derecognition of financial liabilities

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

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

### Offsetting of financial instruments

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

### Treasury shares

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

### Inventories

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

## 2.4 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 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, 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.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provisions above and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Income tax (Continued)

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.

## 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 government grant 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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue recognition (Continued)

***Revenue from contracts with customers (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.

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

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

(ii) Contract liabilities

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue recognition (Continued)

***Revenue from contracts with customers (Continued)***

*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.

### Share-based payments

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

The cost of equity-settled transactions with employees and non-employees is measured by reference to the fair value at the date at which they are granted. The fair value is measured at the market value of the shares, adjusted for the exclusion of expected dividends to be received in the vesting period, further details of which are given in note 34 to the consolidated financial statements.

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Share-based payments (Continued)

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

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

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. 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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Other employee benefits

#### *Pension scheme*

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

#### *Termination benefits*

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

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### Dividends

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency, as the major operations of the Group are within Mainland China. The functional currencies of certain subsidiaries incorporated outside Mainland China are US$ and Euro ("EUR"). The functional currency of the subsidiaries established in Mainland China is RMB, which is the currency of the primary economic environment in which those entities operate. 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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Foreign currencies (Continued)

The functional currencies of certain overseas subsidiaries, a joint venture and associates are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of the non-PRC established subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the non-PRC established companies which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

## 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 consolidated financial statements. Determining the amounts to be capitalised or expensed requires management to make assumptions and judgements regarding the technical feasibility of completing the intangible asset, future economic benefits and so forth.

*Consolidation of entities in which the Group holds less than a majority of equity interests*

At 31 December 2022, the Group owned 15% of the shares of Haoyue and JVH, which is a 100% subsidiary of Haoyue. In accordance with the investment agreement signed between the Group and other shareholders of Haoyue, the Group held 60% of voting rights of Haoyue though it held only 15% of equity shares. Therefore, the directors of the Company believe that the Group obtained control of the operating and financial activities of Haoyue and JVH, indirectly, based on the contractual arrangement and could consolidated Haoyue and JVH's financial statements from the date the Group obtained control.

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

### 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.

*Provision for expected credit losses on trade receivables*

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast of economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 21 to the consolidated financial statements.

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

### Estimation uncertainty (Continued)

***Fair value of financial instruments***

The Group has used valuation techniques such as recent transaction valuation, scenario analysis method, probability-weighted expected return method, market method and the discounted cash flow method for the valuation of the unlisted debt investments, unlisted equity investments and contingent consideration payables at the end of year as detailed in note 40 to the financial statements. These valuations require the Group to make estimates about risk-free rate, discount rate, equity volatility, discount for lack of marketability ("DLOM"), probability of initial public offering ("Probability of IPO") and market value versus research and development cost ("P/R&D"), and hence, they are subject to uncertainty. The Group classifies the fair value of these instruments as Level 2 and Level 3. Further details are included in notes 19, 24, 27 and 40 to the consolidated financial statements.

***Useful lives of intangible assets***

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

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

### Estimation uncertainty (Continued)

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

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

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

#### *Valuation of the identifiable assets and liabilities through business combinations and the recognised corresponding goodwill*

The Group completed a business combination of MTH Group during the year. The purchase prices are allocated between the fair values of the identifiable assets acquired and the liabilities assumed which result in the recognition of goodwill. Management, assisted by the external appraisers, evaluated the fair values of identifiable assets acquired and liabilities assumed and completed the purchase price allocation. The fair value determination in the accounting for business combinations relied on significant management estimation in respect of fair value assessments.

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

### Estimation uncertainty (Continued)

#### *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires estimations of the recoverable amount of the cash-generating unit to which the goodwill is allocated, which is the higher of the cash-generating unit's value in use and its fair value less costs of disposal using cash flow projections based on a financial budget. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2022 was RMB1,238,535,000 (2021: RMB519,711,000). Further details are given in note 15 to the consolidated financial statements.

#### *Deferred tax assets*

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Deferred tax assets have not been recognised in respect of these losses and deductible temporary differences as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Further details are included in note 10 to the consolidated financial statements.

## 4. OPERATING SEGMENT INFORMATION

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

### Geographical information

#### *(a) Revenue from external customers*

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Mainland China | **354,567** | 405,346 |
| Others | **51,894** | 10,516 |
| | **406,461** | 415,862 |

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

#### *(b) Non-current assets*

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Mainland China | **557,214** | 477,893 |
| Israel | **503,136** | 134,740 |
| Hong Kong | **66,584** | – |
| USA | **30,349** | 31,692 |
| Netherlands | **55** | – |
| | **1,157,338** | 644,325 |

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

## 4. OPERATING SEGMENT INFORMATION (Continued)

### Information about major customers

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's total revenue during the year (2021: Nil).

## 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| *Revenue from contracts with customers* | | |
| Sale of medical devices | **406,461** | 415,862 |

### Revenue from contracts with customers

#### *(a) Disaggregated revenue information*

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| **Geographical markets** | | |
| Mainland China | **354,567** | 405,346 |
| Others | **51,894** | 10,516 |
| Total revenue from contracts with customers | **406,461** | 415,862 |
| **Timing of revenue recognition** | | |
| Goods transferred at a point in time | **406,461** | 415,862 |

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

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

### Revenue from contracts with customers (Continued)

#### *(b) Performance obligations*

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

*Sale of medical devices*

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

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| **Other income** | | |
| Bank interest income | **19,230** | 33,380 |
| Other interest income | **15,418** | 16,100 |
| Government grants (note (a)) | **31,128** | 6,687 |
| Others | **485** | 1,918 |
| | **66,261** | 58,085 |
| **Gains** | | |
| Fair value adjustments of contingent considerations | **–** | 239,048 |
| Fair value gain on a derivative financial instrument | **–** | 10,014 |
| Foreign exchange gains, net | **81,727** | – |
| | **81,727** | 249,062 |
| | **147,988** | 307,147 |

Note:

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

## 6. LOSS BEFORE TAX

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

| | Notes | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| Cost of inventories sold | | **90,717** | 87,351 |
| Research and development costs | | **527,451** | 258,336 |
| Depreciation of property, plant and equipment* | 13 | **27,072** | 14,844 |
| Depreciation of right-of-use assets | 14(a) | **27,370** | 14,325 |
| Amortisation of other intangible assets** | 16 | **57,910** | 22,452 |
| Impairment of trade receivables, net | 21 | **6,555** | 3,067 |
| Impairment of other receivables | 22 | **15,417** | (19) |
| Impairment of property, plant and equipment | 13 | **4,197** | – |
| Reversal of write-down of inventories to net realisable value | 20 | **(202)** | (1,434) |
| Impairment of other intangible assets | 16 | **111,735** | 46,189 |
| Impairment of goodwill | 15 | **304,301** | 189,957 |
| Auditor's remuneration | | **7,079** | 5,124 |
| Government grants | 5 | **(31,128)** | (6,687) |
| Bank interest income | 5 | **(19,230)** | (33,380) |
| Other interest income | 5 | **(15,418)** | (16,100) |
| Loss on disposal of items of property, plant and equipment, net | | **130** | 18 |
| Lease payments not included in the measurement of lease liabilities | 14(c) | **1,883** | 1,932 |
| Fair value gain on a derivative financial instrument | | **–** | (10,014) |
| Fair value losses, net: | | | |
| Financial assets at fair value through profit or loss | | | |
| – mandatorily classified as such | | **189** | 656 |
| Fair value adjustments of contingent considerations | 27 | **55,549** | (239,048) |
| Foreign exchange differences, net | | **(81,727)** | 31,716 |
| | | | |
| Employee benefit expenses* (excluding directors', supervisors' and chief executive's remuneration (note 8)): | | | |
| Wages and salaries | | **310,145** | 198,379 |
| Pension scheme contributions*** | | **16,055** | 10,429 |
| Staff welfare expenses | | **42,743** | 35,561 |
| | | **368,943** | 244,369 |

## 6. LOSS BEFORE TAX (Continued)

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

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

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

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

| | **2022**<br>**RMB'000** | 2021<br>RMB'000 |
|---|---|---|
| Interest on bank loans | **40,360** | 70 |
| Interest on lease liabilities (note 14(b)) | **5,402** | 1,835 |
| Total interest expense | **45,762** | 1,905 |
| Less: Interest capitalised | **(1,139)** | – |
| | **44,623** | 1,905 |

The capitalisation rates used to determine the amount of borrowing costs eligible for capitalisation for the year are 5-year Loan Prime Rate in Mainland China ("LPR") minus 0.1% and 5-year LPR minus 0.15%.

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

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

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Fees | **1,081** | 1,185 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | **3,507** | 3,059 |
| Performance related bonuses | **868** | 549 |
| Pension scheme contributions | **215** | 106 |
| | **4,590** | 3,714 |
| | **5,671** | 4,899 |

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

### (a) Independent non-executive directors

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

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Mr. Ting Yuk Anthony Wu | **368** | 423 |
| Mr. Wan Yee Joseph Lau | **368** | 427 |
| Mr. Chi Wai Suen | **345** | 335 |
| | **1,081** | 1,185 |

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

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

### (b) Executive directors

| | Salaries, allowances and benefits in kind RMB'000 | Performance related bonuses RMB'000 | Pension scheme contributions RMB'000 | Total remuneration RMB'000 |
|---|---|---|---|---|
| **2022** | | | | |
| Mr. Zhenjun Zi [1] | **763** | **83** | **37** | **883** |
| Mr. Lim Hou-Sen (Lin Haosheng) | **1,078** | **148** | **37** | **1,263** |
| Mr. Min Frank Zeng [2] | **1,148** | **134** | **30** | **1,312** |
| | **2,989** | **365** | **104** | **3,458** |
| **2021** | | | | |
| Mr. Zhenjun Zi [1] | 719 | 128 | 33 | 880 |
| Mr. Lim Hou-Sen (Lin Haosheng) | 694 | 311 | 33 | 1,038 |
| Mr. Min Frank Zeng [2] | 1,277 | 91 | 7 | 1,375 |
| | 2,690 | 530 | 73 | 3,293 |

(1) Mr. Zhenjun Zi was also the general manager of the Company during the year.

(2) Mr. Min Frank Zeng was the chairman of the board of directors of the Company during the year.

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

### (c) Chief executive

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

### (d) Non-executive director

There were no fees and other emoluments payable to the non-executive director during the year (2021: Nil).

### (e) Supervisors

| | Salaries, allowances and benefits in kind RMB'000 | Performance related bonuses RMB'000 | Pension scheme contributions RMB'000 | Total remuneration RMB'000 |
|---|---|---|---|---|
| **2022** | | | | |
| Ms. Yue Li [1] | **326** | **86** | **37** | **449** |
| Ms. Yan Xiao [2] | **298** | **41** | **37** | **376** |
| Ms. Min Shao [2] | **212** | **58** | **37** | **307** |
| Mr. Wei Wang | **–** | **–** | **–** | **–** |
| Ms. Lingling Yang [1] | **–** | **–** | **–** | **–** |
| | **836** | **185** | **111** | **1,132** |
| **2021** | | | | |
| Ms. Yan Xiao | 315 | 73 | 33 | 421 |
| Mr. Wei Wang | – | – | – | – |
| Ms. Lingling Yang | – | – | – | – |
| | 315 | 73 | 33 | 421 |

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

### (e) Supervisors (Continued)

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

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

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

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included no director (2021: one director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the remaining five (2021: four) highest paid employees who are neither a director nor chief executive of the Company during the year are as follows:

| | **2022<br>RMB'000** | 2021<br>RMB'000 |
|---|---|---|
| Salaries, allowances and benefits in kind | **7,799** | 6,202 |
| Performance related bonuses | **4,829** | 679 |
| Pension scheme contributions | **161** | 126 |
| | **12,789** | 7,007 |

## 9. FIVE HIGHEST PAID EMPLOYEES (Continued)

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

| | Number of employees | |
|---|---|---|
| | 2022 | 2021 |
| Nil to Hong Kong dollars (HK$)1,500,000 | – | – |
| HK$1,500,001 to HK$2,000,000 | 2 | 2 |
| HK$2,000,001 to HK$2,500,000 | 1 | 1 |
| HK$2,500,001 to HK$3,000,000 | – | 1 |
| HK$3,000,001 to HK$3,500,000 | 1 | – |
| HK$5,000,001 to HK$5,500,000 | 1 | – |
| | 5 | 4 |

## 10. INCOME TAX

### PRC

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations, the subsidiaries which operate in Mainland China are subject to corporate income tax at a rate of 25% on the taxable income. Preferential tax treatment is available to the Company, since it was recognised as a High and New Technology Enterprise in December 2022, and was entitled to a preferential tax rate of 15% during the year (2021: 15%). Certain subsidiaries of the Group are qualified as small and micro enterprises and are subject to a preferential income tax rate of 20% during the year with the first annual taxable income of RMB1,000,000 eligible for 87.5% reduction and the income between RMB1,000,000 and RMB3,000,000 eligible for 75% reduction.

### USA

Pursuant to the relevant tax laws of the USA, federal corporation income tax was levied at the rate of 21% (2021: 21%) on the taxable income arising in the USA during the year.

## 10. INCOME TAX (Continued)

### Israel

Pursuant to the relevant tax laws of Israel, the corporate income tax was levied at 23% (2021: 23%) on the taxable income arising in Israel during the year.

### United Kingdom ("UK")

Pursuant to the relevant tax laws of the UK, the principal federal tax was levied at the rate of up to 19% (2021: up to 19%) on the taxable income arising in the UK during the year.

### Netherlands ("NL")

Pursuant to the relevant tax laws of the NL, the corporate income tax was levied at the rate of up to 15% (2021: up to 15%) on the taxable income arising in the NL during the year.

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

| | **2022 RMB'000** | 2021 RMB'000 |
|---|---|---|
| Current – PRC | | |
| Charge for the year | **1,707** | 1,601 |
| Current – USA | | |
| Charge for the year | **949** | 17 |
| Overprovision in prior years | **–** | (773) |
| Current – Israel | | |
| Charge for the year | **428** | 361 |
| Current – UK | | |
| Charge for the year | **–** | 6 |
| Current – NL | | |
| Credit for the year | **(15)** | 181 |
| Deferred (note 31) | **(37,371)** | (7,554) |
| | **(34,302)** | (6,161) |

## 10. INCOME TAX (Continued)

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

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Loss before tax | **(1,156,344)** | (377,555) |
| Tax at the statutory tax rate | **(250,959)** | (73,352) |
| Preferential income tax rates enacted by local authority | **68,097** | 73,756 |
| Adjustments in respect of current tax of previous period | **–** | (773) |
| Expenses not deductible for tax | **3,391** | 3,905 |
| Income not subject to tax | **(503)** | (40,267) |
| Additional deductible allowance for research and development costs | **(20,601)** | (11,010) |
| Tax losses utilised from previous periods | **(12,485)** | (1,616) |
| Temporary differences and tax losses not recognised | **178,758** | 43,196 |
| Tax credit at the Group's effective tax rate | **(34,302)** | (6,161) |

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

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Tax losses | **2,218,410** | 1,380,847 |
| Deductible temporary differences | **937,225** | 775,283 |
| | **3,155,635** | 2,156,130 |

## 10. INCOME TAX (Continued)

The Group has tax losses arising in Mainland China of RMB852,101,000 (2021: RMB454,323,000) that will expire in one to ten years for offsetting against taxable profits.

The Group has tax losses arising in the USA of US$2,298,000 (equivalent to RMB15,455,000) (2021: US$2,055,000 (equivalent to RMB13,256,000)) that have no limitation for offsetting against future taxable profits.

The Group has tax losses arising in Hong Kong of US$13,452,000 (equivalent to RMB90,477,000) (2021: US$1,515,000 (equivalent to RMB9,772,000)) that have no limitation for offsetting against future taxable profits.

The Group has tax losses arising in Israel of US$185,391,000 (equivalent to RMB1,246,952,000) (2021: US$140,044,000 (equivalent to RMB903,496,000)) that have no limitation for offsetting against future taxable profits.

The Group has tax losses arising in Netherlands of US$1,996,000 (equivalent to RMB13,425,000) (2021: Nil) that have no limitation for offsetting against future taxable profits.

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

## 11. DIVIDEND

No dividend has been paid or declared by the Company during the year (2021: Nil).

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

The calculation of the basic loss per share amount is based on the loss attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 437,897,443 (2021: 438,577,016) in issue during the year, as adjusted to reflect the shares purchased in 2021 which were treated as treasury shares.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

The calculation of basic loss per share is based on:

| | **2022** | 2021 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **Loss** | | |
| Loss attributable to ordinary equity holders of the parent | **(1,057,699)** | (373,636) |

| | **Number of shares** | |
|---|---|---|
| | **2022** | 2021 |
| **Shares** | | |
| Weighted average number of shares in issue during the year | **437,897,443** | 438,577,016 |

## 13. PROPERTY, PLANT AND EQUIPMENT

| | Machinery RMB'000 | Office equipment RMB'000 | Motor vehicles RMB'000 | Leasehold improvements RMB'000 | Construction in process RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **31 December 2022** | | | | | | |
| At 1 January 2022: | | | | | | |
| Cost | 58,341 | 21,498 | 3,807 | 44,259 | 54,888 | 182,793 |
| Accumulated depreciation | (16,250) | (6,206) | (1,244) | (16,856) | – | (40,556) |
| Net carrying amount | 42,091 | 15,292 | 2,563 | 27,403 | 54,888 | 142,237 |
| At 1 January 2022, net of accumulated depreciation | 42,091 | 15,292 | 2,563 | 27,403 | 54,888 | 142,237 |
| Additions | 34,865 | 15,598 | 1,353 | 6,140 | 146,744 | 204,700 |
| Acquisition of a subsidiary (note 35) | – | 4,959 | – | 5,199 | – | 10,158 |
| Disposals | (2,675) | (1,108) | (36) | (3,783) | (1,936) | (9,538) |
| Depreciation provided during the year (note 6) | (8,731) | (6,692) | (752) | (10,897) | – | (27,072) |
| Impairment | – | – | – | – | (4,197) | (4,197) |
| Transfers | 175 | 1,434 | – | 32,134 | (33,743) | – |
| Exchange realignment | 15 | 903 | – | 554 | 379 | 1,851 |
| At 31 December 2022, net of accumulated depreciation and impairment | 65,740 | 30,386 | 3,128 | 56,750 | 162,135 | 318,139 |
| At 31 December 2022: | | | | | | |
| Cost | 90,176 | 52,878 | 4,430 | 91,213 | 162,135 | 400,832 |
| Accumulated depreciation and impairment | (24,436) | (22,492) | (1,302) | (34,463) | – | (82,693) |
| Net carrying amount | 65,740 | 30,386 | 3,128 | 56,750 | 162,135 | 318,139 |

## 13. PROPERTY, PLANT AND EQUIPMENT (Continued)

| | Machinery RMB'000 | Office equipment RMB'000 | Motor vehicles RMB'000 | Leasehold improvements RMB'000 | Construction in process RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **31 December 2021** | | | | | | |
| At 1 January 2021: | | | | | | |
| Cost | 37,968 | 13,197 | 2,538 | 19,097 | 22,980 | 95,780 |
| Accumulated depreciation | (10,672) | (2,410) | (1,478) | (11,925) | – | (26,485) |
| Net carrying amount | 27,296 | 10,787 | 1,060 | 7,172 | 22,980 | 69,295 |
| At 1 January 2021, net of accumulated depreciation | 27,296 | 10,787 | 1,060 | 7,172 | 22,980 | 69,295 |
| Additions | 13,987 | 8,319 | 1,269 | 1,999 | 60,841 | 86,415 |
| Acquisition of a subsidiary | 940 | 28 | – | 263 | – | 1,231 |
| Disposals | (31) | (31) | – | – | – | (62) |
| Depreciation provided during the year (note 6) | (5,797) | (3,892) | (197) | (4,958) | – | (14,844) |
| Transfers | 5,719 | 186 | – | 23,028 | (28,933) | – |
| Exchange realignment | (23) | (105) | 431 | (101) | – | 202 |
| At 31 December 2021, net of accumulated depreciation | 42,091 | 15,292 | 2,563 | 27,403 | 54,888 | 142,237 |
| At 31 December 2021: | | | | | | |
| Cost | 58,341 | 21,498 | 3,807 | 44,259 | 54,888 | 182,793 |
| Accumulated depreciation | (16,250) | (6,206) | (1,244) | (16,856) | – | (40,556) |
| Net carrying amount | 42,091 | 15,292 | 2,563 | 27,403 | 54,888 | 142,237 |

During the year, the directors considered that certain items of property, plant and equipment of the Group were subject to impairment loss because of the cease of operation of Keystone. The recoverable amounts of the property, plant and equipment were assessed to be zero since the management estimated that there was no other use of the property, plant and equipment.

## 14. LEASES

### The Group as a lessee

The Group has lease contracts for various items of office premises and motor vehicles used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of office premises generally have lease terms between 2 and 8 years, while motor vehicles generally have lease terms of 3 years. Other office premises generally have lease terms of 12 months or less. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

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

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

| | Leasehold land RMB'000 | Office premises RMB'000 | Motor vehicles RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| As at 1 January 2021 | – | 29,745 | 965 | 30,710 |
| Additions | 43,389 | 49,247 | 332 | 92,968 |
| Depreciation charge (note 6) | (103) | (14,222) | – | (14,325) |
| Reductions as a result of termination of leases | – | – | (516) | (516) |
| Exchange realignment | – | (305) | (22) | (327) |
| **As at 31 December 2021 and 1 January 2022** | **43,286** | **64,465** | **759** | **108,510** |
| Additions | **–** | **32,578** | **–** | **32,578** |
| Additions as a result of acquisition of a subsidiary (note 35) | **–** | **48,595** | **–** | **48,595** |
| Depreciation charge (note 6) | **(909)** | **(25,702)** | **(759)** | **(27,370)** |
| Reductions as a result of termination of leases | **–** | **(21,001)** | **–** | **(21,001)** |
| Exchange realignment | **–** | **1,832** | **–** | **1,832** |
| As at 31 December 2022 | **42,377** | **100,767** | **–** | **143,144** |

## 14. 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:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Carrying amount as at 1 January | **65,875** | 32,763 |
| New leases | **32,578** | 49,579 |
| Additions as a result of acquisition of a subsidiary (note 35) | **48,595** | – |
| Reductions as a result of termination of leases | **(21,690)** | (516) |
| Accretion of interest recognised during the year (note 7) | **5,402** | 1,835 |
| Exchange realignment | **2,379** | (399) |
| Payment | **(29,478)** | (17,387) |
| Carrying amount as at 31 December | **103,661** | 65,875 |
| Analysed into: | | |
| Current portion | **23,457** | 17,727 |
| Non-current portion | **80,204** | 48,148 |

The maturity analysis of lease liabilities is disclosed in note 41 to the consolidated financial statements.

## 14. LEASES (Continued)

### The Group as a lessee (Continued)

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

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Interest on lease liabilities | **5,402** | 1,835 |
| Depreciation charge of right-of-use assets | **27,370** | 14,325 |
| Gain on termination of leases, net | **(689)** | – |
| Expense relating to short-term leases (included in cost of sales, selling and distribution expenses, research and development costs and administrative expenses) (note 6) | **1,883** | 1,932 |
| Total amount recognised in profit or loss | **33,966** | 18,092 |

*(d)* The total cash outflow for leases is disclosed in note 36(c) to the consolidated financial statements.

## 15. GOODWILL

| | RMB'000 |
|---|---|
| Cost and net carrying amount at 1 January 2021 | 487,317 |
| Acquisition of a subsidiary | 231,262 |
| Impairment during the year | (189,957) |
| Exchange realignment | (8,911) |
| Net carrying amount at 31 December 2021 | 519,711 |
| At 31 December 2021: | |
| Cost | 707,436 |
| Accumulated impairment | (187,725) |
| Net carrying amount | 519,711 |
| Cost at 1 January 2022, net of accumulated impairment | **519,711** |
| Acquisition of a subsidiary (note 35) | **921,943** |
| Impairment during the year (note 6) | **(304,301)** |
| Exchange realignment | **101,182** |
| Net carrying amount at 31 December 2022 | **1,238,535** |
| At 31 December 2022: | |
| Cost | **1,741,352** |
| Accumulated impairment | **(502,817)** |
| Net carrying amount | **1,238,535** |

## 15. GOODWILL (Continued)

### Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Keystone cash-generating unit ("Keystone unit");
- 510 Kardiac cash-generating unit ("510 Kardiac unit");
- Nuocheng cash-generating unit ("Nuocheng unit"); and
- MTH cash-generating unit ("MTH unit").

The carrying amounts of goodwill allocated to each of the cash-generating units are as follows:

**As at 31 December 2022**

| | Keystone unit RMB'000 | 510 Kardiac unit RMB'000 | Nuocheng unit RMB'000 | MTH unit RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| Carrying amount of goodwill | – | – | **231,262** | **1,007,273** | **1,238,535** |

**As at 31 December 2021**

| | Keystone unit RMB'000 | 510 Kardiac unit RMB'000 | Nuocheng unit RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Carrying amount of goodwill | 250,617 | 37,832 | 231,262 | 519,711 |

## 15. GOODWILL (Continued)

### Impairment testing of goodwill (Continued)

***Keystone unit and 510 Kardiac unit***

Keystone unit principally focused on the development of cerebral protection devices to reduce the risk of stroke, neurocognitive decline and dementia caused by brain damage associated with cardiovascular procedures. Keystone's product candidate, TriGUARD3 cerebral embolic protection device ("Keystone Product"), obtained the CE marking in March 2020. Management filed for the Food and Drug Administration (the "FDA") 510(k) clearance in the USA in March 2021 which has been suspended in September 2021. The Company also filed for a marketing application of Keystone Product to the China National Medical Products Administration (the "NMPA") in October 2021 which has been suspended in November 2022.

510 Kardiac unit principally focused on development of cardiovascular devices. It provides Lim Transseptal System (LTS), a surgical instrument designed to provide control and visibility for cardiologists targeting specific locations within the structures of the heart ("510 Kardiac Product"). Management filed for FDA 510(k) clearance in the USA for 510 Kardiac Product in December 2020 and the FDA 510(k) clearance was obtained in December 2020. As of 31 December 2022, 510 Kardiac Product has not commenced commercialisation yet.

During the year, profitability generated by Keystone unit and 510 Kardiac unit was lower than the management's expectation and had a negative impact on the Group's financial performance. Moreover, the management considered that they would experience deterioration in performance going ahead. Therefore, the management resolved to terminate business operations of Keystone unit and 510 Kardiac unit, including any further research and development activities related to Keystone Product and 510 Kardiac Product. Based on the impairment assessments, the management estimated that the recoverable amounts of Keystone unit and 510 Kardiac unit as at year end were assessed to be nil (2021: RMB369,791,000) and nil (2021: RMB51,174,000), respectively. For the year ended 31 December 2022, impairment losses of goodwill of RMB264,388,000 (2021: RMB189,957,000) and RMB39,913,000 (2021: Nil) were recognised in profit or loss for Keystone unit and 510 Kardiac unit, respectively.

## 15. GOODWILL (Continued)

### Impairment testing of goodwill (Continued)

#### *Nuocheng unit*

Nuocheng unit principally focused on development of Liwen RF® ablation system for the treatment of hypertrophic cardiomyopathy ("Nuocheng Product"). The recoverable amount of the Nuocheng unit has been determined based on a value-in-use calculation using cash flow projections based on a financial budget covering a 10-year period approved by senior management. Management considers that using a 10-year forecast period for a financial budget in the goodwill impairment test is appropriate because the useful life of Nuocheng's relevant intellectual property is longer than ten years, and it generally takes longer for a medical device company, compared to companies in other industries, to reach a perpetual growth mode despite that the market of such products has substantial growth potential, especially when its product is still under clinical trial and the commercialisation of such product has not been commenced. Hence, financial budgets covering a 10-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:

| | 2022 | 2021 |
|---|---|---|
| Revenue (% compound growth rate) | **66.62%** | 80.14% |
| Gross margin (% of revenue) | **75.56%-84.91%** | 76.56%-84.91% |
| Terminal growth rate | **0%** | 0% |
| Pre-tax discount rate | **19.88%** | 17.50% |

## 15. GOODWILL (Continued)

### Impairment testing of goodwill (Continued)

#### *Nuocheng unit (Continued)*

Assumptions were used in the value in use calculation of the cash-generating unit as at 31 December 2022. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

*Revenue* – The basis used to determine the budgeted revenue is based on management's expectation of when to launch Nuocheng Product and also the expectation of the future market. Nuocheng Product is at clinical trial stage and expected to commence commercialisation in 2025. Management expects to submit a filing application to the NMPA for review and approval in the second quarter of 2024. The compound growth rate of revenue was estimated based on information available at the time of assessment, disregarding information that became available after the assessment. Such information includes current industry overview and estimated market development of related products.

*Gross margin* – The basis used to determine the value assigned to the budgeted gross margin is the average gross margin expected to achieve in the year when to launch Nuocheng Product, increased for expected efficiency improvements and expected market development.

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

*Pre-tax discount rate* – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

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

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.

## 15. GOODWILL (Continued)

### Impairment testing of goodwill (Continued)

***Nuocheng unit (Continued)***

If the pre-tax discount rate rose to 21.21%, the gross margin decreased to the range from 68.04% to 74.99%, or the compound growth rate of revenue decreased to 63.03% (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 2022.

***MTH unit***

MTH unit principally focused on development of mitral valve and tricuspid valve replacement products ("MTH Products"). Goodwill acquired through the business combination of MTH Group is allocated to MTH unit for impairment testing. Further details are included in note 35 to the consolidated financial statements.

The recoverable amount of the MTH cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on a financial budget covering a 14-year period approved by senior management. Management considers that using a 14-year forecast period for a financial budget in the goodwill impairment test is appropriate because the useful life of MTH's relevant intellectual property is longer than fourteen years, and it generally takes longer for a medical device company, compared to companies in other industries, to reach a perpetual growth mode despite that the market of such products has substantial growth potential, especially when its product is still under clinical trial and the commercialisation of such product has not been commenced. Hence, financial budgets covering a 14-year period were used as management believes that a forecasted period longer than five years is feasible and reflects a more accurate entity value.

## 15. GOODWILL (Continued)

### Impairment testing of goodwill (Continued)

*MTH unit (Continued)*

Key assumptions used in the calculation are as follows:

| | 2022 |
|---|---|
| Revenue (% compound growth rate) | 38.08% |
| Gross margin (% of revenue) | 44.00%-66.82% |
| Terminal growth rate | 0% |
| Pre-tax discount rate | 22.30% |

Assumptions were used in the value in use calculation of the cash-generating unit as at 31 December 2022. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

*Revenue* – The basis used to determine the budgeted revenue is based on management's expectation of when to launch MTH's product and also the expectation of the future market. MTH Products are at clinical trial stage and expected to commence commercialisation in 2026. Management expects to submit a filing application for the tricuspid valve replacement products to the CE MDR in 2025 and the NMPA for review and approval in 2026, and expects to submit a filing application for the mitral valve replacement products to the CE Medical Device Regulation in Europe (the "CE MDR") in 2026 and the NMPA for review and approval in 2027. The compound growth rate of revenue was estimated based on information available at the time of assessment, disregarding information that became available after the assessment. Such information includes current industry overview and estimated market development of related products.

*Gross margin* – The basis used to determine the value assigned to the budgeted gross margin is the average gross margin expected to achieve in the year when to launch MTH Products, increased for expected efficiency improvements and expected market development.

*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.

## 15. GOODWILL (Continued)

### Impairment testing of goodwill (Continued)

#### *MTH unit (Continued)*

*Pre-tax discount rate* – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

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

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.

If the pre-tax discount rate rose to 24.07%, the gross margin decreased to the range from 38.76% to 61.58%, or the compound growth rate of revenue decreased to 34.56% (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 2022.

## 16. OTHER INTANGIBLE ASSETS

| | Intellectual property RMB'000 | Software RMB'000 | Total RMB'000 |
|---|---|---|---|
| **31 December 2022** | | | |
| Cost at 1 January 2022, net of accumulated amortisation | **271,628** | **33,116** | **304,744** |
| Additions | **–** | **10,678** | **10,678** |
| Acquisition of a subsidiary (note 35) | **419,449** | **–** | **419,449** |
| Amortisation provided during the year (note 6) | **(53,920)** | **(3,990)** | **(57,910)** |
| Impairment during the year (note 6) | **(111,735)** | **–** | **(111,735)** |
| Exchange realignment | **45,945** | **–** | **45,945** |
| At 31 December 2022 | **571,367** | **39,804** | **611,171** |
| At 31 December 2022: | | | |
| Cost | **847,160** | **49,761** | **896,921** |
| Accumulated amortisation and impairment | **(275,793)** | **(9,957)** | **(285,750)** |
| Net carrying amount | **571,367** | **39,804** | **611,171** |
| **31 December 2021** | | | |
| Cost at 1 January 2021, net of accumulated amortisation | 213,254 | 19,750 | 233,004 |
| Additions | 16,988 | 16,232 | 33,220 |
| Acquisition of a subsidiary | 111,000 | – | 111,000 |
| Amortisation provided during the year (note 6) | (19,586) | (2,866) | (22,452) |
| Impairment during the year (note 6) | (46,189) | – | (46,189) |
| Exchange realignment | (3,839) | – | (3,839) |
| At 31 December 2021 | 271,628 | 33,116 | 304,744 |
| At 31 December 2021: | | | |
| Cost | 368,525 | 39,083 | 407,608 |
| Accumulated amortisation | (96,897) | (5,967) | (102,864) |
| Net carrying amount | 271,628 | 33,116 | 304,744 |

## 16. OTHER INTANGIBLE ASSETS (Continued)

During the year, the directors considered that certain items of intellectual property of the Group were subject to impairment loss because of decreasing production outputs and the under-performing cash-generating units, Keystone unit and 510 Kardiac unit, to which the intellectual properties belong.

The recoverable amounts of the intellectual property were assessed to be zero since the business operations of Keystone unit and 510 Kardiac unit, including the research and development activities related to Keystone Product and 510 Kardiac's product, were ceased and the management estimated that there was no other use of the intellectual property.

As at 31 December 2022, the management performed impairment testing for certain of other intellectual property that had indication of impairment. The recoverable amounts of the intellectual property have been determined based on value-in-use calculations which were approved by management using cash flow projections based on financial budgets covering the remaining useful lives of the items of intellectual property. Independent valuers were engaged to assist to determine the recoverable amounts of the intellectual property. The discount rates used for the value-in-use calculations as at 31 December 2022 were between 19.88% and 24.00% (2021: between 13.66% and 23.00%).

An impairment provision of RMB111,735,000 (2021: RMB46,189,000) was recognised in profit or loss during the year.

## 17. INVESTMENT IN A JOINT VENTURE

| | **2022**<br>**RMB'000** | 2021<br>RMB'000 |
|---|---|---|
| Share of net assets | **2,728** | – |

The following table illustrates the financial information of the Group's joint venture that is not individually material:

| | **2022**<br>**RMB'000** |
|---|---|
| Share of the joint venture's loss for the year | **(4,092)** |
| Share of the joint venture's total comprehensive loss | **(4,092)** |
| Carrying amount of the Group's investment in the joint venture | **2,728** |

## 18. INVESTMENTS IN ASSOCIATES

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Share of net assets | **70,283** | 76,184 |

The Group's shareholdings in these associates comprise equity shares held through a wholly-owned subsidiary of the Company. The Group's investments in associates are accounted for under the equity method of accounting because the Group has significant influence over these entities by way of representation on the board of directors or equivalent governing body of the investee and participation in the policy-making process, despite the fact that the Group's direct equity interest in these entities was lower than 20% for the years ended 31 December 2022 and 2021.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Share of the associates' loss for the year | **(9,851)** | (11,711) |
| Share of the associates' other comprehensive income | **737** | – |
| Share of the associates' total comprehensive loss | **(9,114)** | (11,711) |
| Aggregate carrying amount of the Group's investments in the associates | **70,283** | 76,184 |

## 19. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Unlisted equity investments, at fair value | | |
| Colibri Heart Valve LLC | **–** | – |
| Opus Medical Therapies, LLC ("Opus") | **15,747** | 16,194 |
| | **15,747** | 16,194 |

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers the investment to be strategic in nature.

The fair value adjustment on the unlisted equity investment measured at fair value through other comprehensive income for the year was in an amount of loss of RMB787,000 (2021: an amount of gain of RMB3,158,000).

## 20. INVENTORIES

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Raw materials | **43,660** | 37,918 |
| Work in progress | **6,436** | 13,399 |
| Finished goods | **56,487** | 41,591 |
| | **106,583** | 92,908 |
| Provision for impairment of inventories | **(2,187)** | (2,389) |
| | **104,396** | 90,519 |

## 20. INVENTORIES (Continued)

The movements in provision for impairment of inventories are as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| At beginning of year | **2,389** | 3,823 |
| Provision, net (note 6) | **(202)** | (1,434) |
| At end of year | **2,187** | 2,389 |

## 21. TRADE RECEIVABLES

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Trade receivables | **316,486** | 308,639 |
| Impairment | **(13,098)** | (6,543) |
| | **303,388** | 302,096 |

The Group's trading terms with its customers are mainly on credit. The credit period is generally six months to one year. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

## 21. TRADE RECEIVABLES (Continued)

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

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Within 6 months | **164,808** | 184,308 |
| 7 to 12 months | **83,811** | 92,884 |
| 1 to 2 years | **54,429** | 24,664 |
| Over 2 years | **340** | 240 |
| | **303,388** | 302,096 |

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

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| At beginning of year | **6,543** | 3,667 |
| Impairment losses, net (note 6) | **6,555** | 3,067 |
| Amount written off as uncollectible | **–** | (191) |
| At end of year | **13,098** | 6,543 |

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The expected credit loss rate was reviewed, and adjusted if appropriate, as at the end of the reporting period. The provision matrix is initially based on the historical observed default rates from listed companies in the same sector. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information.

## 21. TRADE RECEIVABLES (Continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

| | Less than 1 year | 1 to 2 years | 2 to 3 years | Total |
|---|---|---|---|---|
| **As at 31 December 2022** | | | | |
| Expected credit loss rate | **1.25%** | **15.17%** | **38.29%** | **4.14%** |
| Gross carrying amount (RMB'000) | **251,769** | **64,166** | **551** | **316,486** |
| Expected credit losses (RMB'000) | **3,150** | **9,737** | **211** | **13,098** |
| **As at 31 December 2021** | | | | |
| Expected credit loss rate | 1.30% | 10.14% | 32.96% | 2.12% |
| Gross carrying amount (RMB'000) | 280,834 | 27,447 | 358 | 308,639 |
| Expected credit losses (RMB'000) | 3,642 | 2,783 | 118 | 6,543 |

## 22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Non-current: | | |
| Prepayments for purchase of items of other intangible assets | **1,133** | 1,851 |
| Long-term deposits | **3,982** | 4,280 |
| Prepayments for purchase of items of property, plant and equipment | **10,740** | 10,799 |
| | **15,855** | 16,930 |
| Current: | | |
| Other receivables | **34,902** | 38,563 |
| Prepayments | **72,443** | 34,416 |
| Value-added tax recoverable | **27,396** | 15,248 |
| Prepaid rental expenses | **1,071** | 1,021 |
| | **135,812** | 89,248 |
| Impairment of other receivables | **(15,944)** | (16) |
| | **119,868** | 89,232 |

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts.

The Group has applied the general approach to provide for expected credit losses for non-trade other receivables under IFRS 9. For rental deposits included in other receivables, the balances were settled within 12 months and had no historical default. Except for the above balances, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data in calculating the expected credit loss rate.

## 22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (Continued)

The movements in provision for impairment of other receivables are as follows:

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| At beginning of year | **16** | 35 |
| Impairment losses, net (note 6) | **15,417** | (19) |
| Exchange realignment | **511** | – |
| At end of year | **15,944** | 16 |

## 23. LOANS TO DIRECTORS

Loans to directors, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

| Name | At 31 December 2022 RMB'000 | Maximum amount outstanding during the year RMB'000 | At 31 December 2021 and 1 January 2022 RMB'000 | Maximum amount outstanding during the prior year RMB'000 | At 1 January 2021 RMB'000 | Security held |
|---|---|---|---|---|---|---|
| Mr. Zhenjun Zi | 28,293 | 360,595 | – | 147,168 | – | None |
| Mr. Min Frank Zeng | 6,107 | 268,254 | – | – | – | None |
| | 34,400 | | – | | – | |

During the year, the advances of loans granted to directors bear interest at 3% per annum are unsecured and repayable on demand.

## 24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Unlisted debt investments, at fair value | | |
| Valgen Holding Corporation | **100,736** | 95,635 |
| Pi-Cardia Ltd. | **89,321** | 84,178 |
| Unicorn Holding Partners LP | **88,262** | – |
| Opus | **69,597** | 62,667 |
| Hangzhou Linzhongrui Enterprise Management Partnership (Limited Partnership) | **25,000** | – |
| Healium Medical Ltd. | **10,099** | 9,803 |
| Atom Semiconductor Ltd. | **5,307** | 4,910 |
| Cardiovalve Ltd. | **–** | 219,962 |
| | **388,322** | 477,155 |

The above unlisted debt investments were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

## 25. CASH AND CASH EQUIVALENTS

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Cash and bank balances | **1,550,271** | 2,604,591 |
| Time deposits | **356,647** | 353,184 |
| | **1,906,918** | 2,957,775 |
| Less: Pledged deposits | | |
| Pledged for rent deposits | **(4,747)** | (2,563) |
| Pledged for bank loans (note 28) | **(22,740)** | – |
| Cash and cash equivalents | **1,879,431** | 2,955,212 |
| Denominated in: | | |
| RMB | **1,065,021** | 1,816,049 |
| HK$ | **407,775** | 693,732 |
| US$ | **357,824** | 444,316 |
| New Israel Shekel ("NIS") | **71,150** | 873 |
| EUR | **5,148** | 2,805 |
| Total cash and bank balances and pledged deposits | **1,906,918** | 2,957,775 |

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for periods of between seven days and three months depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

## 26. TRADE PAYABLES

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

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Within 3 months | **8,980** | 7,812 |
| 3 to 6 months | **50** | 685 |
| 6 to 12 months | **65** | 172 |
| Over 12 months | **31** | 82 |
| | **9,126** | 8,751 |

Trade payables are non-interest-bearing and are normally settled on 30-day terms.

## 27. OTHER PAYABLES AND ACCRUALS

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Non-current: | | |
| Contingent consideration payables | **481,338** | 167,480 |
| Payroll payable | **6,488** | – |
| | **487,826** | 167,480 |
| Current: | | |
| Other payables | **182,677** | 103,022 |
| Payroll payable | **44,913** | 41,710 |
| | **227,590** | 144,732 |
| | **715,416** | 312,212 |

Other payables are non-interest-bearing and repayable on demand.

## 27. OTHER PAYABLES AND ACCRUALS (Continued)

As part of the share purchase agreements, portions of the consideration for business combination were determined to be contingent. The movement of the fair value of contingent consideration payables is as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| At 1 January | **167,480** | 246,260 |
| Arising from acquisition of Nuocheng | **–** | 163,038 |
| Arising from acquisition of MTH (note 35) | **234,933** | – |
| Fair value changes (note 6) | **55,549** | (239,048) |
| Exchange realignment | **23,376** | (2,770) |
| At 31 December | **481,338** | 167,480 |

The fair values of the contingent consideration payables were determined using the discounted cash flow method and are within Level 3 fair value measurement. Significant unobservable valuation inputs for the fair value measurement of the contingent considerations are as follows:

| | 2022 | 2021 |
|---|---|---|
| Discount rate | **19.88%-22.30%** | 0.00%-17.50% |
| Discount for own non-performance risk | **10.00%-20.00%** | 10.00%-100.00% |

## 28. INTEREST-BEARING BANK BORROWINGS

| | Effective interest rate (%) | Maturity | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|---|
| **Current** | | | | |
| Bank loans – unsecured | 1-year LPR plus 0.45% | 2023 | **100,115** | – |
| Bank loan – secured Current portion of long-term bank loan US$90,000,000 bank loan (note (a)) | LIBOR* plus 1.65% | 2023 | **122,488** | – |
| Current portion of long-term bank loan – secured ((note (b)) | 1-year LPR plus 0.60% | 2022 | **–** | 4,400 |
| Bank loans – unsecured | 1-year LPR plus 2.15% | 2022 | **–** | 500 |
| | | | **222,603** | 4,900 |
| **Non-current** | | | | |
| Bank loan – secured Non-current portion of long-term bank loan US$90,000,000 bank loan (note (a)) | LIBOR plus 1.65% | 2024-2025 | **501,451** | – |
| Bank loans – secured (note (c)) | 5-year LPR minus 0.10% | 2026-2036 | **61,915** | – |
| Bank loans – secured (note (d)) | 5-year LPR minus 0.15% | 2026-2037 | **10,013** | – |
| | | | **573,379** | – |
| | | | **795,982** | 4,900 |

## 28. INTEREST-BEARING BANK BORROWINGS (Continued)

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Analysed into: | | |
| Bank loans repayable: | | |
| Within one year | **222,603** | 4,900 |
| In the second year | **188,044** | – |
| In the third to fifth years, inclusive | **385,335** | – |
| | **795,982** | 4,900 |

* London Interbank Offered Rate ("LIBOR")

Notes:

(a) The bank loan of US$90,000,000 is secured by:

- (i) credit guarantee from the Company;
- (ii) mortgages over the Group's equity interests in certain of its subsidiaries, namely Venus HK, Athena Medtech Holding Ltd. and MTH; and
- (iii) the pledge of certain of the Group's time deposits amounting to RMB22,740,000 at the end of the reporting period.

(b) The bank loan of RMB4,400,000 as at 31 December 2021 was secured by a previous controlling shareholder of Nuocheng.

(c) The bank loan of RMB61,915,000 is secured by mortgage over the Group's leasehold land, which had a net carrying value at the end of the reporting period of RMB29,795,000.

(d) The bank loan of RMB10,013,000 is secured by mortgage over the Group's leasehold land, which had a net carrying value at the end of the reporting period of RMB12,582,000.

(e) Except for the bank loan US$90,000,000 which is denominated in US$, all loans are in RMB.

## 29. GOVERNMENT GRANTS

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Government grants | | |
| Current | **1,370** | 14,993 |
| Non-current | **600** | – |
| | **1,970** | 14,993 |

The movements in government grants during the year are as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| At beginning of year | **14,993** | 15,108 |
| Grants received | **1,020** | 600 |
| Recognised as income | **(14,043)** | (715) |
| At end of year | **1,970** | 14,993 |
| Analysed into: | | |
| Current portion | **1,370** | 14,993 |
| Non-current portion | **600** | – |

The grants are related to the subsidies received from the local government for the purpose of compensation for expenses arising from research activities and clinical trials, and awards for new valve product development and capital expenditure incurred on certain projects.

## 30. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities:

| | **31 December 2022 RMB'000** | 31 December 2021 RMB'000 | 1 January 2021 RMB'000 |
|---|---|---|---|
| *Short-term advances received from customers* | | | |
| Sale of products | **2,952** | 2,845 | 2,442 |

Contract liabilities represented the obligations to transfer goods to customers for which the Group has received consideration. Revenue of RMB1,244,000 (2021: RMB61,000) was recognised related to contract liabilities which were carried forward.

## 31. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

**2022**

**Deferred tax liabilities**

| | Fair value adjustments of equity investments at fair value through other comprehensive income RMB'000 | Fair value adjustments arising from acquisition of subsidiaries RMB'000 | Right-of-use assets RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| At 1 January 2022 | 568 | 45,432 | 11,983 | 57,983 |
| Deferred tax charged/(credited) to profit or loss during the year (note 10) | – | (36,386) | (2,751) | (39,137) |
| Deferred tax credited to other comprehensive income during the year | (321) | – | – | (321) |
| Exchange realignment | 53 | (135) | 167 | 85 |
| Gross deferred tax liabilities at 31 December 2022 | 300 | 8,911 | 9,399 | 18,610 |

## 31. DEFERRED TAX (Continued)

**2022 (Continued)**

**Deferred tax assets**

| | Unrealised profits from inter-company transactions RMB'000 | Lease liabilities RMB'000 | Loss available for offsetting against future taxable profits RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| At 1 January 2022 | – | 11,933 | 769 | 12,702 |
| Deferred tax credited/ (charged) to profit or loss during the year (note 10) | 1,618 | (2,573) | (811) | (1,766) |
| Exchange realignment | – | 162 | 42 | 204 |
| Gross deferred tax assets at 31 December 2022 | 1,618 | 9,522 | – | 11,140 |

## 31. DEFERRED TAX (Continued)

**2021**

**Deferred tax liabilities**

| | Fair value adjustments of equity investments at fair value through other comprehensive income RMB'000 | Fair value adjustments arising from acquisition of subsidiaries RMB'000 | Right-of-use assets RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| At 1 January 2021 | – | 35,832 | 5,855 | 41,687 |
| Deferred tax charged/(credited) to profit or loss during the year (note 10) | – | (10,041) | 6,205 | (3,836) |
| Deferred tax charged to other comprehensive income during the year | 568 | – | – | 568 |
| Acquisition of a subsidiary | – | 20,348 | – | 20,348 |
| Exchange realignment | – | (707) | (77) | (784) |
| Gross deferred tax liabilities at 31 December 2021 | 568 | 45,432 | 11,983 | 57,983 |

## 31. DEFERRED TAX (Continued)

**2021 (Continued)**

**Deferred tax assets**

| | Accrued expenses RMB'000 | Lease liabilities RMB'000 | Loss available for offsetting against future taxable profits RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| At 1 January 2021 | 2,901 | 6,213 | 787 | 9,901 |
| Deferred tax credited/ (charged) to profit or loss during the year (note 10) | (2,080) | 5,798 | – | 3,718 |
| Exchange realignment | (821) | (78) | (18) | (917) |
| Gross deferred tax assets at 31 December 2021 | – | 11,933 | 769 | 12,702 |

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

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Net deferred tax assets recognised in the consolidated statement of financial position | **9,941** | 8,170 |
| Net deferred tax liabilities recognised in the consolidated statement of financial position | **(17,411)** | (53,451) |
| Net deferred tax liabilities | **(7,470)** | (45,281) |

## 32. SHARE CAPITAL

### Shares

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Issued and fully paid: | | |
| 441,011,443 (2021: 441,011,443) ordinary shares of RMB1.00 each | **441,012** | 441,012 |

A summary of movements in the Company's share capital is as follows:

| | Note | Numbers of ordinary shares | Share capital RMB'000 |
|---|---|---|---|
| At 1 January 2021 | | 422,968,943 | 422,969 |
| Issue of shares upon placement of shares | (a) | 18,042,500 | 18,043 |
| At 31 December 2021, 1 January 2022 and 31 December 2022 | | 441,011,443 | 441,012 |

Notes:

(a) On 29 January 2021, the Company placed, through the placing agent, 18,042,500 shares at a price of HK$80.08 per placing share for a total cash consideration, before expenses, of approximately HK$1,444,843,000 (equivalent to RMB1,205,896,000). The share issue expense was approximately HK$17,449,000 (equivalent to RMB14,564,000).

(b) During the year ended 31 December 2021, the Company purchased 3,114,000 of its shares on the Stock Exchange for a total cash consideration of HK$88,688,000 (equivalent to RMB72,548,000), none of which was cancelled as at 31 December 2022 and were treated as treasury shares.

## 33. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the Group.

### a) Share premium

The share premium of the Group represents the share premium contributed by the shareholders of the Company after its conversion into a joint stock company in November 2018.

### b) Other reserves

Other reserves of the Group represent the share premium contributed by the shareholders of the Company before its conversion into a joint stock company in November 2018, and also the share-based compensation reserve due to equity-settled share awards.

### c) Fair value reserve

The fair value reserve represents the fair value of equity investments at fair value through other comprehensive income.

### d) Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of entities of which the functional currency is not RMB.

## 34. SHARE AWARD

The Company granted share award to certain personnel in order to recognise and reward the contribution of certain specialists to the growth and development of the Group, and to retain certain eligible employees for the continual operation and development of the Group through an award of the Company's shares in prior years. During the year, the Company did not grant any new share award.

During the year, no share award expense (2021: Nil) was charged to profit or loss.

## 35. BUSINESS COMBINATIONS

On 25 January 2022, the Group acquired a 94.38% equity interest in MTH, which is a private company incorporated in Israel and engaged in the design, development and commercialisation of medical devices, and its subsidiaries (the "MTH Group") at a consideration of US$170,457,000 (equivalent to RMB1,086,594,000). The acquisition was made as part of the Group's strategy to further improve the Group's research and development business and expand the business of the Group's medical services.

The acquisition was completed on 25 January 2022 when the Group obtained control of the operating and financial activities of MTH Group.

The fair values of the identifiable assets and liabilities of MTH Group as at the date of acquisition were as follows:

| | Notes | Fair value recognised on acquisition RMB'000 |
|---|---|---|
| Cash and cash equivalent | | 38,167 |
| Pledged deposits | | 3,230 |
| Other receivables and other assets | | 1,880 |
| Property, plant and equipment | 13 | 10,158 |
| Right-of-use assets | 14(a) | 48,595 |
| Other intangible assets | 16 | 419,449 |
| Other non-current assets | | 4,091 |
| Other payables and accruals | | (247,657) |
| Lease liabilities | 14(b) | (48,595) |
| Total identifiable net assets at fair value | | 229,318 |
| Goodwill on acquisition | 15 | 921,943 |
| The fair value of 5.62% shareholding interest in MTH Group previously held | | (64,667) |
| Total consideration | | 1,086,594 |
| Satisfied by: | | |
| Cash consideration paid during the year ended 31 December 2022 | | 851,661 |
| Contingent consideration payable as at 31 December 2022 (note 27) | | 234,933 |
| | | 1,086,594 |

## 35. BUSINESS COMBINATIONS (Continued)

The fair value of the other receivables as at the date of acquisition amounted to RMB696,000 and the gross contractual amount of the other receivables was RMB696,000.

The Group incurred transaction costs of RMB15,799,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

The goodwill of RMB921,943,000 recognised above is due to the new markets entered into by the Group to achieve product and business diversification. The above factor is neither separable nor contractual and therefore it does not meet the criteria for recognition as intangible assets under IAS 38 Intangible Assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the leases relative to market terms.

As part of the share purchase agreement, contingent consideration is payable, which is dependent on the occurrence of milestone events, including the achievement of any of the NMPA approval, the FDA approval or CE Marking and medical device registration of MTH Mitral Valve Product ("Milestone 1"), the achievement of any of the NMPA approval, the FDA approval or CE mark and CE MDR of MTH Tricuspid Valve Product ("Milestone 2") and the achievement of certain successful implantation and survival of patients in mainland China using the two product mentioned above ("Milestone 3"). The initial amount recognised was US$36,855,000 (equivalent to RMB234,933,000) which was determined using the discounted cash flow model and is within Level 3 fair value measurement. At the date of approval of this financial information, no further significant changes to the consideration are expected.

## 35. BUSINESS COMBINATIONS (Continued)

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

| | RMB'000 |
|---|---|
| Cash consideration paid | (851,661) |
| Cash and bank balances acquired | 38,167 |
| Net outflow of cash and cash equivalents included in cash flows from investing activities | (813,494) |
| Transaction costs of the acquisition included in cash flows from operating activities | (15,799) |
| | (829,293) |

Since the acquisition, MTH Group has not contributed any revenue to the Group and has caused loss of RMB161,027,000 to the Group's consolidated loss for the year ended 31 December 2022.

Had the combination taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year would have been RMB406,461,000 and RMB1,134,925,000, respectively.

## 36. 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 RMB32,578,000 (2021: RMB49,579,000) and RMB32,578,000 (2021: RMB49,579,000), respectively, in respect of lease arrangements for office premises (2021: office premises and motor vehicles).

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

### (b) Changes in liabilities arising from financing activities

**2022**

| | Lease liabilities RMB'000 | Interest-bearing bank borrowings RMB'000 |
|---|---|---|
| At 1 January 2022 | 65,875 | 4,900 |
| Changes from financing cash flows | | |
| – Proceeds from bank borrowings | – | 939,141 |
| – Repayment of bank loans | – | (213,381) |
| – Interest paid | – | (38,405) |
| – Principal portion of lease payments | (24,076) | – |
| – Interest portion of lease payments | (5,402) | – |
| Interest on bank loans | – | 39,221 |
| Interest on lease liabilities | 5,402 | – |
| New leases | 32,578 | – |
| Foreign exchange movement | 2,379 | 64,506 |
| Reductions as a result of termination of leases | (21,690) | – |
| Increase arising from acquisition of a subsidiary (note 35) | 48,595 | – |
| At 31 December 2022 | 103,661 | 795,982 |

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

### (b) Changes in liabilities arising from financing activities (Continued)

**2021**

| | Lease liabilities RMB'000 | Interest-bearing bank borrowings RMB'000 |
|---|---|---|
| At 1 January 2021 | 32,763 | – |
| Changes from financing cash flows | | |
| – Repayment of bank loans | – | (4,700) |
| – Interest paid | – | (127) |
| – Principal portion of lease payments | (15,552) | – |
| – Interest portion of lease payments | (1,835) | – |
| Interest on bank loans | – | 70 |
| Interest on lease liabilities | 1,835 | – |
| New leases | 49,579 | – |
| Foreign exchange movement | (399) | – |
| Reductions as a result of termination of leases | (516) | – |
| Increase arising from acquisition of a subsidiary | – | 9,657 |
| At 31 December 2021 | 65,875 | 4,900 |

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

### (c) Total cash outflow for leases

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

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Within operating activities | **1,883** | 1,932 |
| Within financing activities | **29,478** | 17,387 |
| | **31,361** | 19,319 |

## 37. COMMITMENTS

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

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Contracted, but not provided for: | | |
| Purchases of items of property, plant and equipment | **4,475** | 112,434 |
| Purchases of other intangible assets | **750** | 2,343 |
| Capital consideration to purchase a subsidiary | **–** | 121,138 |
| Capital contribution payable to purchase limited partnership interests | **–** | 63,757 |
| | **5,225** | 299,672 |

## 38. RELATED PARTY TRANSACTIONS

| Name | Relationship with the Company |
|---|---|
| Mr. Zhenjun Zi | Director and shareholder |
| Mr. Min Frank Zeng | Director and shareholder |

(a) In addition to the transactions detailed in notes 8 and 23 to the financial statements, the Group had the following transactions with related parties during the year.

| | **2022** **RMB'000** | 2021 RMB'000 |
|---|---|---|
| Advances of loans to related parties: | | |
| Mr. Zhenjun Zi | **468,309** | 207,168 |
| Mr. Min Frank Zeng | **234,976** | – |
| | **703,285** | 207,168 |
| Repayment of advances of loans to related parties: | | |
| Mr. Zhenjun Zi | **449,919** | 207,168 |
| Mr. Min Frank Zeng | **255,706** | – |
| | **705,625** | 207,168 |
| Interest from advances of loans to related parties: | | |
| Mr. Zhenjun Zi | **8,521** | – |
| Mr. Min Frank Zeng | **6,847** | – |
| | **15,368** | – |
| Repayment of interest from advances of loans to a related party: | | |
| Mr. Min Frank Zeng | **999** | – |

## 38. RELATED PARTY TRANSACTIONS (Continued)

During the year ended 31 December 2022, the Group had made advances of loans to the Company's directors and shareholders, Mr. Zhenjun Zi and Mr. Min Frank Zeng, in the total principal amounts of RMB468,309,000 and RMB234,976,000, respectively, which should have been approved by the board or independent shareholders in advance, if applicable. The loans bore interest at 3% per annum and were unsecured and repayable on demand. The outstanding loan and interest receivables of RMB34,400,000 as at 31 December 2022 were fully settled as of the date of this report. Further details are included in note 23 to the consolidated financial statements.

During the year ended 31 December 2021, the Group made advances to a director amounting to RMB60,000,000, which was fully settled as at year end. There was also an advance of RMB147,168,000, which was repaid within seven days in December, to a related party controlled by the director.

(b) The Group had following outstanding balances with related parties:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Due from directors: | | |
| Mr. Zhenjun Zi | **28,293** | – |
| Mr. Min Frank Zeng | **6,107** | – |
| | **34,400** | – |

The balances with directors are non-trade in nature, unsecured and repayable on demand. Further details are included in note 38(a) to the consolidated financial statements.

## 38. RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation of key management personnel of the Group:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Salaries, bonuses, allowances and benefits in kind | **11,380** | 9,142 |
| Pension scheme contributions | **300** | 139 |
| Total compensation paid to key management personnel | **11,680** | 9,281 |

Further details of directors', supervisors' and the chief executive's emoluments are included in note 8 to the consolidated financial statements.

## 39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

**2022**

**Financial assets**

| | Financial assets at amortised cost RMB'000 | Financial assets at fair value through profit or loss — Mandatorily classified as such RMB'000 | Financial assets at fair value through other comprehensive income — Equity instruments RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Equity investments designated at fair value through comprehensive income | – | – | 15,747 | 15,747 |
| Due from directors | 34,400 | – | – | 34,400 |
| Financial assets at fair value through profit or loss | – | 388,322 | – | 388,322 |
| Trade receivables | 303,388 | – | – | 303,388 |
| Financial assets included in prepayments, other receivables and other assets | 22,940 | – | – | 22,940 |
| Pledged deposits | 27,487 | – | – | 27,487 |
| Cash and cash equivalents | 1,879,431 | – | – | 1,879,431 |
| | 2,267,646 | 388,322 | 15,747 | 2,671,715 |

## 39. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

**2022 (Continued)**

**Financial liabilities**

| | Financial liabilities at fair value through profit or loss RMB'000 | Financial liabilities at amortised cost RMB'000 | Total RMB'000 |
|---|---|---|---|
| Trade payables | – | 9,126 | 9,126 |
| Financial liabilities included in other payables and accruals | – | 182,677 | 182,677 |
| Interest-bearing bank borrowings | – | 795,982 | 795,982 |
| Contingent consideration payables | 481,338 | – | 481,338 |
| | 481,338 | 987,785 | 1,469,123 |

## 39. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

**2021**

**Financial assets**

| | Financial assets at amortised cost RMB'000 | Financial assets at fair value through profit or loss — Mandatorily classified as such RMB'000 | Financial assets at fair value through other comprehensive income — Equity instruments RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Equity investments designated at fair value through comprehensive income | – | – | 16,194 | 16,194 |
| Financial assets at fair value through profit or loss | – | 477,155 | – | 477,155 |
| Trade receivables | 302,096 | – | – | 302,096 |
| Financial assets included in prepayments, other receivables and other assets | 42,843 | – | – | 42,843 |
| Pledged deposits | 2,563 | – | – | 2,563 |
| Cash and cash equivalents | 2,955,212 | – | – | 2,955,212 |
| | 3,302,714 | 477,155 | 16,194 | 3,796,063 |

## 39. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

**2021 (Continued)**

**Financial liabilities**

| | Financial liabilities at fair value through profit or loss RMB'000 | Financial liabilities at amortised cost RMB'000 | Total RMB'000 |
|---|---|---|---|
| Trade payables | – | 8,751 | 8,751 |
| Financial liabilities included in other payables and accruals | – | 103,022 | 103,022 |
| Interest-bearing bank borrowings | – | 4,900 | 4,900 |
| Contingent consideration payables | 167,480 | – | 167,480 |
| | 167,480 | 116,673 | 284,153 |

## 40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

All the carrying amounts of the Group's financial instruments approximate to their fair values. Management has assessed that the fair values of cash and cash equivalents, pledged deposits, current portion of financial assets included in prepayments, other receivables and other assets, amounts due from directors, trade receivables, current portion of interest-bearing bank borrowings, trade payables and current portion of financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

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

## 40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

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

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

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

The Group has also invested in unlisted debt investments which fair value is determined on a recent transaction valuation. The Group classifies the fair value of these investments as Level 2.

For Level 3 financial assets, the Group adopts the valuation techniques to determine the fair value. Valuation techniques include the scenario analysis for unlisted debt investments, the probability-weighted expected return method for unlisted debt investments, and market method for an unlisted debt investment and an unlisted equity investment. The fair value measurement of these financial instruments may involve unobservable inputs such as the risk-free rate, discount rate, equity volatility, DLOM, Probability of IPO and P/R&D. The Group periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial assets in Level 3.

The fair values of the contingent consideration payables were determined using the discounted cash flow method and are within Level 3 fair value measurement.

## 40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2022 and 2021:

**2022**

| | Valuation technique | Significant unobservable inputs | Range (weighted average) | Sensitivity of fair value to the input |
|---|---|---|---|---|
| Financial assets at fair value through profit or loss | Scenario analysis | Risk-free rate | 5.39% – 5.50% | 1% increase/(decrease) in the risk-free rate would result in a (decrease)/increase in fair value by RMB(1,519,000)/ RMB1,580,000 |
| | | Discount rate | 13.82% – 14.06% | 5% increase/(decrease) in the discount rate would result in a (decrease)/increase in fair value by RMB(4,210,000)/ RMB5,050,000 |
| Financial assets at fair value through profit or loss | Scenario analysis | Risk-free rate | 4.41% | 1% increase/(decrease) in the risk-free rate would result in a (decrease)/increase in fair value by RMB(648,000)/ RMB667,000 |
| | | Discount rate | 15.55% | 5% increase/(decrease) in the discount rate would result in a (decrease)/increase in fair value by RMB(2,670,000)/ RMB3,040,000 |

## 40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2022 and 2021: (Continued)

**2022 (Continued)**

| | Valuation technique | Significant unobservable inputs | Range (weighted average) | Sensitivity of fair value to the input |
|---|---|---|---|---|
| Financial assets at fair value through profit or loss | Probability-weighted expected return method | Risk-free rate | 4.15% | 1% increase/(decrease) in the risk-free rate would result in a (decrease)/increase in fair value by RMB(273,000)/RMB235,000 |
| | | Equity volatility | 30.72% | 10% increase/(decrease) in the equity volatility would result in a (decrease)/increase in fair value by RMB(371,000)/RMB161,000 |
| | | DLOM | 3.79% | 1% increase/(decrease) in the DLOM would result in a (decrease)/increase in fair value by RMB(100,000)/RMB100,000 |
| | | Probability of IPO | 20.00% | 5% increase/(decrease) in the probability of IPO would result in a (decrease)/increase in fair value by RMB(341,000)/RMB341,000 |

## 40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2022 and 2021: (Continued)

**2022 (Continued)**

| | Valuation technique | Significant unobservable inputs | Range (weighted average) | Sensitivity of fair value to the input |
|---|---|---|---|---|
| Financial assets at fair value through profit or loss | Probability-weighted expected return method | Risk-free rate | 4.15% | 1% increase/(decrease) in the risk-free rate would result in a (decrease)/increase in fair value by RMB(2,402,000)/ RMB 2,488,000 |
| | | Equity volatility | 40.13% | 10% increase/(decrease) in the equity volatility would result in a (decrease)/increase in fair value by RMB(2,473,000)/ RMB1,486,000 |
| | | DLOM | 7.45% | 1% increase/(decrease) in the DLOM would result in a (decrease)/increase in fair value by RMB(1,031,000)/ RMB1,031,000 |
| | | Probability of IPO | 30.00% | 5% increase/(decrease) in the probability of IPO would result in a (decrease)/ increase in fair value by RMB(3,592,000)/ RMB3,592,000 |

## 40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2022 and 2021: (Continued)

**2022 (Continued)**

| | Valuation technique | Significant unobservable inputs | Range (weighted average) | Sensitivity of fair value to the input |
|---|---|---|---|---|
| Financial assets at fair value through profit or loss | Market method | Risk-free rate | 4.23% | 1% increase/(decrease) in the risk-free rate would result in a (decrease)/increase in fair value by RMB(84,000)/ RMB71,000 |
| | | Equity volatility | 40.60% | 10% increase/(decrease) in the equity volatility would result in a (decrease)/increase in fair value by RMB(342,000)/ RMB324,000 |
| | | DLOM | 8.06% | 1% increase/(decrease) in the DLOM would result in a (decrease)/increase in fair value by RMB(55,000)/ RMB55,000 |
| | | Probability of IPO | 20.00% | 5% increase/(decrease) in the probability of IPO would result in a (decrease)/increase in fair value by RMB(213,000)/ RMB213,000 |

## 40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2022 and 2021: (Continued)

**2022 (Continued)**

| | Valuation technique | Significant unobservable inputs | Range (weighted average) | Sensitivity of fair value to the input |
|---|---|---|---|---|
| Financial assets at fair value through other comprehensive income | Market method | DLOM | 20.00% | 1% increase/(decrease) in the DLOM would result in a (decrease)/increase in fair value by RMB(190,000)/ RMB190,000 |
| | | P/R&D | 4.40 | 10% increase/(decrease) in the P/R&D would result in a (decrease)/increase in fair value by RMB(1,462,000)/ RMB1,462,000 |
| Contingent consideration payables | Discounted cash flow method | Discount rate | 19.88% | 1% increase/(decrease) in the discount rate would result in a (decrease)/increase in fair value by RMB(4,228,000)/ RMB4,380,000 |
| | | Discount for own non-performance risk for milestone 1 | 10.00% | 5% increase/(decrease) in discount risk would result in a (decrease)/increase in fair value by RMB(9,836,000)/ RMB9,836,000 |
| | | Discount for own non-performance risk for milestone 2 | 20.00% | 5% increase/(decrease) in discount risk would result in a (decrease)/increase in fair value by RMB(1,676,000)/ RMB1,676,000 |

## 40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2022 and 2021: (Continued)

**2022 (Continued)**

| | Valuation technique | Significant unobservable inputs | Range (weighted average) | Sensitivity of fair value to the input |
|---|---|---|---|---|
| Contingent consideration payables | Discounted cash flow method | Discount rate | 22.30% | 1% increase/(decrease) in the discount rate would result in a (decrease)/increase in fair value by RMB(9,852,000)/ RMB10,295,000 |
| | | Discount for own non-performance risk for Milestone 1 | 15.00% | 5% increase/(decrease) in discount risk would result in a (decrease)/increase in fair value by RMB(2,975,000)/ RMB2,975,000 |
| | | Discount for own non-performance risk for Milestone 2 | 20.00% | 5% increase/(decrease) in discount risk would result in a (decrease)/increase in fair value by RMB(6,457,000)/ RMB6,457,000 |
| | | Discount for own non-performance risk for Milestone 3 | 20.00% | 5% increase/(decrease) in discount risk would result in a (decrease)/increase in fair value by RMB(8,749,000)/ RMB8,749,000 |

## 40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2022 and 2021: (Continued)

**2021**

| | Valuation technique | Significant unobservable inputs | Range (weighted average) | Sensitivity of fair value to the input |
|---|---|---|---|---|
| Financial assets at fair value through profit or loss | Discounted cash flow method | Risk-free rate | 1.17% | 1% increase/(decrease) in the risk-free rate would result in a (decrease)/increase in fair value by RMB(2,181,000)/ RMB2,294,000 |
| | | Discount rate | 12.59% | 5% increase/(decrease) in the discount rate would result in a (decrease)/increase in fair value by RMB(4,873,000)/ RMB6,122,000 |
| Financial assets at fair value through profit or loss | Discounted cash flow method | Risk-free rate | 0.97% | 1% increase/(decrease) in the risk-free rate would result in a (decrease)/increase in fair value by RMB(1,016,000)/ RMB1,057,000 |
| | | Discount rate | 13.85% | 5% increase/(decrease) in the discount rate would result in a (decrease)/increase in fair value by RMB(3,450,000)/ RMB4,114,000 |

## 40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2022 and 2021: (Continued)

**2021 (Continued)**

| | Valuation technique | Significant unobservable inputs | Range (weighted average) | Sensitivity of fair value to the input |
|---|---|---|---|---|
| Contingent consideration payables | Discounted cash flow method | Discount rate | 17.50% | 1% increase/(decrease) in the discount rate would result in a (decrease)/increase in fair value by RMB(4,520,000)/ RMB4,692,000 |
| | | Discount for own non-performance risk for milestone 1 | 10.00% | 5% increase/(decrease) in discount risk would result in a (decrease)/increase in fair value by RMB(9,304,000)/ RMB9,304,000 |
| | | Discount for own non-performance risk for milestone 2 | 20.00% | 5% increase/(decrease) in discount risk would result in a (decrease)/increase in fair value by RMB(1,676,000)/ RMB1,676,000 |

The DLOM represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

## 40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

### Fair value hierarchy

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

***Assets measured at fair value:***

**As at 31 December 2022**

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) RMB'000 | Significant observable inputs (Level 2) RMB'000 | Significant unobservable inputs (Level 3) RMB'000 | Total RMB'000 |
| Equity investments designated at fair value through other comprehensive income | – | – | 15,747 | 15,747 |
| Financial assets at fair value through profit or loss | | | | |
| Unlisted debt investments | – | 113,262 | 275,060 | 388,322 |
| | – | 113,262 | 290,807 | 404,069 |

## 40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

### Fair value hierarchy (Continued)

**As at 31 December 2021**

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) RMB'000 | Significant observable inputs (Level 2) RMB'000 | Significant unobservable inputs (Level 3) RMB'000 | Total RMB'000 |
| Equity investments designated at fair value through other comprehensive income | – | 16,194 | – | 16,194 |
| Financial assets at fair value through profit or loss | | | | |
| Unlisted debt investments | – | 330,310 | 146,845 | 477,155 |
| | – | 346,504 | 146,845 | 493,349 |

## 40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

### Fair value hierarchy (Continued)

The movements in fair value measurements within Level 3 during the year are as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Financial assets at fair value through profit or loss | | |
| As at 1 January | **146,845** | 64,473 |
| Purchases | **–** | 81,041 |
| Transfer from level 2 | **110,348** | – |
| Exchange realignment | **23,554** | – |
| Total losses recognised in profit or loss included in other expense | **(5,687)** | 1,331 |
| As at 31 December | **275,060** | 146,845 |
| Equity investments designated at fair value through other comprehensive income | | |
| As at 1 January | **–** | – |
| Transfer from level 2 | **16,194** | – |
| Total loss recognised in other comprehensive loss | **(447)** | – |
| As at 31 December | **15,747** | – |

## 40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

### Fair value hierarchy (Continued)

***Liabilities measured at fair value:***

**As at 31 December 2022**

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) RMB'000 | Significant observable inputs (Level 2) RMB'000 | Significant unobservable inputs (Level 3) RMB'000 | Total RMB'000 |
| Contingent consideration payables | – | – | **481,338** | **481,338** |

**As at 31 December 2021**

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) RMB'000 | Significant observable inputs (Level 2) RMB'000 | Significant unobservable inputs (Level 3) RMB'000 | Total RMB'000 |
| Contingent consideration payables | – | – | 167,480 | 167,480 |

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 for both financial assets and financial liabilities (2021: Nil).

During the year, there were transfers into or out of Level 3 for financial assets (2021: Nil) and there were no transfers into or out of Level 3 for financial liabilities (2021: Nil).

## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables, trade and other payables and bank borrowings, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

### Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings with a floating interest rate.

The Group's policy is to manage its interest cost using variable rate debts.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's loss before tax (through the impact on floating rate borrowings) and the Group's equity.

**31 December 2022**

| | Increase/ (decrease) in basis points | Increase/ (decrease) in loss before tax RMB'000 | (Decrease)/ increase in equity RMB'000 |
|---|---|---|---|
| US$ | 50 | 3,117 | (3,117) |
| US$ | (50) | (3,117) | 3,117 |
| RMB | 50 | 396 | (396) |
| RMB | (50) | (396) | 396 |

## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Foreign currency risk

The Group has transactional currency exposures. Such exposures mainly arise from investing and financing activities of the Company and purchasing activities of operating entities in currencies other than the entities' functional currencies. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the foreign currency exchange rates, with all other variables held constant, of the Group's loss before tax and the Group's equity. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates.

## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Foreign currency risk (Continued)

| | Increase/ (decrease) in rate of foreign currency % | Increase/ (decrease) in loss before tax RMB'000 | Decrease/ (increase) in equity RMB'000 |
|---|---|---|---|
| **2022** | | | |
| If the RMB weakens against the US$ | **5** | **(12,485)** | **(13,501)** |
| If the RMB strengthens against the US$ | **(5)** | **12,485** | **13,501** |
| If the RMB weakens against the HK$ | **5** | **16,382** | **13,834** |
| If the RMB strengthens against the HK$ | **(5)** | **(16,382)** | **(13,834)** |
| If the RMB weakens against the EUR | **5** | **799** | **834** |
| If the RMB strengthens against the EUR | **(5)** | **(799)** | **(834)** |
| If the RMB weakens against the NIS | **5** | **20** | **20** |
| If the RMB strengthens against the NIS | **(5)** | **(20)** | **(20)** |
| **2021** | | | |
| If the RMB weakens against the US$ | 5 | 10,820 | 10,820 |
| If the RMB strengthens against the US$ | (5) | (10,820) | (10,820) |
| If the RMB weakens against the HK$ | 5 | 38,001 | 38,001 |
| If the RMB strengthens against the HK$ | (5) | (38,001) | (38,001) |

### Credit risk

The Group trades mainly with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Credit risk (Continued)

*Maximum exposure and year-end staging*

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on ageing information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

**As at 31 December 2022**

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 RMB'000 | Stage 2 RMB'000 | Stage 3 RMB'000 | Simplified approach RMB'000 | Total RMB'000 |
| Loans to directors | 34,400 | – | – | – | 34,400 |
| Trade receivables* | – | – | – | 316,486 | 316,486 |
| Financial assets included in prepayments, other receivables and other assets | | | | | |
| – Normal** | 23,037 | – | – | – | 23,037 |
| – Doubtful** | – | – | 15,847 | – | 15,847 |
| Pledged deposits | | | | | |
| – Not yet past due | 27,487 | – | – | – | 27,487 |
| Cash and cash equivalents | | | | | |
| – Not yet past due | 1,879,431 | – | – | – | 1,879,431 |
| | 1,964,355 | – | 15,847 | 316,486 | 2,296,688 |

## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Credit risk (Continued)

*Maximum exposure and year-end staging (Continued)*

**As at 31 December 2021**

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 RMB'000 | Stage 2 RMB'000 | Stage 3 RMB'000 | Simplified approach RMB'000 | Total RMB'000 |
| Trade receivables* | – | – | – | 308,639 | 308,639 |
| Financial assets included in prepayments, other receivables and other assets | | | | | |
| – Normal** | 42,843 | – | – | – | 42,843 |
| Pledged deposits | | | | | |
| – Not yet past due | 2,563 | – | – | – | 2,563 |
| Cash and cash equivalents | | | | | |
| – Not yet past due | 2,955,212 | – | – | – | 2,955,212 |
| | 3,000,618 | – | – | 308,639 | 3,309,257 |

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 to the consolidated financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Since the Group trades mainly with recognised and creditworthy third parties, there is no requirement for collateral.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables and other receivables are disclosed in notes 21 and 22 to the consolidated financial statements.

## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

| | As at 31 December 2022 | | | | | |
|---|---|---|---|---|---|---|
| | On demand RMB'000 | Less than 3 months RMB'000 | 3 to 12 months RMB'000 | 1 to 5 years RMB'000 | Over 5 years RMB'000 | Total RMB'000 |
| Trade payables | 147 | 8,979 | – | – | – | 9,126 |
| Financial liabilities included in other payables and accruals | 182,677 | – | – | – | – | 182,677 |
| Lease liabilities | – | 6,780 | 22,468 | 85,361 | 2,747 | 117,356 |
| Contingent consideration payables | – | – | – | 804,590 | 348,230 | 1,152,820 |
| Interest-bearing bank borrowings | – | 232,524 | 17,773 | 528,435 | 78,964 | 857,696 |
| | 182,824 | 248,283 | 40,241 | 1,418,386 | 429,941 | 2,319,675 |

## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Liquidity risk (Continued)

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 (Continued):

| | As at 31 December 2021 | | | | | |
|---|---|---|---|---|---|---|
| | On demand RMB'000 | Less than 3 months RMB'000 | 3 to 12 months RMB'000 | 1 to 5 years RMB'000 | Over 5 years RMB'000 | Total RMB'000 |
| Trade payables | 939 | 7,812 | – | – | – | 8,751 |
| Financial liabilities included in other payables and accruals | 103,022 | – | – | – | – | 103,022 |
| Lease liabilities | – | 5,927 | 14,231 | 41,438 | 6,791 | 68,387 |
| Contingent consideration payables | – | – | – | 344,926 | – | 344,926 |
| Interest-bearing bank borrowings | – | – | 4,900 | – | – | 4,900 |
| | 103,961 | 13,739 | 19,131 | 386,364 | 6,791 | 529,986 |

### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure, which includes equity attributable to owners of the parent, and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.

## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Capital management (Continued)

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Interest-bearing bank borrowings | **795,982** | 4,900 |
| Lease liabilities | **103,661** | 65,875 |
| Total debt | **899,643** | 70,775 |
| Total equity | **3,631,311** | 4,631,844 |
| Gearing ratio | **25%** | 2% |

## 42. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2022, in January 2023, the Group made additional advances of RMB250,000,000 to the Group's director and shareholder, Mr. Zhenjun Zi. The advances together with the outstanding loan and interest receivables of RMB34,400,000 from the Group's directors and shareholders, Mr. Zhenjun Zi and Mr. Min Frank Zeng, as at 31 December 2022 were fully settled as of the date of this report.

On 28 March 2023, Hangzhou Qihao Equity Investment Co., Ltd. (杭州啓皓股權投資有限公司) (one of the Company's indirect wholly-owned subsidiaries), Hangzhou Broncus Medical Co., Ltd. (杭州堃博生物科技有限公司) and Hangzhou Linzhuo Industrial Fund Co., Ltd. (杭州臨卓產業基金有限公司), each as a limited partner, and Hangzhou Yingzhiqin Private Equity Management Co., Ltd. (杭州盈智勤私募基金管理有限公司), as a general partner, entered into a partnership agreement for the establishment of Hangzhou Yingzhiqin I Equity Investment Partnership (Limited Partnership) (杭州盈智勤壹號股權投資合夥企業(有限合夥) to jointly participate in the investment therein, pursuant to which Hangzhou Qihao Equity Investment Co., Ltd. agreed to subscribe for RMB125,000,000, which represent approximately 24.75% of the total capital contribution to Hangzhou Yingzhiqin I Equity Investment Partnership (Limited Partnership).

## 43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | **274,323** | 118,866 |
| Right-of-use assets | **85,889** | 83,570 |
| Other intangible assets | **54,473** | 52,586 |
| Investments in subsidiaries | **1,897,511** | 1,302,618 |
| Financial assets at fair value through profit or loss | **158,918** | 146,845 |
| Prepayments, other receivables and other assets | **12,343** | 13,458 |
| Total non-current assets | **2,483,457** | 1,717,943 |
| CURRENT ASSETS | | |
| Inventories | **98,211** | 80,316 |
| Trade receivables | **288,568** | 301,330 |
| Prepayments, other receivables and other assets | **49,724** | 71,199 |
| Due from directors | **4,137** | – |
| Due from subsidiaries | **1,106,668** | 726,770 |
| Pledged deposits | **22,740** | – |
| Cash and cash equivalents | **697,949** | 2,165,754 |
| Total current assets | **2,267,997** | 3,345,369 |
| CURRENT LIABILITIES | | |
| Trade payables | **7,261** | 5,486 |
| Lease liabilities | **13,687** | 13,052 |
| Other payables and accruals | **148,595** | 103,367 |
| Interest-bearing bank borrowings | **100,115** | – |
| Government grants, current | **1,370** | 14,993 |
| Contract liabilities | **2,952** | 2,845 |
| Refund liabilities | **–** | 14,106 |
| Due to subsidiaries | **480,307** | 303,895 |
| Total current liabilities | **754,287** | 457,744 |
| NET CURRENT ASSETS | **1,513,710** | 2,887,625 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | **3,997,167** | 4,605,568 |

## 43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Information about the statement of financial position of the Company at the end of the reporting period is as follows: (Continued)

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| TOTAL ASSETS LESS CURRENT LIABILITIES | **3,997,167** | 4,605,568 |
| NON-CURRENT LIABILITIES | | |
| Interest-bearing bank borrowings | **71,928** | – |
| Lease liabilities | **29,847** | 26,909 |
| Deferred tax liabilities | **–** | 49 |
| Government grants | **600** | – |
| Total non-current liabilities | **102,375** | 26,958 |
| Net assets | **3,894,792** | 4,578,610 |
| EQUITY | | |
| Share capital | **441,011** | 441,011 |
| Reserves (note) | **3,453,781** | 4,137,599 |
| Total equity | **3,894,792** | 4,578,610 |

## 43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Information about the statement of financial position of the Company at the end of the reporting period is as follows: (Continued)

Note:

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

| | Treasury shares RMB'000 | Share premium RMB'000 | Other reserves RMB'000 | Accumulated losses RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| At 1 January 2021 | – | 3,938,987 | 268,195 | (432,511) | 3,774,671 |
| Total comprehensive loss for the year | – | – | – | (737,813) | (737,813) |
| Issue of placing shares | – | 1,187,853 | – | – | 1,187,853 |
| Share issue expenses | – | (14,564) | – | – | (14,564) |
| Shares repurchased | (72,548) | – | – | – | (72,548) |
| At 31 December 2021 and 1 January 2022 | (72,548) | 5,112,276 | 268,195 | (1,170,324) | 4,137,599 |
| Total comprehensive loss for the year | – | – | – | (683,818) | (683,818) |
| At 31 December 2022 | (72,548) | 5,112,276 | 268,195 | (1,854,142) | 3,453,781 |

## 44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2023.

# Definitions

| | |
|---|---|
| "510 Kardiac" | 510 Kardiac Devices, Inc |
| "ABOSOPATH" | third generation catheter sheath |
| "AGM" | 2022 annual general meeting of the Company |
| "AS" | Aortic Stenosis |
| "Articles of Association" | the articles of association of the Company |
| "Audit Committee" | the audit committee of the Board |
| "Board" | the board of directors of the Company |
| "Cardiovalve" | Cardiovalve Ltd. (formerly known as Mitraltech Ltd.), a private company incorporated under the laws of Israel, which is a wholly-owned subsidiary of the Target Company |
| "CE Marking" | a certification mark that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area |
| "CEP" | cerebral embolic protection, the function of the devices designed to capture or deflect embolism traveling to the brain during TAVR procedures in order to protect the supra-aortic vessels from embolic debris |
| "China" or "the PRC" | the People's Republic of China, excluding, for the purpose of this report, Hong Kong, Macau Special Administrative Region and Taiwan |
| "Closing" | the closing of the Share Purchase in accordance with the terms and conditions of the Share Purchase Agreement |
| "Company", "our Company" or "Venus Medtech" | Venus Medtech (Hangzhou) Inc. (杭州啓明醫療器械股份有限公司), a limited liability company incorporated in the PRC on July 3, 2009 and converted into a joint stock limited liability company incorporated in the PRC on November 29, 2018, whose H Shares are listed on the Hong Kong Stock Exchange (Stock Code: 2500) |

| | |
|---|---|
| "Company-Owned Equity" | the 799,443 Series C Preferred Shares that the Company currently indirectly holds through its wholly-owned subsidiary, Keystone |
| "COO" | Chief Operating Officer |
| "Corporate Governance Code" | the Corporate Governance Code set out in Appendix 14 to the Listing Rules |
| "COVID-19" | an infectious disease caused by a newly discovered coronavirus, the outbreak of which began in December 2019 |
| "CSRC" | the China Securities Regulatory Commission |
| "Directors" | the director(s) of the Company |
| "Domestic Share(s)" | the issued ordinary share(s) of the Company with a par value of RMB1.00 each, which are subscribed for and paid up in Renminbi |
| "Employee Incentive Scheme" | the employee incentive scheme of our Company approved and adopted by our Board on March 10, 2017, a summary of the principal terms of which is set forth in "Appendix VI – Statutory and General Information – Further information about our Directors, management and substantial shareholders – 5. Employee Incentive Scheme" of the Prospectus |
| "EU" | the European Union |
| "ESG Report" | environmental, social and governance report |
| "ESG Reporting Guide" | the Environmental, Social and Governance Reporting Guide in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited |
| "FDA" | U.S. Food and Drug Administration |

| | |
|---|---|
| "FDA 510(k)" | section 510(k) of the Food, Drug and Cosmetic Act, which requires device manufacturers who must register, to notify the FDA of their intent to market a medical device at least 90 days in advance |
| "FIM" | First-In-Man |
| "GMP" | good manufacturing practices, the aspect of quality assurance that ensures that medicinal products are consistently produced and controlled to the quality standards appropriate to their intended use and as required by the product specification |
| "Group", "We" or "us" | the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require) |
| "HCM" | hypertrophic cardiomyopathy |
| "H Share(s)" | the overseas listed foreign shares with a nominal value of RMB1.0 each in the share capital of the Company, which are listed on the Hong Kong Stock Exchange and subscribed for and traded in Hong Kong dollars |
| "H Share Registrar" | Computershare Hong Kong Investor Services Limited |
| "Healium" | Healium Medical Ltd, a high-tech company in Israeli |
| "HK$" | Hong Kong dollars, the lawful currency of Hong Kong |
| "HOCM" | hypertrophic obstructive cardiomyopathy |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "IASB" | the International Accounting Standards Board |
| "IFRS" | International Financial Reporting Standards |
| "IDE" | Investigational Device Exemption |

| | |
|---|---|
| "Independent Third Party(ies)" | person(s) who, to the best knowledge of the Directors having made all reasonable enquiries, are not connected person(s) (as defined under the Listing Rules) of the Company |
| "Keystone" | Keystone Heart Ltd. (a wholly owned subsidiary of the Company which as of the date of this report, owns 799,433 Series C Preferred Shares of the Target Company) and its subsidiaries |
| "KOLs" | Acronym for Key Opinion Leaders who are doctors that influence their peers' medical practice, including but not limited to prescribing behavior |
| "KPIs" | key performance indicators |
| "Liwen RF" | Liwen RF ablation system, one of our product candidates |
| "Listing" | the listing of the H Shares on the Main Board of the Stock Exchange on December 10, 2019 |
| "Listing Date" | December 10, 2019, being the date on which the shares were listed on the Main Board |
| "Listing Rules" | the Rules governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time |
| "LVOT" | left ventricular outflow tract. the anatomic structure through which the left ventricular stroke volume passes towards the aorta |
| "Main Board" | the Main Board of the Stock Exchange |
| "Model Code" | the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules |
| "NL" | the Netherlands |

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|---|---|
| "NMPA" | National Medical Products Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局) |
| "Nomination Committee" | the Nomination Committee of the Board |
| "Offshore Employee Entities" | Blue Summit Management Limited, Mercury Holding Limited and Jupiter Holding Limited, which are limited liability companies incorporated in the Cayman Islands and the beneficial interests of which are offered to certain key employees of our Company pursuant to the Employee Incentive Scheme |
| "PI" | principle investigator |
| "Purchaser" | Athena Medtech Holding Ltd, a private company incorporated under the laws of Israel and wholly-owned by Venus HK, which is in turn wholly-owned by the Company |
| "Prospectus" | the prospectus published by the Company on November 28, 2019 in relation to its Hong Kong public offering |
| "PRC Employee Entities" | Hangzhou Qichu Investment Partnership (Limited Partnership) (杭州啓初投資合夥企業(有限合夥)), Hangzhou Mingnuo Investment Partnership (Limited Partnership) (杭州明諾投資合夥企業(有限合夥)), Hangzhou Qifei Investment Partnership (Limited Partnership) (杭州啓非投資合夥企業(有限合夥)), Hangzhou Qihe Investment Partnership (Limited Partnership) (杭州啓和投資合夥企業(有限合夥)), Hangzhou Qilai Investment Partnership (Limited Partnership) (杭州啓來投資合夥企業(有限合夥)), Hangzhou Qili Investment Partnership (Limited Partnership) (杭州啓立投資合夥企業(有限合夥)), Hangzhou Qinuo Investment Partnership (Limited Partnership) (杭州啓諾投資合夥企業(有限合夥)), Hangzhou Qisheng Investment Partnership (Limited Partnership) (杭州啓勝投資合夥企業(有限合夥)) and Hangzhou Qixin Investment Partnership (Limited Partnership) (杭州啓心投資合夥企業(有限合夥)), the beneficial interests of which are offered to certain key employees of the Company pursuant to the Employee Incentive Scheme |

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|---|---|
| "R&D" | research and development |
| "RDN" | renal artery denervation |
| "Renaly" | Renaly Ltd, a 51% owned subsidiary established by the Company and Healium |
| "Reporting Period" | the one-year period from January 1, 2022 to December 31, 2022 |
| "Remuneration and Assessment Committee" | the Remuneration and Assessment Committee of the Board |
| "RMB" or "Renminbi" | Renminbi Yuan, the lawful currency of China |
| "RVOT" | right ventricular outflow tract, an infundibular extension of the ventricular cavity which connects to the pulmonary artery |
| "RVOTD" | the dysfunction of RVOT |
| "Selling Shareholders' Representative" | MTH Shareholder Representative LLC, a Delaware limited liability company |
| "Series C Preferred Shares" | the Series C preferred shares of the Target Company |
| "SFO" | the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), as amended or supplemented from time to time |
| "Share Purchase" | the purchase of all of the issued and outstanding shares of the Target Company (other than the Company-Owned Equity) by the Purchaser from the Target Company Selling Shareholders, pursuant to the terms and conditions of the Share Purchase Agreement |
| "Share Purchase Agreement" | the Share Purchase Agreement, dated as of December 7, 2022, entered into among the Company, the Purchaser, the Target Company, the Target Company Selling Shareholders and the Selling Shareholders' Representative |

| | |
|---|---|
| "Shareholder(s)" | holders of shares of the Company |
| "Stock Exchange" | the Stock Exchange of Hong Kong Limited |
| "Supervisor(s)" | member(s) of the supervisory committee of the Company |
| "Target Company" | Mitraltech Holdings Ltd., a private company incorporated under the laws of Israel |
| "Target Company Selling Shareholders" | the existing shareholders of the Target Company, other than Keystone |
| "TAV0" | TAV0 Balloon Aortic Valvuloplasty Catheter, one of our balloon transluminal aortic valvuloplasty catheter system products |
| "TAV8" | TAV8 Balloon Aortic Valvuloplasty Catheter, one of our balloon transluminal aortic valvuloplasty catheter system products |
| "TAVR" | transcatheter aortic heart valve replacement, a catheter-based technique to implant a new aortic valve in a minimally invasive procedure that does not involve open chest surgery to correct severe aortic stenosis |
| "TMVR" | transcatheter mitral valve replacement, catheter-based technique to implant a new mitral valve in a minimally invasive procedure that does not involve open-chest surgery |
| "ToF" | tetralogy of fallot, a congenital abnormality of the heart characterized by pulmonary stenosis, an opening in the interventricular septum, malposition of the aorta over both ventricles, and hypertrophy of the right ventricle |
| "TPVR" | transcatheter pulmonary valve replacement, a catheter-based technique to implant a new pulmonary valve in a minimally invasive procedure that does not involve open-chest surgery |

| | |
|---|---|
| "TriGUARD3" | TriGUARD3 Cerebral Embolic Protection Device, our CEP product |
| "TTVR" | transcatheter tricuspid valve replacement, a catheter-based technique to implant a new tricuspid valve in a minimally invasive procedure that does not involve open-chest surgery |
| "UK" | the United Kingdom |
| "Unlisted Foreign Share(s)" | the issued ordinary share(s) of the Company with a par value of RMB1.00 issued to overseas investors, which are subscribed for and paid up in currencies other than Renminbi and not listed on any stock exchange |
| "U.S.", "the USA" or "United States" | the United States of America, its territories and possessions, any state of the United States and the District of Columbia |
| "US$" | United States dollars, the lawful currency of the United States of America |
| "V8" | V8, one of our balloon transluminal aortic valvuloplasty catheter system products |
| "Venus HK" | Venus Medtech (Hong Kong) Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company |
| "Venus-PowerX" | Venus-PowerX Valve, one of our TAVR product candidates |
| "Venus-Vitae" | Venus-Vitae Valve, one of our TAVR product candidates |
| "VenusA-Pilot" | VenusA-Pilot System, one of our TAVR product candidates |
| "VenusA-Plus" | VenusA-Plus System, one of our TAVR products |
| "VenusA-Pro" | VenusA-Pro System, one of our TAVR products |
| "VenusA series" | VenusA-Valve, VenusA-Plus and VenusA-Pro |

| | |
|---|---|
| "VenusA-Valve" | VenusA-Valve System, one of our TAVR products |
| "VenusP-Valve" | VenusP-Valve System, our TPVR product candidate |

*In this report, the terms "associate", "connected transaction", "controlling shareholder" and "subsidiary" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.*