上海瑛泰醫療器械股份有限公司
Shanghai INT Medical Instruments Co., Ltd.*

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

Stock Code : 1501

INNOVATION SERVES HEALTH,
HIGH-QUALITY ACHIEVES EXCELLENCE

*For identification purposes only

ANNUAL REPORT 2023

Shanghai INT Medical Instruments Co., Ltd.
Annual Report 2023

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Dr. Liang Dongke (梁棟科) *(Chairman)*
Mr. Lin Sen (林森)

NON-EXECUTIVE DIRECTORS

Mr. Zhang Weixin (張維鑫)
Ms. Chen Hongqin (陳紅琴)
Dr. Song Yuan (宋媛)
Mr. Wang Ruiqin (王瑞琴)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jian Xigao (蹇錫高)
Mr. Hui Hung Kwan (許鴻群)
Mr. Xu Congli (徐從禮)

SUPERVISORS

Ms. Ma Huifang (馬慧芳) *(Chairperson)*
Ms. Chen Jie (陳潔)
Mr. Shen Xiaoru (沈曉如)

AUDIT COMMITTEE

Mr. Hui Hung Kwan (許鴻群) *(Chairman)*
Mr. Xu Congli (徐從禮)
Dr. Song Yuan (宋媛)

REMUNERATION COMMITTEE

Mr. Jian Xigao (蹇錫高) *(Chairman)*
Mr. Hui Hung Kwan (許鴻群)
Dr. Liang Dongke (梁棟科)

NOMINATION COMMITTEE

Dr. Liang Dongke (梁棟科) *(Chairman)*
Mr. Jian Xigao (蹇錫高)
Mr. Xu Congli (徐從禮)

JOINT COMPANY SECRETARIES

Dr. Song Yuan (宋媛)
Ms. Leung Shui Bing (梁瑞冰)

AUTHORIZED REPRESENTATIVES

Dr. Liang Dongke (梁棟科)
Ms. Leung Shui Bing (梁瑞冰)

AUDITORS

International auditor:
KPMG
(Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance)
8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

Domestic auditor:
KPMG Huazhen LLP
Floor 25, Tower II, Plaza 66
1266 Nanjing West Road
Shanghai
PRC

LEGAL ADVISERS

As to Hong Kong law:
O'Melveny & Myers
31st Floor, AIA Central
1 Connaught Road Central
Hong Kong

As to PRC law:
DeHeng Shanghai Law Office
Floor 23, Sinar Mas Plaza
No.501 East Da Ming Road
Shanghai
PRC

REGISTERED OFFICE IN THE PRC

Block 2, No. 925 Jin Yuan Yi Road
Jiading District, Shanghai
PRC

CORPORATE INFORMATION

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Block 2, No. 925 Jin Yuan Yi Road
Jiading District, Shanghai
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two, Times Square
1 Matheson Street, Causeway Bay
Hong Kong

H SHARE REGISTRAR

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

PRINCIPAL BANKERS

China Construction Bank Corporation Shanghai Jiangqiao Branch
1/F, No. 138 Jiayi Road
Jiading District, Shanghai
PRC

Agricultural Bank of China Limited Shanghai Jiading Branch
2/F, No. 355 Tacheng Road
Jiading District, Shanghai, PRC

STOCK CODE

1501

COMPANY WEBSITE

www.int-medical.com

CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to present this annual report of the Group for the year ended 31 December 2023 for consideration by the Shareholders.

FINANCIAL REVIEW

As a result of the increase in market demand for the products and increase the number of new customers, the Group's revenue in the Reporting Period was approximately RMB752.84 million, representing an increase of approximately 28.50% or approximately RMB166.96 million as compared to approximately RMB585.88 million for the year ended 31 December 2022. The Group's revenue generated from sales of interventional medical devices in the Reporting Period was approximately RMB671.10 million, representing an increase of approximately 32.76% or approximately RMB165.62 million as compared to approximately RMB505.48 million for the year ended 31 December 2022. The Group's profit for the Reporting Period was approximately RMB153.23 million, representing an increase of approximately 14.50% as compared to approximately RMB133.83 million for the year ended 31 December 2022. The basic and diluted earnings per share in the Reporting Period were RMB0.92 and RMB0.92, as compared to RMB0.79 and RMB0.78 for the year ended 31 December 2022.

OPERATION REVIEW

As of 31 December 2023, the Group was comprised of 16 wholly-owned or holding subsidiaries engaging in the design and development of medical devices used in fields including peripheral intervention, neurological intervention, cardiovascular intervention or implantation and the design and development of equipment and moulds used for production of medical devices.

RESEARCH AND DEVELOPMENT

In terms of research and development, we have attained the following achievements during the Reporting Period:

- obtained 19 new products certificates, 6 of which have obtained National Medical Products Administration of China ("**NMPA**") registration certificates for Class III medical devices; and 13 of which have obtained Provincial and Municipal Medical Products Administration ("**PMMPA**") registration certificates for Class II medical devices; and

- completed clinical trials of the Hanchor valve and absorbable liquid gelatin matrix.

As of 31 December 2023, we had 334 registered patents, 208 patents under application and 9 registered software.

We believe our in-house research and development progress and achievements as detailed above would continue to support development and commercialization of our products and fuel the Group's sustainable development in the future.

CHAIRMAN'S STATEMENT

SALES AND MARKETING

During the Reporting Period, the Group held and took part several online and offline exhibition promotions and other academic promotion meetings, including CMEF, a large medical exhibition in China, and MEDICA, a world-renowned medical exhibition. By the end of 2023, our PRC distributors cover 23 provinces, 4 directly-administered municipalities and 5 autonomous regions in the PRC, and covering 2,660 domestic hospitals in the PRC. In addition, we had 226 overseas customers covering over 77 countries and regions.

OUTLOOK

The Group will continue to deeply develop various fields of medical devices, and orderly promote the Company's strategic planning and business layout. Looking forward to 2024, we will (1) further develop the product pipeline, allocate more resources for research and development, further progress on the research and development of the core product pipeline and obtaining approvals for new products; (2) fully leverage on our brand recognition and sales distribution network to further expand our market share, and strengthen the Company's brand building and enhance brand value; and (3) fully use of the Group's investment in the research and development center to further enhance automation and scale production.

APPRECIATION

On behalf of the Board, I would like to express my appreciation and gratitude to the Shareholders. We would also like to thank all of the Directors, Supervisors, senior management and colleagues for their continuous dedication and effort. We will strive to take advantage of opportunities ahead to achieve sustainable business growth and drive higher returns to the Shareholders.

Dr. Liang Dongke
Chairman

18 March 2024

FINANCIAL SUMMARY

	For the year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**752,836**	585,883	464,675	358,428	286,457
Gross Profit	**438,070**	332,486	275,745	234,415	174,442
Profit from operations	**178,322**	145,286	156,324	137,177	113,738
Net profit for the year	**153,228**	133,833	140,445	116,517	96,535
Profitability					
Gross profit margin	**58.19%**	56.7%	59.3%	65.4%	60.9%
Net profit margin	**20.35%**	22.8%	30.2%	32.5%	33.7%
Earnings per share (RMB)					
Basic	**0.92**	0.79	0.86	0.73	0.79
Diluted	**0.92**	0.78	0.86	0.73	0.79

	As at 31 December				
	2023	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets					
Total assets	**2,029,626**	1,827,334	1,621,545	1,422,684	1,298,580
Total liabilities	**351,248**	273,230	183,625	95,036	64,293
Total equity attributable to equity shareholders of the Company	**1,649,241**	1,512,015	1,395,472	1,305,650	1,216,381

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

We are a leading Chinese cardiovascular interventional device manufacturer as well as one of the few medical device groups that cover the entire industry chain from design and development of mould and equipment, product injection, product assembly, product packaging to sterilisation in the PRC. Our major products are primarily used for cardiovascular surgeries.

In China, the government introduced reform policies to support the healthy and orderly development of the medical industry. The Central Committee of the Communist Party of China and the State Council issued "Opinions on Deepening the Reform of the Medical Security System", calling for the incorporation of drugs, diagnosis and treatment items, and medical consumables with high clinical value and good economic evaluation into the scope of medical insurance payment, continued reform of centralized volume and full implementation of volume-based procurement of medical consumables. In 2022, the State Council issued "the 14th Five-Year Plan for National Medical Security", further promoting the normalization and institutionalization of centralized volume procurement, and continuously expanding the scope of centralized volume procurement of high-value medical consumables. National Healthcare Security Administration issued the "Notice on Issuing the Three-year Action Plan for the Reform of DRG/DIP Payment Mode", aiming to establish a national unified, top-down linkage and internal and external coordination of payment mechanism, and continue to expand the coverage area of DRG/DIP payment mode. The Company, with comprehensive medical device registration certificates, strong research and development capabilities and leading brand marketing system, will have a greater advantage in the normalized DRG/DIP competition in the future.

The Group's revenue in the Reporting Period was approximately RMB752.84 million, representing an increase of approximately 28.50% or approximately RMB166.96 million as compared to approximately RMB585.88 million for the year ended 31 December 2022, due to the increase of market demand for the Group's products and the increase of the number of new customers of the Group. The Group's revenue generated from sales of interventional medical devices in the Reporting Period was approximately RMB671.10 million, representing an increase of approximately 32.76% or approximately RMB165.62 million as compared to approximately RMB505.48 million for the year ended 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Comprehensive medical device registration certificates

During the Reporting Period, the Group has obtained 6 NMPA registration certificates for Class III medical devices and 13 PMMPA registration certificates for Class II medical devices. As at 31 December 2023, we have an aggregate of 35 NMPA registration certificates for Class III medical devices, 38 PMMPA registration certificates for Class II medical devices, 36 European CE certificates and 18 FDA approvals.

Strong research and development capabilities

Our research and development team consists of professionals who possess doctorate degrees and master's degrees and numerous talents who have over 10 years of experience in research and development of production, with adequate capabilities in the development of innovation products and sustainable improvement of research and development. As at 31 December 2023, we had 334 registered patents, 208 patents under application and 9 registered software.

Extensive distribution and sales network

We have an extensive distribution network and have developed and maintained stable relationships with our distributors. By the end of 2023, our PRC distributors cover 23 (2022: 23) provinces, 4 (2022: 4) directly-administered municipalities and 5 (2022: 5) autonomous regions in the PRC, and covering 2,660 (2022: 2,317) domestic hospitals in the PRC. In addition, we had 226 (2022: 207) overseas customers covering over 77 (2022: 58) countries and regions.

ACTIVITIES REVIEW

Subsidiaries

As at 31 December 2023, the Group had 16 (2022: 14) wholly-owned or holding subsidiaries engaging in the design and development of medical devices used in fields including peripheral intervention, neurological intervention, cardiovascular intervention or implantation, and the design and development of equipment and moulds used for production of medical devices.

Change in Use of Unutilized Net Proceeds

Reference is made to the announcement of the Company dated 3 March 2023 in relation to the change in use of unutilized net proceeds from the global offering of H Shares (the "**Net Proceeds**"). As at 3 March 2023, the Company has utilized approximately RMB585.86 million of the Net Proceeds and the unutilized Net Proceeds amounted to approximately RMB211.76 million (the "**Unutilized Net Proceeds**").

Having considered the Group's business needs and efficiency in utilization of the Net Proceeds, the Board resolved on 3 March 2023 to change the use of the Unutilized Net Proceeds designated for "potential acquisitions" to "set up a research and development center and an additional production facility in Jiading, Shanghai".

The Board considers the increase of planned use of net proceeds in setting up research and development center and additional production facility in Jiading, Shanghai beneficial to accelerate the completion of the project and the progress of the Company's research and development pipeline, and the re-allocation of the Unutilized Net Proceeds would not impede or otherwise adversely affect the Group's product portfolio or business operation. The Board confirms that there is no material change in the business nature of the Group and considered that the proposed change in the use of the Unutilized Net Proceeds will not have any material adverse impact on the operations of the Group and is in the best interests of the Company and the Shareholders as a whole.

Change in Domestic Auditor

Reference is made to the announcements of the Company dated 20 March 2023 and 18 May 2023, in relation to, among others, the proposed change of the domestic auditor from BDO China Shu Lun Pan Certified Public Accountants LLP ("**BDO**") to KPMG Huazhen LLP (the "**Change of Domestic Auditor**") in the year of 2023. Considering the fact that BDO and KPMG has been serving as its domestic auditor and international auditor, respectively and in order to ensure business synergy between domestic and international auditors and enhance the efficiency, the Board proposed the Change of Domestic Auditor on 20 March 2023, which was further approved by the Shareholders at the annual general meeting of the Company on 18 May 2023 (the "**2022 AGM**"). The term of KPMG Huazhen LLP commenced from the date of approval at the 2022 AGM and will expire on the date of the next annual general meeting of the Company. BDO has confirmed to the Board that there are no matters in relation to the proposed Change of Domestic Auditor that it considered should be brought to the attention of the Shareholders. The Board and the Audit Committee also confirmed that, save as the reasons disclosed above, there is no disagreement between the Company and BDO and there are no other matters in relation to the Change of Domestic Auditor that need to be brought to the attention of the Shareholders.

Adoption of the 2023 Share Incentive Scheme and Proposed Grant of Restricted Shares under the 2023 Share Incentive Scheme

Reference are made to the announcements of the Company dated 29 August 2023, 24 November 2023 and 19 December 2023, the circular of the Company dated 16 October 2023 and the supplemental circular of the Company dated 30 November 2023, in relation to, among others, the adoption of the 2023 employee share incentive scheme of Shanghai INT Medical Instruments Co., Ltd.* (上海瑛泰醫療器械股份有限公司員工股權激勵計劃(2023年)) (the "**2023 Share Incentive Scheme**"). The proposed adoption of the 2023 Share Incentive Scheme was approved by the Shareholders at the extraordinary general meeting of the Company held on 19 December 2023 (the "**2023 First EGM**"). For the principal terms of the 2023 Share Incentive Scheme, please refer to the circular of the Company dated 16 October 2023. The 2023 Share Incentive Scheme involves issue of new Domestic Shares and therefore constitutes a share scheme as defined and regulated under Chapter 17 of the Listing Rules.

The Board proposed to grant 5,000,000 restricted shares under the 2023 Share Incentive Scheme to 17 grantees, including Dr. Liang Dongke, Mr. Lin Sen and Dr. Song Yuan (collectively the "**Conditional Grantees**"). As the proposed grant to each of the Conditional Grantees (the "**Conditional Grant**") would result in the Shares issued and to be issued in respect to all awards to granted to him/her in a 12-month period up to and including the date of such grant, represent over 0.1% of the Shares in issue, the Conditional Grant is subject to the approval by the independent shareholders of the Company. The Conditional Grant was approved by the independent shareholders of the Company at the 2023 First EGM.

As at 31 December 2023, the Company has not made any grant to any participant under the 2023 Share Incentive Scheme.

MANAGEMENT DISCUSSION AND ANALYSIS

Allotment and Issuance of Award Shares under the Share Incentive Scheme

Reference is made to the announcement of the Company dated 24 October 2023 in relation to the allotment and issuance of award shares to the Share Incentive Platforms and Dr. Liang Dongke. The Company has received approval dated 17 October 2023 from the CSRC (the "**CSRC Approval**") in relation to the Company's allotment and issuance of 3,000,000 new Domestic Shares under the Share Incentive Scheme. The CSRC Approval shall be effective for 12 months from 17 October 2023. The 3,000,000 new Domestic Shares issued and allotted to the Share Incentive Platforms and Dr. Liang Dongke on 6 November 2023 and the total number of issued Shares increased to 171,000,000.

Change of Company Name

Reference is made to the announcement of the Company dated 29 August 2023 in relation to, among others, the proposed change of the English name of the Company from "Shanghai Kindly Medical Instruments Co., Ltd." to "Shanghai INT Medical Instruments Co., Ltd." and change of the Chinese name of the Company from "上海康德萊醫療器械股份有限公司" to "上海瑛泰醫療器械股份有限公司" (the "**Change of Company Name**"). The Change of Company Name was approved by the Shareholders at the 2023 First EGM. The Company has completed the registration with the authorities in the PRC and has carried out necessary filing procedures with the Companies Registry in Hong Kong and has completed the change in the English and Chinese stock short names for trading in the H Shares on the Stock Exchange.

The Board considered the proposed name of "上海瑛泰醫療器械股份有限公司 (Shanghai INT Medical Instruments Co., Ltd.)" will be helpful to establish an independent corporate identity, strengthen the market recognition of the Company's own brand, and will be aligned with the Company's future strategic development plan. As such, the Board, including the independent non-executive Directors, considers that the Change of Company Name is in the interest of the Company and the Shareholders as a whole.

Amendments to the Articles of Association

References are made to the announcement of the Company dated 10 April 2023 and the circular of the Company dated 14 April 2023, in relation to the amendments to the Articles of Association.

On 17 February 2023, the State Council issued the Decision of the State Council to Repeal Certain Administrative Regulations and Documents* (《國務院關於廢止部分行政法規和文件的決定》) and the CSRC issued the Trial Measures of Overseas Securities Offering and Listing by Domestic Companies* (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Measures**") and related guidelines, which came into effect on 31 March 2023. Meanwhile, the Mandatory Provisions for Companies Listing Overseas* (《到境外上市公司章程必備條款》) (the "**Mandatory Provisions**") set forth in Zheng Wei Fa (1994) No. 21 file issued on 27 August 1994 by the State Council Securities Policy Committee and the State Commission for Restructuring the Economic System and the Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies* (《國務院關於股份有限公司境外募集股份及上市的特別規定》) issued on 4 August 1994 by the State Council were repealed on the effective date of the Trial Measures. PRC issuers shall formulate their articles of association with reference to the Guidelines on Articles of Association of Listed Companies* (《上市公司章程指引》) (the "**Guidelines**") issued by the CSRC in place of the Mandatory Provisions. In light of the above, the Stock Exchange also proposed certain amendments to the Listing Rules in the Consultation Paper on Rule Amendments Following Mainland China Regulation Updates and Other Proposed Rule Amendments Relating to PRC Issuers issued on 24 February 2023.

The Board thus proposed to, by reference to the PRC Company Law, the Guidelines and other regulations, make adaptations to the Articles of Association, mainly including additions, deletions and adjustments to the relevant articles to reflect the repeal of the Mandatory Provisions and the provisions of the Trial Measures and certain housekeeping changes. The proposed amendments to the Articles of Association have taken effect after approval by the Shareholders at the 2022 AGM, the class meeting of holders of the H shares of the Company and the class meeting of holders of domestic shares of the Company held on 18 May 2023 and the consequential amendments to the Listing Rules in light of the regulation changes in the PRC became effective.

References are made to the announcement of the Company dated 29 August 2023 and the circular of the Company dated 16 October 2023, in relation to, among others, the amendments to the Articles of Association. The Company proposed to make certain amendments to the Articles of Association in relation to, among other things, (i) the adoption of the 2023 Share Incentive Scheme, as the registered capital of the Company will be increased due to the issuance and allotment of the restricted shares under the 2023 Share Incentive Scheme; and (ii) the Proposed Change of Company Name. The aforesaid amendments to the Articles of Association were approved by the Shareholders at the 2023 First EGM.

OUTLOOK FOR 2024

The Group will continue to deeply develop various fields of medical devices, and orderly promote the Company's strategic planning and business layout. Looking forward to 2024, we will (1) further develop the product pipeline, allocate more resources for research and development, further progress on the research and development of the core product pipeline and obtaining approvals for new products; (2) fully leverage on our brand recognition and sales distribution network to further expand our market share, and strengthen the Company's brand building and enhance brand value; and (3) fully use of the Group's investment in the research and development center to further enhance automation and scale production.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

REVENUE

The Group's revenue in the Reporting Period was approximately RMB752.84 million, representing an increase of approximately 28.50% or approximately RMB166.96 million as compared to approximately RMB585.88 million for the year ended 31 December 2022, due to the increase in market demand for the Group's products and the increase of number of the Group's new customers.

With respect to revenue categorized by different products, the Group's revenue generated from sales of interventional medical devices in the Reporting Period was approximately RMB671.10 million (2022: approximately RMB505.48 million), representing approximately 89.14% of the total revenue as compared to approximately 86.28% for the year ended 31 December 2022. The Group's revenue generated from sales of medical accessories was approximately RMB26.67 million (2022: approximately RMB16.85 million), representing approximately 3.54% (2022: approximately 2.88%) of the total revenue. The Group's revenue generated from agent business was approximately RMB44.16 million (2022: approximately RMB50.33 million), representing approximately 5.87% (2022: approximately 8.59%) of the total revenue.

Cost of Sales

The Group's cost of sales in the Reporting Period was approximately RMB314.77 million, representing an increase of approximately 24.22% or approximately RMB61.37 million as compared to approximately RMB253.40 million for the year ended 31 December 2022, which changes were in line with the growth of revenue during the Reporting Period.

Gross Profit and Gross Profit Margin

During the Reporting Period, the Group's gross profit was approximately RMB438.07 million, as compared to approximately RMB332.49 million for the year ended 31 December 2022. Gross profit margin increased from approximately 56.75% to approximately 58.19% as compared to the year ended 31 December 2022. The increase in gross profit margin was mainly due to the increase in the sales share of products with higher gross profit margin.

Other Income

During the Reporting Period, other income was approximately RMB33.33 million, representing a decrease of approximately 2.09% or approximately RMB0.71 million as compared to approximately RMB34.04 million for the year ended 31 December 2022. Net unrealised gains from fair value changes on financial assets and liabilities measured at fair value through profit or loss for the Reporting Period was approximately RMB2.08 million (2022: approximately RMB7.36 million).

Finance Costs

During the Reporting Period, the finance cost was approximately RMB3.19 million as compared to approximately RMB0.82 million for the year ended 31 December 2022. The finance costs were interests arising from bank loan and lease liabilities.

Distribution Costs

The distribution costs of the Group in the Reporting Period were approximately RMB67.40 million, increased by approximately 19.51% or approximately RMB11.01 million as compared to approximately RMB56.39 million for the year ended 31 December 2022. It constituted approximately 8.95% of the total revenue as compared to approximately 9.63% for the year ended 31 December 2022. The increase in distribution costs was primarily due to: (1) the sales team was expanded; and (2) the exhibition promotions in the PRC and overseas.

Administrative Expenses

The administrative expenses of the Group in the Reporting Period were approximately RMB99.43 million increased by approximately 54.66% or approximately RMB35.14 million, as compared to approximately RMB64.29 million for the year ended 31 December 2022. The rise was mainly due to the increase in payroll and depreciation and amortisation.

Research and Development Expenses

The research and development expenses of the Group in the Reporting Period were approximately RMB179.31 million, of approximately RMB53.46 million (2022: approximately RMB41.31 million) was capitalised as intangible assets and the remaining approximately RMB125.85 million (2022: approximately RMB99.63 million) was charged to profit or loss, representing an increase of approximately 27.22% or approximately RMB38.37 million as compared to approximately RMB140.94 million for the year ended 31 December 2022. The rise was primarily due to the Group's continued development and commercialisation of the existing pipeline products, as well as new products of the Group.

Income Tax Expenses

The income tax expenses in the Reporting Period was approximately RMB21.90 million, representing an increase of approximately 105.83% or approximately RMB11.26 million as compared to approximately RMB10.64 million for the year ended 31 December 2022. The effective income tax rate was approximately 12.51% for the Reporting Period as compared to approximately 7.36% for the year ended 31 December 2022. The increase was due to effect of deferred income tax in 2023.

Profit for the year

The Group's profit for the year in the Reporting Period was approximately RMB153.23 million, representing an increase of approximately 14.50% as compared to approximately RMB133.83 million for the year ended 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The Group has maintained a sound financial position during the Reporting Period. As at 31 December 2023, the Group's cash and bank balance amounted to approximately RMB423.67 million (2022: approximately RMB518.27 million). For the year ended 31 December 2023, net cash flow from operating activities of the Group amounted to approximately RMB178.15 million (2022: approximately RMB180.46 million).

The Group recorded total current assets of approximately RMB724.29 million as at 31 December 2023 (31 December 2022: approximately RMB801.94 million) and total current liabilities of approximately RMB316.83 million as at 31 December 2023 (31 December 2022: approximately RMB239.67 million). The current ratio (calculated by dividing the current assets by the current liabilities) of the Group was approximately 2.29 as at 31 December 2023 (31 December 2022: approximately 3.35).

BORROWINGS AND GEARING RATIO

As at 31 December 2023, the Group's loan of approximately RMB79.12 million was borrowed from banks in the PRC, as compared to approximately RMB32.68 million as at 31 December 2022. As such, the gearing ratio is 5.65% (2022: 3.14%).

CAPITAL STRUCTURE

Total equity attributable to equity shareholders of the Company amounted to approximately RMB1,649.24 million as at 31 December 2023 as compared to approximately RMB1,512.02 million as at 31 December 2022.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of RMB0.27 per share (equivalent to HK$0.30 per share) (inclusive of applicable tax) for the year ended 31 December 2023 (2022: RMB0.24 per share). Subject to the approval of the Proposed Final Dividend by the Shareholders at the AGM to be held on Friday, 24 May 2024, the Proposed Final Dividend will be distributed on or about Friday, 28 June 2024 to the Shareholders whose names appear on the register of members of the Company on Thursday, 6 June 2024 (the "**Record Date**").

The final dividend shall be denominated and declared in RMB. The holders of Domestic Shares will be paid in RMB and the holders of H shares will be paid in Hong Kong dollars. The exchange rate for the final dividend to be paid in Hong Kong dollars will be the mean of the exchange rates of Hong Kong dollars to RMB as announced by the People's Bank of China during the five business days prior to the date of the Board meeting for the declaration of the final dividend.

In accordance with the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) which was passed by the Standing Committee of the National People's Congress on 16 March 2007 and amended on 24 February 2017 and 29 December 2018 (the latest amendment which has taken effect on the even date), and its implementation regulations which came into effect on 1 January 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise Shareholders whose names appear on the register of members for H shares when distributing the cash dividends. Any H shares not registered under the name of an individual Shareholder, including HKSCC Nominees Limited, other nominees, agents or trustees, or other organizations or groups, shall be deemed as shares held by non-resident enterprise Shareholders. Therefore, on this basis, enterprise income tax shall be withheld from dividends payable to such Shareholders. If holders of H shares intend to change its Shareholder status, please enquire about the relevant procedures with your agents or trustees. The Company will strictly comply with the law or the requirements of the relevant government authority and withhold and pay enterprise income tax on behalf of the relevant Shareholders based on the register of members for H shares as of the Record Date.

If the individual holders of H shares are Hong Kong or Macau residents or residents of the countries (regions) which had an agreed tax rate of 10% for the cash dividends to them with the PRC under the relevant tax agreement, the Company should withhold and pay individual income tax on behalf of the relevant Shareholders at a rate of 10%. Should the individual holders of H shares be residents of the countries which had an agreed tax rate of less than 10% with the PRC under the relevant tax agreement, the Company shall withhold and pay individual income tax on behalf of the relevant Shareholders at a rate of 10%. In that case, if the relevant individual holders of H shares wish to reclaim the extra amount withheld due to the application of 10% tax rate, the Company can apply for the relevant agreed preferential tax treatment provided that the relevant Shareholders submit the evidence required by the notice of the tax agreement to Computershare Hong Kong Investor Services Limited. The Company will assist with the tax refund after the approval of the competent tax authority. Should the individual holders of H shares be residents of the countries which had an agreed tax rate of over 10% but less than 20% with the PRC under the tax agreement, the Company shall withhold and pay the individual income tax at the agreed actual rate in accordance with the relevant tax agreement. In the case that the individual holders of H shares are residents of the countries which had an agreed tax rate of 20% with the PRC, or which has not entered into any tax agreement with the PRC, or otherwise, the Company shall withhold and pay the individual income tax at a rate of 20%.

Shareholders are recommended to consult their tax advisers regarding the tax implication in the PRC, Hong Kong and other tax implications arising from their holding and disposal of H shares.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM THE GLOBAL OFFERING

Upon completion of the Global Offering, the Company raised net proceeds of approximately RMB797.62 million (after deducting the listing fees and other expenses). As at 31 December 2023, the Company has utilized approximately RMB714.88 million of the net proceeds. As disclosed in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 28 October 2019 and the announcements of the Company dated 7 July 2020, 31 March 2021, 20 June 2022 and 3 March 2023, the details of intended application of net proceeds are set out as follows:

	Revised allocation of the net proceeds		After revision/ unutilized net proceeds as at 1 January 2023	Utilized net proceeds during the Reporting Period	Utilized net proceeds up to 31 December 2023	Unutilized net proceeds up to 31 December 2023	Expected timeline of full utilization of the unutilized net proceeds
	(RMB million)	*(Approximate percentage)*	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*	
Set up a research and development center and an additional production facility in Jiading, Shanghai	328.38	41.17%	56.39	56.39	328.38	–	Not applicable
Purchase additional and replacement of existing production equipment and automate production lines	110.07	13.80%	52.72	26.52	83.87	26.20	December 2024[1]
Expand our distribution network and coverage, collaborate with local distributors and intensify our marketing efforts	13.00	1.63%	–	–	13.00	–	Not applicable
General corporate purposes and fund our working capital	79.84	10.01%	–	–	79.84	–	Not applicable
Zhuhai Derui New Factory Project	110.00	13.79%	–	–	110.00	–	Not applicable
Construction of the Shandong INT Innovative Medical Instruments Industrial Park	156.33	19.60%	116.92	60.38	99.79	56.54	December 2024
Potential acquisitions	–	0.00%	–	–	–	–	Not applicable
Total	797.62	100.00%	226.03	143.29	714.88	82.74	

Note:

(1) As shown in the table above, the remaining net proceeds for Purchase additional and replacement of existing production equipment and automate production lines are expected to be fully utilized by 30 June 2024, but there is still RMB26.20 million unutilized as at the date of this report. Based on the overall usage in 2023 and the expenditure forecast in 2024, the Company deferred the full utilization to December 2024.

As at the date of this report, the net proceeds from the global offering had not yet been fully utilized and all of the net proceeds has been deposited into short-term deposits in the bank account maintained by the Group.

EMPLOYEE REMUNERATION AND RELATIONS

As at 31 December 2023, the Group had a total of 1,567 employees, comparing to 1,632 employees as at 31 December 2022. The total cost of employees for the Reporting Period amounted to approximately RMB231.93 million (2022: approximately RMB190.67 million). The Group provides employees with competitive remuneration and benefits, and the Group's remuneration policies are formulated according to the assessment of individual performance and are periodically reviewed. The Group has adopted three share schemes, including the Share Incentive Scheme, the 2023 Share Incentive Scheme and the H Share Award and Trust Scheme to recognize the contributions of certain employees and help in retaining them for the Group's operation and further development. The Group also provides training programs to employees, including new hire training for new employees and continuing technical training primarily for our research and development team to enhance their skill and knowledge.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, the trustee of the H Share Award and Trust Scheme repurchased 892,800 H Shares on the Stock Exchange to satisfy the grant of awards pursuant to the H Share Award and Trust Scheme. No awards was granted as at 31 December 2023 under the H Share Award and Trust Scheme.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 December 2023 and 31 December 2022, the Group had below significant investments.

	At 31 December 2023						At 31 December 2022					
	Percentage of interests %	Cost of investment *RMB'000*	Fair value *RMB'000*	Size relative to the Group's total assets %	Accumulated gain *RMB'000*	Dividend received *RMB'000*	Percentage of interests %	Cost of investment *RMB'000*	Fair value *RMB'000*	Size relative to the Group's total assets %	Accumulated gain *RMB'000*	Dividend received *RMB'000*
Recognised as "financial assets at fair value through profit or loss"												
Jingning Huaige Ruixin Venture Investment Partnership (Limited Partnership)* 景寧懷格瑞信創業投資合夥企業(有限合夥) (the "**Ruixin Fund**")	15.83	50,000	66,383	3.27	16,383	-	15.83	50,000	71,180	3.90	21,180	-
Shanghai Huaige Int Start-up Investment Limited Partnership (L.P.)* (上海懷格瑛泰創業投資合夥企業(有限合夥)) (the "**Int Fund**")	25.00	50,000	62,051	3.06	12,051	-	25.00	50,000	57,671	3.16	7,671	-
Chengdu Huaige Guosheng Venture Investment Partnership (Limited Partnership)* (成都懷格國生創業投資合夥企業(有限合夥)) (the "**Chengdu Huaige Fund**")	12.14	25,000	27,762	1.37	2,762	-	12.14	25,000	26,602	1.46	1,602	-
Hainan Renze Zhenzhi Venture Capital Fund Partnership Enterprise (Limited Partnership)* (海南仁澤真寄創業投資基金合夥企業(有限合夥)) (the "**Hainan Renze Fund**")	31.06	10,000	11,827	0.58	1,827	-	-	-	-	-	-	-
		135,000	168,023	8.28	33,023	-		125,000	155,454	8.52	30,454	-

MANAGEMENT DISCUSSION AND ANALYSIS

The primary objective of the Ruixin Fund is investments in equity interest of entities in the medical devices, pharmaceutical, biologics, medical services and contract research organisation services industries mainly in the PRC and investments in other equity funds with focus of investing in the medical device and biomedical fields.

The primary objective of the Int Fund is venture investment in, among others, equity interests, convertible loans and/or financial assets in relation to start-ups or early-stage businesses in the medical devices industry mainly in the PRC. The investment priorities of the Int Fund include start-ups or early-stage businesses principally engaged in the research and development of cardiovascular interventional devices, neuro interventional procedural medical devices and other interventional medical devices.

The primary objective of the Chengdu Huaige Fund is venture investments in equity interests of early-stage or growth stage businesses in the healthcare and biotechnology sectors. The investment in the Chengdu Huaige Fund provides the Company with an opportunity to facilitate its strategic development in the healthcare and biotechnology and other related industries, enhance its competitiveness, and strengthen its market position.

The primary objective of the Hainan Renze Fund is investments in equity interest of entities in the medical and health field, including biotechnology, innovative drugs, medical services and medical devices, and the main investment stage is the Pre-IPO stage.

Save as disclosed above, the Group has no other significant investment during the Reporting Period.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group has no material acquisitions or disposal of subsidiaries, associates and joint ventures during the Reporting Period.

CONTINGENT LIABILITIES

As at 31 December 2023 and 2022, the Group did not have any material contingent liabilities.

FINANCIAL INSTRUMENTS

As at 31 December 2023, the Group did not enter into foreign forward contracts (2022: nil). These foreign currency forward contracts are not hedge accounted.

As at 31 December 2023, the Group derivative financial instruments liabilities amounted to approximately RMB0.49 million for the Reporting Period (2022: nil).

CAPITAL EXPENDITURE

The capital expenditure of the Group for property, plant and equipment (the "**PPE**"), construction in progress, intangible assets, prepaid lease payments and deposits for PPE amounted to approximately RMB231.20 million for the Reporting Period (2022: approximately RMB301.06 million).

FOREIGN EXCHANGE RISK

During the Report Period, the Group's operations were primarily based in the PRC. The Group's assets, liabilities and transactions in the PRC are denominated in RMB, while overseas assets and transactions are mainly denominated in US Dollars. There were currency fluctuations among US Dollars, Euro, RMB and Hong Kong Dollars during the Reporting Period, the Group's operational results and financial condition may be affected by changes in the exchange rates. As the Group reasonably arranges the currency structure, which effectively reduces foreign exchange risk, the Directors believe that there is no significant foreign exchange risk to the Group at the current stage. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure during the Reporting Period. The Group will continuously monitor its foreign exchange exposure and will consider hedging of foreign currency risk should the need arise.

CHARGE ON GROUP ASSETS

As at 31 December 2023, the Group did not have any material charges on its assets.

CAPITAL COMMITMENT

The Group's outstanding capital commitments authorized but not contracted for at 31 December 2023 not provided for in the financial statements amounted to approximately RMB80.70 million (2022: approximately RMB162.08 million). The Group's outstanding capital commitment contracted but not realized for at 31 December 2023 not provided for in the financial statements amounted to approximately RMB72.08 million (2022: approximately RMB104.18 million).

REPORT OF THE DIRECTORS

The Board is pleased to present this annual report for the year 2023 and the audited consolidated financial statements of the Group for the year ended 31 December 2023. These financial statements were prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and have been audited by KPMG.

GLOBAL OFFERING

The Company is a joint stock company incorporated in the PRC with limited liability. Its H Shares were listed and traded on the Main Board of the Stock Exchange on 8 November 2019. The Prospectus of the Company dated 28 October 2019 has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.int-medical.com). For use of proceeds from the Global Offering, please refer to the section headed "Management Discussion and Analysis" in this annual report.

PRINCIPAL ACTIVITIES

The Group is primarily engaged in the manufacturing of cardiovascular interventional devices, which are mainly used in cardiovascular surgeries.

The activities and particulars of the Company's principal subsidiaries are shown under note 14 to the consolidated financial statements. An analysis of the Group's revenue and operating profit for the year by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report.

BUSINESS REVIEW

The description of principal risks and uncertainties that the Group may be facing, a fair review of the Group's business during the Reporting Period, and the probable future business development of the Group are provided in the "Corporate Governance Report" and "Management Discussion and Analysis" on pages 47 to 60 and on pages 7 to 19 of this annual report, respectively.

Also, the financial risk management objectives and policies of the Group can be found in note 27 to the consolidated financial statements. An analysis of the Group's performance during the Reporting Period using financial key performance indicators is provided in the section headed "Financial Summary" on page 6 of this annual report. In addition, discussions on the relationships with its staff, customers and suppliers is also contained in the section headed "Environmental, Social and Governance Report" on pages 61 to 113 of this annual report.

ENVIRONMENTAL PROTECTION

The Group is subject to certain environmental laws and regulations in the PRC. The Group has established an administrative team to monitor compliance with legal requirements and internal standards regarding environmental protection. With respect to waste management, the Group has engaged qualified local third parties to collect recyclable part of solid waste from the Group's production, and as confirmed by the Group's PRC legal adviser, the Group has satisfied all material requirements for treatment and disposal of waste and discharge from its production. The Group believes that it has maintained a good relationship with the communities in proximity of its production facilities.

To the best of the Group's knowledge, during the Reporting Period, the Group had complied with the applicable environment laws and regulations in the PRC in all material respects. Please refer to pages 61 to 113 of this annual report for the Environmental, Social and Governance Report of the Company prepared in compliance with the provisions set out in the Environmental, Social and Governance Reporting Guide in Appendix C2 to the Listing Rules.

DIVIDEND

The Board recommends the payment of the Proposed Final Dividend of RMB0.27 per Share (equivalent to HK$0.30 per Share) (inclusive of applicable tax) for the year ended 31 December 2023 (2022: RMB0.24 per Share). Subject to the approval of the Proposed Final Dividend by the Shareholders at the AGM to be held on Friday, 24 May 2024, the Proposed Final Dividend will be distributed on or about Friday, 28 June 2024 to the Shareholders whose names appear on the register of members of the Company on Thursday, 6 June 2024 (the Record Date).

The Proposed Final Dividend distribution shall be calculated based on the total number of Shares in issue as of the Record Date and the final cash dividend distribution shall be based on RMB0.27 per Share (equivalent to HK$0.30 per Share) (inclusive of applicable tax). In order to qualify for the final dividend, the holders of H Shares must lodge all share certificates accompanied by the transfer documents with the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and the holders of Domestic Shares must lodge all share certificates accompanied by the transfer documents with the Company's registered office at Block 2, No. 925 Jin Yuan Yi Road, Jiading District, Shanghai, the PRC, before 4:30 p.m. on Friday, 31 May 2024. For the purpose of ascertaining the Shareholders who qualify for the final dividend, the register of members for H Shares will be closed from Monday, 3 June 2024 to Thursday, 6 June 2024, both days inclusive, during which period no transfer of Shares will be effected.

The final dividend will be denominated and declared in RMB. The holders of Domestic Shares will be paid in RMB and the holders of H Shares will be paid in Hong Kong dollars. The exchange rate for the final dividend to be paid in Hong Kong dollars will be the mean of the exchange rates of Hong Kong dollars to RMB as announced by the People's Bank of China during the five business days prior to the date of the Board meeting for declaration of the final dividend.

In accordance with the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) which was passed by the Standing Committee of the National People's Congress on 16 March 2007 and amended on 24 February 2017 and 29 December 2018 (the latest amendment which has taken effect on the even date), and its implementation regulations which came into effect on 1 January 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise Shareholders whose names appear on the register of members for H Shares when distributing the cash dividends. Any H Shares not registered under the name of an individual Shareholder, including HKSCC Nominees Limited, other nominees, agents or trustees, or other organizations or groups, shall be deemed as Shares held by non-resident enterprise Shareholders. Therefore, on this basis, enterprise income tax shall be withheld from dividends payable to such Shareholders. If holders of H Shares intend to change its Shareholder status, please enquire about the relevant procedures with your agents or trustees. The Company will strictly comply with the law or the requirements of the relevant government authority and withhold and pay enterprise income tax on behalf of the relevant Shareholders based on the register of members for H Shares as of the Record Date.

REPORT OF THE DIRECTORS

If the individual holders of H Shares are Hong Kong or Macau residents or residents of the countries (regions) which had an agreed tax rate of 10% for the cash dividends to them with the PRC under the relevant tax agreement, the Company should withhold and pay individual income tax on behalf of the relevant Shareholders at a rate of 10%. Should the individual holders of H Shares be residents of the countries which had an agreed tax rate of less than 10% with the PRC under the relevant tax agreement, the Company shall withhold and pay individual income tax on behalf of the relevant Shareholders at a rate of 10%. In that case, if the relevant individual holders of H Shares wish to reclaim the extra amount withheld due to the application of 10% tax rate, the Company can apply for the relevant agreed preferential tax treatment provided that the relevant Shareholders submit the evidence required by the notice of the tax agreement to Computershare Hong Kong Investor Services Limited. The Company will assist with the tax refund after the approval of the competent tax authority. Should the individual holders of H Shares be residents of the countries which had an agreed tax rate of over 10% but less than 20% with the PRC under the tax agreement, the Company shall withhold and pay the individual income tax at the agreed actual rate in accordance with the relevant tax agreement. In the case that the individual holders of H Shares are residents of the countries which had an agreed tax rate of 20% with the PRC, or which has not entered into any tax agreement with the PRC, or otherwise, the Company shall withhold and pay the individual income tax at a rate of 20%.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the Group's operating results, assets and liabilities for the past five financial years is set out on page 6 of this annual report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 11 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023, the percentage of the major customers and suppliers in the Group's total sales and purchase are as follows:

	Percentage in the Group's total	
	Sales	**Purchases**
Largest customer	8.3%	
Total of the five largest customers	22.8%	
Largest supplier		13.0%
Total of the five largest suppliers		30.7%

None of the Directors or any of their close associates (as defined under the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors), owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest suppliers or the Group's five largest customers.

TAX RELIEF AND EXEMPTION

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

SHARE CAPITAL

Share capital of the Company as at 31 December 2023 was as follows:

	Number of shares	Approximate percentage of total issued share capital
Domestic Shares	66,786,608	39.06%
H Shares	104,213,392	60.94%

RESERVES

Details of movements in the reserves of the Company during the Reporting Period are set out in the consolidated statement of changes in equity and note 26 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVE

As at 31 December 2023, the Company had distributable reserve accounting to approximately RMB439.68 million (as at 31 December 2022: approximately RMB306.57 million).

DIVIDEND POLICY

The Group adopted a dividend policy, pursuant to which dividends may be recommended, declared and paid to the Shareholders from time to time. The declaration of dividends and the dividend amount shall be determined at the sole and absolute discretion of the Board, taking into account the Articles and the following factors:

- the Group's current and future operations and earnings;
- the Group's liquidity position and future commitments at the time of declaration of dividend;
- any contractual restrictions on payment of dividends by the Company to the Shareholders or by the Company's subsidiaries to the Company;
- the retained earnings and distributable reserves of the Company and each of the members of the Group;
- the remaining profit after tax of the Company and each of the members of the Group after recovery of losses (if any) and allocation of the statutory reserve fund;
- the Group's working capital requirements, capital expenditure requirements and future expansion plans;
- the general market conditions; and
- any other factors that the Board deems appropriate.

REPORT OF THE DIRECTORS

The Board recommends payment of a final dividend of RMB0.27 per Share (equivalent to HK$0.30 per Share) (inclusive of applicable tax) for the year ended 31 December 2023.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the Reporting Period and as at the date of this annual report are as follows:

Executive Directors

Dr. Liang Dongke (梁棟科) *(Chairman)*
Mr. Lin Sen (林森)

Non-executive Directors

Mr. Zhang Weixin (張維鑫)
Ms. Chen Hongqin (陳紅琴)
Dr. Song Yuan (宋媛)
Mr. Wang Ruiqin (王瑞琴)

Independent Non-executive Directors

Mr. Jian Xigao (蹇錫高)
Mr. Hui Hung Kwan (許鴻群)
Mr. Xu Congli (徐從禮)

Supervisors

Ms. Ma Huifang (馬慧芳) *(Chairperson)*
Ms. Chen Jie (陳潔)
Mr. Shen Xiaoru (沈曉如)

The biographical information of the Directors and Supervisors are set out in the section headed "Directors, Supervisors and Senior Management" on pages 114 to 119 of this annual report.

DISCLOSURE OF INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES OF THE COMPANY PURSUANT TO RULES 13.51(2) AND 13.51B(1) OF THE LISTING RULES

Save as disclosed in the 2023 interim report of the Company, there is no change of information of Directors, Supervisors and chief executives of the Company during the Reporting Period which is required to be disclosed pursuant to Rules 13.51(2) and 13.51B(1) of the Listing Rules.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

The Group has not entered into any transaction agreement or contract of significance in which the Group's Directors and Supervisors have direct or indirect material interests during the Reporting Period and the year ended 31 December 2023.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the Reporting Period, the Company did not have a controlling shareholder (as defined under the Listing Rules).

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors or their respective associates (as defined under the Listing Rules) had engaged in or had any interest in any business which competes or may compete, either directly or indirectly, with the business of the Group.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

The Remuneration Committee determines or makes recommendation to the Board (as case may be) on the remuneration and other benefits payable to the Directors and Supervisors by the Group. The Remuneration Committee regularly oversees the remuneration of all Directors and Supervisors to ensure that their remuneration and compensation are at an appropriate level. The Group maintains competitive remuneration packages with reference to the industry standard and according to the business development of the Group, and determines remuneration of the Directors and Supervisors based on their qualifications, experience and contributions, to attract and retain its Directors and Supervisors as well as to control costs.

Details of emoluments of Directors and the top five highest paid individuals are set out in note 8 and note 9 to the consolidated financial statements, respectively. For the year ended 31 December 2023, except for two of the non-executive Directors, Mr. Zhang Weixin and Ms. Chen Hongqin and one of the Supervisors, Mr. Shen Xiaoru, who did not receive remuneration from the Company, none of the Directors and the Supervisors have waived or agreed to waive any emoluments.

RETIREMENT AND EMPLOYEES' BENEFIT SCHEME

Details on retirement and employees' benefit schemes of the Company are set out in note 6(b) to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

At no time during the Reporting Period and as at the date of this report, there was or is, any permitted indemnity provision being in force for the benefit at any of the Directors or Supervisors of the Company (whether made by the Company or otherwise) or the directors or supervisors of an associated corporation of the Company (if made by the Company).

The Company has purchased appropriate liability insurance for the Directors and the Supervisors which provides proper protection for the Directors and Supervisors.

REPORT OF THE DIRECTORS

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As of 31 December 2023, the interests and short positions of the Directors, the Supervisors and the chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as 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 he/she is keen to taken or deemed to have under such provisions of the SFO), or as recorded in the registered maintained by the Company under Section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name	Class of Shares	Nature of Interest	Number of Shares held /interested	Approximate percentage in Domestic Shares (3)	Percentage in total number of Shares (3)
Dr. Liang Dongke (梁棟科) (2)	Domestic Shares	Beneficial owner	12,042,854 (L)	18.03%	7.04%
		Interest of controlled corporation	4,900,000 (L)	7.34%	2.87%
Dr. Song Yuan (宋媛) (2)	Domestic Shares	Interest of spouse	16,942,854 (L)	25.37%	9.91%
Mr. Lin Sen (林森)	Domestic Shares	Beneficial owner	7,142,858 (L)	10.70%	4.18%
Mr. Wang Ruiqin (王瑞琴)	Domestic Shares	Beneficial owner	7,142,858 (L)	10.70%	4.18%

Notes:

(1) The letter "L" stands for long position.

(2) Dr. Song Yuan is the spouse of Dr. Liang Dongke. Under section 316(1)(a) of the SFO, Dr. Song Yuan is deemed to be interested in the equity interests held by Dr. Liang Dongke.

(3) The calculation is based on percentage of shareholding in a total of 171,000,000 Shares, which consist of 104,213,392 H Shares and 66,786,608 Domestic Shares as at 31 December 2023.

Save as disclosed above, as of 31 December 2023, to the best knowledge of the Board, none of the Directors, the Supervisors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) 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 the Directors, the Supervisors and chief executives of the Company were taken or deemed to have under such provisions of the SFO); (ii) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

As of 31 December 2023, according to the register kept by the Company pursuant to Section 336 of the SFO and so far is known to, or can be ascertained after reasonable enquiry by the Directors, the following person/entity had an interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or be directly and indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meetings of the Company (the interests in Shares and/or short positions, if any, disclosed herein are in addition to those disclosed in respect of the Directors, Supervisors and chief executive of the Company):

Interests in the Shares of the Company

Name	Class of Shares	Nature of Interest	Number of Shares	Approximate percentage in the respective class of share capital [11]	Percentage in total number of Shares [11]
Ningbo Huaige Taiyi Equity Investment Partnership (Limited Partnership) (寧波懷格泰益股權投資合夥企業(有限合夥)) ("**Ningbo Huaige Taiyi**")[2]	Domestic Shares	Beneficial owner	9,843,750 (L)	14.74%	5.76%
Ningbo Huaige Gongxin Equity Investment Partnership (Limited Partnership) (寧波懷格共信股權投資合夥企業(有限合夥)) ("**Ningbo Huaige Gongxin**")[2]	Domestic Shares	Interest of controlled corporation	9,843,750 (L)	14.74%	5.76%
Ningbo Huaige Health Investment Management Partnership (Limited Partnership) (寧波懷格健康投資管理合夥企業(有限合夥)) ("**Ningbo Huaige Health**")[2]	Domestic Shares	Interest of controlled corporation	9,843,750 (L)	14.74%	5.76%

REPORT OF THE DIRECTORS

Name	Class of Shares	Nature of Interest	Number of Shares	Approximate percentage in the respective class of share capital [11]	Percentage in total number of Shares [11]
Mr. Wang Kai (王鍇)[2]	Domestic Shares	Beneficial owner Interest of controlled corporation	5,571,428 (L) 9,843,750 (L)	8.34% 14.74%	3.26% 5.76%
Ms. Zhao Wei (趙威)[2]	Domestic Shares	Interest of spouse	15,415,178 (L)	23.08%	9.01%
Ms. Chen Saiying (陳賽英)[3]	Domestic Shares	Interest of spouse	7,142,858 (L)	10.70%	4.18%
Ms. Han Chunyan (韓春燕)[4]	Domestic Shares	Interest of spouse	7,142,858 (L)	10.70%	4.18%
Mr. Chen Xing (陳星)	Domestic Shares	Beneficial owner	7,071,430 (L)	10.59%	4.14%
Ms. Han Xue (韓雪)[5]	Domestic Shares	Interest of spouse	7,071,430 (L)	10.59%	4.14%
Mr. Huang Chubin (黃楚彬)	Domestic Shares	Beneficial owner	7,071,430 (L)	10.59%	4.14%
Ms. Li Xiuqun (李秀群)[6]	Domestic Shares	Interest of spouse	7,071,430 (L)	10.59%	4.14%
Ningbo Tongchuang Suwei Investment Partnership (Limited Partnership) (寧波同創速維投資合夥企業(有限合夥)) ("**Ningbo Tongchuang Suwei**")[7]	Domestic Shares	Beneficial owner	6,000,000 (L)	8.98%	3.51%
Mr. Chai Yanpeng (柴燕鵬)[7]	Domestic Shares	Interest of controlled corporation	6,000,000 (L)	8.98%	3.51%
Shanghai Kindly Enterprise Development Group Co., Ltd. (上海康德萊企業發展集團股份有限公司) ("**KDL**")[8]	H Shares	Beneficial owner	42,857,142 (L)	41.12%	25.06%

Name	Class of Shares	Nature of Interest	Number of Shares	Approximate percentage in the respective class of share capital (11)	Percentage in total number of Shares (11)
Shanghai Kindly Holding Group Co., Ltd. (上海康德萊控股集團有限公司) ("**KDL Holding**")(8)	H Shares	Interest of controlled corporation	42,857,142 (L)	41.12%	25.06%
Kindly Holding Co., Ltd. (康德萊控股有限公司)(8)	H Shares	Interest of controlled corporation	42,857,142 (L)	41.12%	25.06%
Shanghai Gongye Investment Co., Ltd. (上海共業投資有限公司) ("**Gongye**")(8)	H Shares	Interest of controlled corporation	42,857,142 (L)	41.12%	25.06%
Mr. Zhang Xianmiao (張憲淼)(8)	H Shares	Interest of controlled corporation; interest jointly held with another person	42,857,142 (L)	41.12%	25.06%
Ms. Zheng Aiping (鄭愛平)(8)	H Shares	Interest of controlled corporation; interest jointly held with another person	42,857,142 (L)	41.12%	25.06%
Mr. Zhang Wei (張偉)(8)	H Shares	Interest of controlled corporation; interest jointly held with another person	42,857,142 (L)	41.12%	25.06%
Ningbo Huaige Taiyi(2)	H Shares	Beneficial owner	14,619,250 (L)	14.03%	8.55%
Ningbo Huaige Gongxin(2)	H Shares	Interest of controlled corporation	14,619,250 (L)	14.03%	8.55%
Ningbo Huaige Health(2)	H Shares	Interest of controlled corporation	14,619,250 (L)	14.03%	8.55%

REPORT OF THE DIRECTORS

Name	Class of Shares	Nature of Interest	Number of Shares	Approximate percentage in the respective class of share capital (11)	Percentage in total number of Shares (11)
Mr. Wang Kai (王鍇)(2)	H Shares	Interest of controlled corporation	14,619,250 (L)	14.03%	8.55%
Ms. Zhao Wei (趙威)(2)	H Shares	Interest of spouse	14,619,250 (L)	14.03%	8.55%
China Orient Asset Management (International) Holding Limited(9)	H Shares	Interest of controlled corporation	12,509,400 (L)	12.00%	7.32%
China Orient International Fund Management Limited(9)	H Shares	Interest of controlled corporation	12,509,400 (L)	12.00%	7.32%
China Orient Multi-Strategy Fund(9)	H Shares	Interest of controlled corporation	10,554,600 (L)	10.13%	6.17%
China Orient Multi-Strategy Master Fund(9)	H Shares	Beneficial owner	10,554,600 (L)	10.13%	6.17%
OrbiMed Capital LLC(10)	H Shares	Investment manager	11,112,200 (L)	10.66%	6.50%
Worldwide Healthcare Trust PLC(10)	H Shares	Beneficial owner	7,412,800 (L)	7.11%	4.33%
Mr. Ke Wei (柯偉)	H Shares	Beneficial owner	6,070,000 (L)	5.82%	3.55%

Notes:

(1) The letter "L" stands for long position.

(2) To the best of the Directors' knowledge, Ningbo Huaige Taiyi is a limited partnership established in the PRC and is owned as to 53.13% by Ningbo Huaige Gongxin as limited partner. Ningbo Huaige Health is the general partner of Ningbo Huaige Taiyi and Ningbo Huaige Gongxin. Mr. Wang Kai is the general partner of Ningbo Huaige Health. Ms. Zhao Wei, the spouse of Mr. Wang Kai, has 85% interest in Ningbo Huaige Health as a limited partner. As such, under the SFO, each of Ningbo Huaige Gongxin, Ningbo Huaige Health, Mr. Wang Kai and Ms. Zhao Wei is deemed to be interested in the equity interests held by Ningbo Huaige Taiyi.

(3) Ms. Chen Saiying is the spouse of Mr. Lin Sen. Under section 316(1)(a) of the SFO, Ms. Chen Saiying is deemed to be interested in the equity interests held by Mr. Lin Sen.

(4) Ms. Han Chunyan is the spouse of Mr. Wang Ruiqin. Under section 316(1)(a) of the SFO, Ms Han Chunyan is deemed to be interested in the equity interests held by Mr. Wang Ruiqin.

(5) Ms. Han Xue is the spouse of Mr. Chen Xing. Under section 316(1)(a) of the SFO, Ms. Han Xue is deemed to be interested in the equity interests held by Mr. Chen Xing.

(6) Ms. Li Xiuqun is the spouse of Mr. Huang Chubin. Under section 316(1)(a) of the SFO, Ms. Li Xiuqun is deemed to be interested in the equity interests held by Mr. Huang Chubin.

(7) To the best of the Directors' knowledge, Ningbo Tongchuang Suwei is a limited partnership established in the PRC. Mr. Chai Yanpeng is the general partner of Ningbo Tongchuang Suwei. As such, under the SFO, Mr. Chai Yanpeng is deemed to be interested in the equity interests held by Ningbo Tongchuang Suwei.

(8) To the best of the Directors' knowledge, KDL Holding controls KDL as it owns more than one-third of the voting power at general meetings of KDL. KDL Holding is in turn controlled by each of Gongye and Kindly Holding Co., Ltd. as each of Gongye and Kindly Holding Co., Ltd. owns more than one-third of the voting power at general meetings of KDL Holding. Gongye is held as to 56.43% and Kindly Holding Co., Ltd. is wholly-owned by the Zhang Family (namely Mr. Zhang Xianmiao (張憲淼), Ms. Zheng Aiping (鄭愛平) and Mr. Zhang Wei (張偉)) as concert parties. As such, under the SFO, each of KDL Holding, Gongye, Kindly Holding Co., Ltd., Mr. Zhang Xianmiao, Ms. Zheng Aiping and Mr. Zhang Wei is deemed to be interested in the equity interests held by KDL.

(9) To the best of the Directors' knowledge, 10,554,600 H Shares held by China Orient Multi-Strategy Master Fund which is controlled as to 100% by China Orient Multi-Strategy Fund, which is in turn controlled as to 98.30% by China Orient International Fund Management Limited, 100% of the voting power of which is controlled by China Orient Asset Management (International) Holding Limited. 1,954,800 H Shares held by China Orient Enhanced Income Fund which is controlled as to 100% by China Orient International Fund Management Limited, 100% of the voting power of which is controlled by China Orient Asset Management (International) Holding Limited. As such, under the SFO, each of China Orient International Fund Management Limited and China Orient Asset Management (International) Holding Limited is deemed to be interested in the equity interests held by China Orient Multi-Strategy Master Fund and China Orient Enhanced Income Fund.

(10) Taking into account the 155,200 H Shares, 3,544,200 H Shares and 7,412,800 H Shares held by OrbiMed New Horizons Master Fund, L.P., OrbiMed Partners Master Fund Limited and Worldwide Healthcare Trust PLC, respectively, pursuant to the cornerstone investment agreement as described under the section headed "Cornerstone Investors" in the Prospectus, OrbiMed Capital LLC is deemed to be interested in the above H Shares.

(11) The calculation is based on the percentage of shareholding in a total of 171,000,000 Shares, which consist of 66,786,608 Domestic Shares and 104,213,392 H Shares as at 31 December 2023.

REPORT OF THE DIRECTORS

Substantial shareholders of other members of the Group

Name	Member of the Group	Nature of Interest	Approximate percentage held by the substantial shareholder
Jiang Xiannan (姜賢男)	Shanghai Pukon Medical Instruments Co., Ltd. (上海璞康醫療器械有限公司) ("**Shanghai Pukon**")	Beneficial owner	15.0%
Chen Linling (陳臨淩)	Shanghai Healing Medical Instruments Co., Ltd. (上海翰淩醫療器械有限公司) ("**Shanghai Healing**")	Beneficial owner	24.5%
Chen Caizheng (陳才正)	Shanghai Puhui Medical Instruments Co., Ltd (上海璞慧醫療器械有限公司) ("**Shanghai Puhui**")	Beneficial owner	21.0%
Ningbo Youtuo Enterprise Management Partnership (Limited Partnership)* (寧波優拓企業管理合夥企業(有限合夥))	Shanghai Puhui	Beneficial owner	20.0%
Chen Yanli (陳豔麗)	Shanghai Qimu Medical Instruments Co., Ltd. (上海七木醫療器械有限公司) ("**Shanghai Qimu**")	Beneficial owner	11.0%
Sun Peng (孫鵬)	Shanghai Qimu	Beneficial owner	10.0%
Lin Peng (林鵬)	Shanghai Pumei Medical Instruments Co., Ltd. (上海璞鎂醫療器械有限公司) ("**Shanghai Pumei**")	Beneficial owner	30.0%
Hengyi Enterprise Management (Wei Fang) Center (Limited Partnership)* (恆熠企業管理(淮坊)中心(有限合夥))	Shanghai Pulin Medical Instruments Co., Ltd. (上海璞霖醫療器械有限公司)	Beneficial owner	35.0%
Ningbo Liufang Enterprise Management Partnership (Limited Partnership)* (寧波六方企業管理合夥企業(有限合夥)) ("**Ningbo Liufang**")	Shanghai Puyue Medical Instruments Co., Ltd. (上海璞躍醫療器械有限公司) ("**Shanghai Puyue**")	Beneficial owner	40.0%

Name	Member of the Group	Nature of Interest	Approximate percentage held by the substantial shareholder
Ningbo Liufang	Zhuhai Puyue Medical Instruments Co., Ltd.*(珠海璞躍醫療器械有限公司)	Interest of controlled corporation	40.0%
Xie Guozhu (謝國柱)	Shandong Insant New Material Co., Ltd. (山東瑛盛新材料有限公司) ("**Insant New Material**"))	Beneficial owner	29.0%
Yang Tao (楊濤)	Insant New Material	Beneficial owner	20.0%

Save as disclosed above, as of 31 December 2023, to the best knowledge of the Directors, no other person had, or were deemed or taken to have interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the registry kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

No arrangement has been made by the Company or any of its subsidiaries for any Director or Supervisor to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate, and no rights to any share capital or debentures of the Company or any other body corporate were granted to any Director, Supervisor or their respective spouse or children under 18 years of age, nor were any such rights exercised during or at the end of the Reporting Period.

SHARE INCENTIVE SCHEME

The Board resolved to adopt, and the Shareholders approved, a share incentive scheme (the "**Share Incentive Scheme**") of granting no more than 5,000,000 Domestic Shares in the form of restricted share ("**RS**") to no more than 100 employees of the Group. 2,500,000 Domestic Shares were allotted and issued to each of Dr. Liang Dongke and the Share Incentive Platforms for administration of the Share Incentive Scheme. Grantees of the RS (the "**Grantees**") (other than Dr. Liang Dongke) were admitted as limited partners of the Share Incentive Platforms.

The Remuneration Committee may select eligible grantees amongst the Directors, Supervisors, senior management of the Group, and employees, which is subject to review and approval by the Board and the Supervisory Committee. The RS were granted to the Grantees at a price equivalent to RMB12.0 per Share. The Grantees shall be subject to certain vesting conditions and a lock-up period of sixty months from (a) the date of allotment of Shares to the Share Incentive Platforms or (b) the date of grant of the RS to the Grantee, whichever is later.

REPORT OF THE DIRECTORS

The Company has previously applied to the CSRC for allotment of 2,000,000 Domestic Shares (the "**First Installment**") to Dr. Liang Dongke and the Share Incentive Platforms, namely Jingning Int Chuangyuan Enterprise Management Partnership (Limited Partnership)* (景寧瑛泰創源企業管理合夥企業(有限合夥)) and Jingning Int Chuangqi Enterprise Management Partnership (Limited Partnership)* (景寧瑛泰創啟企業管理合夥企業(有限合夥)) pursuant to the Share Incentive Scheme. On 13 May 2022, the Company completed the registration for the First Installment with China Securities Depository and Clearing Corporation Limited. The total consideration for the Grant Price of RMB12.0 per share for the First Installment has been paid by Dr. Liang Dongke and the Share Incentive Platforms.

The Company has applied to the CSRC and has received the CSRC's approval dated 17 October 2023 for the allotment and issuance of the remaining 3,000,000 Award Shares under the Share Incentive Scheme. For more details of the Share Incentive Scheme, please refer to the Company's announcements dated 21 September 2020, 17 May 2021, 19 August 2021, 16 May 2022 and 24 October 2023 and the circulars dated 6 November 2020 and 16 April 2021.

On 30 December 2022, the Board resolved to make certain amendments to the Share Incentive Scheme in light of the Company's proposed adjustment to the performance target provision of the Share Incentive Scheme taking into account the ongoing impact of COVID-19 on the production and operation of the Company in 2022, and the amendments to the Listing Rules to implement the proposals of the "Consultation Conclusions on Proposed Amendments to Listing Rules relating to Share Schemes of Listed Issuers and Housekeeping Rule Amendment" published by the Stock Exchange on 29 July 2022 (the "**New Chapter 17**"), subject to the Shareholders' approval. The Board proposed to seek approval from the Shareholders to, among other things, (i) amend the performance target provision of the Share Incentive Scheme in order to extend the Review Period (as defined under the Share Incentive Scheme) to the fourth financial year ended 31 December 2023 and (ii) bring the Share Incentive Scheme in alignment with the New Chapter 17 and make certain minor housekeeping amendments to the Share Incentive Scheme for the purpose of clarifying existing practice and making consequential amendments.

The Shareholders approved such amendments, among other things, at the annual general meeting held on 18 May 2023. For more details, please refer to the Company's announcements dated 30 December 2022 dated 18 May 2023, the circular dated 13 April 2023 and the supplemental circular dated 3 May 2023.

The principal terms of the Share Incentive Scheme are set out below:

Purpose of the Share Incentive Scheme

The purpose of the Share Incentive Scheme is to further establish and improve the incentive mechanism of the Company, fully mobilize the enthusiasm of the Company's management personnel and core backbone personnel at all levels, continuously introduce various excellent technological and senior management talents, and promote the realization of the Company's overall strategic goals at the same time, under the premise of fully protecting the interests of shareholders and pursuant to the current relevant laws and regulations, the Listing Rules and the Articles etc.

Lock-up Period

RS granted under the Share Incentive Scheme are subject to a lock-up period of 60 months. The lock-up period for the 2,000,000 Domestic Shares granted in the first phase of the Share Incentive Scheme is 60 months commencing from the date of completion of the registration of the granted shares with the China Securities Depository and Clearing Corporation Limited (the "**CSDC**"). The lock-up period for the 3,000,000 Shares granted subsequently is the same as that of the first grant, and the unlocking date is the same with that of the first grant.

Determination Basis of Grant Price

On the basis of completion of financial auditing and assets evaluation, and under the principle that the issuance price shall not be lower than the net assets per share of the Company as of 31 December 2019, taking into account the actual cost factors such as amount of capital contribution required to be paid by the grantee in order to acquire the relevant RS and tax obligations etc., the Company decided to determine the grant price of the RS to be RMB12.0 per Share, and calculate the price of each partnership interest based on the total interest of the employee shareholding platform.

Remaining Life of the Share Incentive Scheme

The Share Incentive Scheme will expire at the 10th anniversary of the date when the Share Incentive Scheme was approved at the extraordinary general meeting of the Company on 17 December 2020. As at 31 December 2023, the remaining life of the Share Incentive Scheme is approximately 7 years.

Details of the RS granted under the Share Incentive Scheme are set out below:

Name of Grantee	Category of Grantee	Date of Grant	Lock-up period[1]	Exercise Period	Vesting Period	As at 1 January 2023	Granted during the Reporting Period	Attributed during the Reporting Period	Cancelled during the Reporting Period	Lapsed/ Forfeited during the Reporting Period	As at 31 December 2023	Grant price	Fair value of the awards as at the date of grant
Dr. Liang Dongke	Director and general manager	19 August 2021	60 months from 13 May 2022	12 months after obtaining the CSRC approval	Nil	3,234,300	150,000	Nil	Nil	Nil	3,384,300	RMB12.0	RMB14.81
Mr. Lin Sen	Director	19 August 2021	60 months from 13 May 2022	12 months after obtaining the CSRC approval	Nil	141,600	Nil	Nil	Nil	Nil	141,600	RMB12.0	RMB14.81
Dr. Song Yuan	Director	19 August 2021	60 months from 13 May 2022	12 months after obtaining the CSRC approval	Nil	141,600	Nil	Nil	Nil	Nil	141,600	RMB12.0	RMB14.81
Mr. Wang Ruiqin	Director	19 August 2021	60 months from 13 May 2022	12 months after obtaining the CSRC approval	Nil	100,000	Nil	Nil	Nil	Nil	100,000	RMB12.0	RMB14.81
Others	Employees	19 August 2021	60 months from 13 May 2022	12 months after obtaining the CSRC approval	Nil	1,382,500	Nil	Nil	65,700	84,300	1,232,500	RMB12.0	RMB14.81

Note:

(1) Pursuant to the Share Incentive Scheme, during the lock-up period, if the domestic shares of the Company are listed on a stock exchange, the shares or partnership interest acquired by the grantees through the Share Incentive Scheme shall not be transferred upon the listing of the domestic shares of the Company, and the lock-up period will be extended until the expiry of 36 months of the listing of the Company's domestic shares (or the lock-up period after the listing of the domestic shares pursuant to the latest laws and regulations at that time).

REPORT OF THE DIRECTORS

As at 1 January 2023 and at 31 December 2023, the total number of awards available for grant under the scheme mandate is nil and nil, respectively, because all 5,000,000 Domestic Shares in the form of RS under the Share Incentive Scheme have been fully granted.

2023 SHARE INCENTIVE SCHEME

On 29 August 2023, the Board resolved to adopt the 2023 Share Incentive Scheme of granting no more than 5,000,000 Domestic Shares in the form of RS representing 2.98% of the Company's then total issued Shares of 168,000,000 Shares and 2.84% of the total Shares after the Company completes the aforesaid direct issuance of 5,000,000 Domestic Shares (including 3,000,000 Shares under the Share Incentive Scheme are issued on 6 November 2023). The grantees of the 2023 Share Incentive Scheme include certain Directors and senior management of the Company, general manager and core management personnel of the subsidiaries of the Company. The Shareholders approved the 2023 Share Incentive Scheme at the 2023 First EGM held on 19 December 2023. For further details, please refer to the Company's announcements dated 29 August 2023, 24 November 2023 and 29 November 2023, the circular dated 15 October 2023 and the supplemental circular dated 29 November 2023.

The Company has applied to the CSRC and has received the CSRC's approval dated 13 March 2024 for the allotment and issuance of 5,000,000 new Domestic Shares under the 2023 Share Incentive Scheme. For more details, please refer to the Company's announcement dated 15 March 2024.

The principal terms of the 2023 Share Incentive Scheme are set out below:

Purpose of the 2023 Share Incentive Scheme

The purpose of the 2023 Share Incentive Scheme is to further establish and improve the incentive mechanism of the Group, fully mobilize the enthusiasm of the Group's management personnel, continuously introduce various excellent senior management talents and promote the realization of the Group's overall strategic goals under the premise of fully protecting the interests of Shareholders and pursuant to the current relevant laws and regulations, the Listing Rules and the Articles etc.

Lock-up Period

The shares obtained by the employees under the 2023 Share Incentive Scheme will be subject to a lock-up period of 60 months (the "**Lock-up Period**") commencing from the date of grant as approved by the Board. If the 2023 Share Incentive Scheme will adopt the approach of issuance in installments, then the Shares to be issued in subsequent installments will be subject to the same Lock-up Period as that of the shares to be issued in the first installment. The Lock-up Period aligns with the Scheme's purpose of promoting the realization of the Company's overall strategic goals and protecting the interests of shareholders.

Maximum Entitlement of Each Grantee

Where any grant of Domestic Shares to a Grantee would result in the Shares issued and to be issued in respect of all options and awards granted to such grantee (excluding any options and awards lapsed in accordance with the terms of the 2023 Share Incentive Scheme or any other share schemes) in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the total issued Shares, such grant must be separately approved by the Shareholders at the general meeting, with such grantee and his/her close associates (or associate if the grantee is a connected person) abstaining from voting, and the Company must send a circular to the Shareholders.

Where any grant of Domestic Shares to a grantee that is a Director (other than an independent non-executive Director) or chief executive of the Company, or any of their associates would result in the Shares issued and to be issued in respect of all awards granted (excluding any awards lapsed in accordance with the terms of the scheme) to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the relevant class of Shares in issue, such further grant of awards must be approved by the Shareholders at general meeting, with such grantee, his/her associates and all core connected persons of the Company abstaining from voting in favour at such general meeting.

Vesting Period

The restricted shares granted under the 2023 Share Incentive Scheme will vest immediately on the date of grant. The scheme does not impose a vesting period with regard to the restricted shares granted under the 2023 Share Incentive Scheme in order to provide more incentives for them to achieve their respective performance targets and make long-term contribution to the development of the Company. Considering that such vesting arrangements are appropriate for retaining, incentivizing, rewarding, remunerating and compensating valuable employees and the restricted shares granted under the 2023 Share Incentive Scheme will be subject to a total vesting and holding period (i.e., the Lock-up Period) of more than 12 months, the Remuneration Committee is of the view that such arrangement with no vesting period is justifiable and aligns with the purposes of the scheme.

Determination Basis of Grant Price

On the basis of completion of financial auditing and assets evaluation, and under the principle that the issuance price shall not be lower than the net assets per share of the Company as of 31 December 2022, taking into account the actual cost factors such as amount of capital contribution required to be paid by the grantee in order to acquire the relevant restricted shares and tax obligations etc., the Company decided to determine the grant price of the restricted shares to be RMB12.0 per Domestic Share, and calculate the price of each partnership interest based on the total interest of the employee shareholding platform.

Remaining Life of the 2023 Share Incentive Scheme

The validity period of the 2023 Share Incentive Scheme commences from the date when it is approved at the extraordinary general meeting on 19 December 2023 or when the remaining 3,000,000 shares under the Share Incentive Scheme are issued (whichever is later) to the date when all RS granted under the 2023 Share Incentive Scheme are unlocked or repurchased and cancelled, the longest period of which shall not exceed ten (10) years. As at 31 December 2023, the remaining life of the 2023 Share Incentive Scheme is approximately 10 years.

Details of the RS granted under the 2023 Share Incentive Scheme are set out below:

Name of Grantee	Category of Grantee	Date of Grant	Lock-up period	Exercise Period	Vesting Period	As at 1 January 2023	Granted during the Reporting Period	Attributed during the Reporting Period	Lapsed/ Forfeited during the Reporting Period	As at 31 December 2023	Grant price
Dr. Liang Dongke	Director and general manager	19 March 2024	60 months from grant	12 months after obtaining the CSRC approval	Nil	Nil	Nil	Nil	Nil	Nil	RMB12.0
Mr. Lin Sen	Director	19 March 2024	60 months from grant	12 months after obtaining the CSRC approval	Nil	Nil	Nil	Nil	Nil	Nil	RMB12.0
Dr. Song Yuan	Director	19 March 2024	60 months from grant	12 months after obtaining the CSRC approval	Nil	Nil	Nil	Nil	Nil	Nil	RMB12.0
Mr. Wang Ruiqin	Director	19 March 2024	60 months from grant	12 months after obtaining the CSRC approval	Nil	Nil	Nil	Nil	Nil	Nil	RMB12.0
Others	Employees	19 March 2024	60 months from grant	12 months after obtaining the CSRC approval	Nil	Nil	Nil	Nil	Nil	Nil	RMB12.0

As at 1 January 2023 and 31 December 2023, the total number of awards available for grant under the scheme mandate is nil and 5,000,000, respectively.

The total number of Shares available for issue under all schemes of the Company as at the date of this annual report is 5,000,000, representing approximately 0.29% of the total issued Shares as at the date of this annual report.

H SHARE AWARD AND TRUST SCHEME

Reference is made to the announcements of the Company dated 18 March 2022 and 16 May 2022 and the circular of the Company dated 11 April 2022 in relation to, among others, the adoption of the H Share Award and Trust scheme. The adoption of H Share Award and Trust Scheme was approved by the Shareholders at the Company's annual general meeting held on 16 May 2022. For the principal terms of the H Share Award and Trust Scheme, please refer to the circular of the Company dated 11 April 2022. The H Share Award and Trust Scheme involves no issue of new shares or granting of option for any new securities of the Company. The H Share Award and Trust Scheme constitutes a share scheme involving existing shares under Chapter 17 of the Listing Rules as effective since 1 January 2023.

As at 31 December 2023, the Company has not granted any H Shares to any participant under the H Share Award and Trust Scheme.

REPORT OF THE DIRECTORS

The principal terms of the H Share Award and Trust Scheme are set out below:

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

Eligible Participant who may participate in the H Share Scheme include any full-time PRC or non-PRC employee of any members of the Group, who is a Director (other than independent non-executive Directors), Supervisor, senior management, key operating team member, employee, or, a consultant of the Group.

Subject to the H Share Scheme Rules, the maximum number of H Shares that will be acquired by the Trustee through on-market transactions from time to time at the prevailing market price is 10,420,000 H Shares.

Upon approval by the Board or the Delegatee, and subject to the vesting conditions set out in the H Share Scheme Rules, all Awards under the H Share Scheme shall be vested in multiple tranches as specified in the Award Letter. The specific commencement and duration of each Vesting Period and the actual vesting amount of the Award granted to a Selected Participant for the respective Vesting Periods shall be specified in the Award Letter approved by the Board or the Delegatee.

If the award is vested in the form of Award Shares, the Selected Participant shall assume the Grant Cost for accepting the Award Shares, namely the Grant Cost (the product of the grant price of the Award Shares on the Grant Date multiplied by the number of Award Shares granted to a Selected Participant by the Board of Delegatee (subject to the final determination by the Board or the Delegatee), shall be deducted from the actual selling price of the Award Shares.

The H Share Award and Trust Scheme will expire on the 10th anniversary of 16 May 2022 when it was adopted at the 2022 AGM. As at 31 December 2023, the remaining life of the H Share Award and Trust Scheme is approximately 8 years.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

(1) Continuing Connected Transactions

During the year ended 31 December 2023, details of the Group's continuing connected transactions subject to the reporting, annual review, announcement requirements are set out as follows:

Continuing connected transaction	Date	Connected person	Description and purpose of the transaction	Annual cap for the year ended 31 December 2023	Actual transaction value for the year ended 31 December 2023
Medical Accessories and Molds Sales Framework Agreement (as defined below)	14 January 2022	KDL	Sale of certain medical accessories and molds by the Company to KDL and/or its subsidiaries or associated companies	RMB10.0 million	RMB7.48 million

The detailed terms of the non-exempt continuing connected transaction mentioned above are as follows:

Medical Accessories and Molds Sales Framework Agreement

On 14 January 2022, the Company entered into a procurement framework agreement dated 14 January 2022 with Kindly to update and renew the medical accessories and molds sales framework agreement dated 31 December 2018 and supplemented by a supplemental procurement framework agreement dated 14 October 2019 (the "**Medical Accessories and Molds Sales Framework Agreement**"), the principal terms of which are set out as follows:

(i) the Group will sell to KDL and/or its subsidiaries or associated companies (the "**Purchaser**") certain medical accessories and molds manufactured by the Group;

(ii) with respect to specific product requests that may be identified in the future, the Group and the Purchaser will enter into separate individual agreements or work orders to provide for the specific terms and conditions according to the principles;

(iii) unless agreed by both parties after arm's length negotiations and with reference to the market prices, quantities, delivery methods of the medical accessories and/or molds and historical transaction amounts, purchase price for the medical accessories and/or molds shall be calculated according to the price list which had been determined on a cost-plus basis and as set out in the Medical Accessories and Molds Sales Framework Agreement. Such prices shall be no less favourable than prices at which the Group charges independent third parties in comparable transactions; and

(iv) the Medical Accessories and Molds Sales Framework Agreement is effective from 14 January 2022 to 31 December 2024 and may be renewed conditional on the fulfillment of the relevant requirements under the relevant laws, regulations and the Listing Rules.

Annual caps

For the year ended 31 December 2023, the annual transaction amount under the Medical Accessories and Molds Sales Framework Agreement shall not exceed RMB10.0 million.

During the Reporting Period, the transaction amount received/receivable by the Group from the Purchaser under the Medical Accessories and Molds Sales Framework Agreement was RMB7.48 million.

Review by and confirmation of independent non-executive Directors of the Company

The independent non-executive Directors have reviewed the above continuing connected transactions, and after due and careful enquiry with the management of the Group, confirmed that such transactions were:

(i) carried out in the ordinary and usual course of business of the Group;

(ii) made on normal commercial terms or better; and

(iii) carried out according to the terms in the relevant transaction agreements, which are fair and reasonable, and in the interests of the Shareholders as a whole.

The independent non-executive Directors are satisfied that they have received and reviewed sufficient information to give the confirmations above.

Confirmation of the auditor

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the above mentioned continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules.

The auditor of the Company had informed the Board and confirmed nothing has come to their attention that cause them to believe that the continuing connected transactions:

(i) have not been approved by the Board;

(ii) are not carried out in accordance with the pricing policies of the Group in all material respects;

(iii) are not carried out in accordance with the related transaction agreement in any material respects; and

(iv) exceed the relevant annual caps as disclosed in the Prospectus.

REPORT OF THE DIRECTORS

In respect of the above mentioned non-exempt connected transactions, the Directors also confirmed that the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

During the Reporting Period, there was no connected transaction or continuing connected transaction of the Group which has to be disclosed in accordance with the Listing Rules, save for the foregoing.

MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed in the paragraph headed "Connected Transactions" in this annual report, the related party transactions as set out in note 29 to the consolidated financial statements are not regarded as connected transactions or were exempt from reporting, announcement and Shareholders' approval requirements under the Listing Rules.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE, REDEMPTION OR CANCELLATION OF LISTED SECURITIES

During the Reporting Period, the trustee of the H Share Award and Trust Scheme repurchased 892,800 H shares on the Stock Exchange to satisfy the grant of awards pursuant to the H Share Award and Trust Scheme. No awards was granted as at 31 December 2023 under the H Share Award and Trust Scheme.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

EQUITY-LINKED AGREEMENT

Same as disclosed in the paragraphs headed "Share Incentive Scheme", "2023 Share Incentive Scheme" and "H Share Award and Trust Scheme" above, the Company had not entered into any equity-linked agreement for the year ended 31 December 2023, nor did any equity-linked agreement subsist as at 31 December 2023.

BANK BORROWINGS AND GEARING RATIO

As at 31 December 2023, Group's loan of approximately RMB79.12 million was borrowed from banks in the PRC, as compared to approximately RMB32.68 million as at 31 December 2022. As such, the gearing ratio is 5.65% (2022: 3.14%).

DONATIONS

For the year ended 31 December 2023, the Group donated RMB20,000 for the charity activity of "Beloved under the Blue Sky" (2022: RMB30,000).

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended 31 December 2023.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. Save for the deviation from code provision C.2.1 of Part 2 of the CG Code as disclosed in the section headed "Corporate Governance Report" below, the Board is of the opinion that the Company has complied with the applicable code provisions under the CG Code throughout the Reporting Period. Principal corporate governance practices adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 47 to 60 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

CLOSURE OF THE REGISTER OF MEMBERS

For the purpose of determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 24 April 2024 to Friday, 24 May 2024, both days inclusive, during which period no transfer of Shares will be effected. In order to determine the identity of the Shareholders who are entitled to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for the holders of H Shares), or the Company's registered office at Block 2, No. 925 Jin Yuan Yi Road, Jiading District, Shanghai, the PRC (for the holders of Domestic Shares), not later than 4:30 p.m. on Tuesday, 23 April 2024.

For the purpose of determining the entitlement to the Proposed Final Dividend, the register of members of the Company will be closed from Monday, 3 June 2024 to Thursday, 6 June 2024, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for receiving the Proposed Final Divided (subject to the approval by the Shareholders at the AGM), all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for the holders of H Shares), or the Company's registered office at Block 2, No. 925 Jin Yuan Yi Road, Jiading District, Shanghai, the PRC (for the holders of Domestic Shares), not later than 4:30 p.m. on Friday, 31 May 2024.

REPORT OF THE DIRECTORS

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

There was no incident of non-compliance with relevant laws and regulations that had a significant impact on the Group during the Reporting Period.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

Repurchase of Equity Interest in Non-wholly Owned Subsidiary

On 23 February 2024, the Company, Shanghai Huaige Int Venture Investment Partnership (Limited Partnership)* 上海懷格瑛泰創業投資合夥企業(有限合夥) ("**Huaige Int**") and Mr. Ke Wei (柯偉) (collectively, the "**Sellers**") and Shanghai Healing Medical Instruments Co., Ltd.* 上海翰淩醫療器械有限公司 (the "**Target Company**") entered into an equity interest transfer repurchase agreement (the "**Repurchase Agreement**"). Pursuant to the Repurchase Agreement, the Company agreed to repurchase a total of approximately 5.0% equity interest in the Target Company from the Sellers, among which approximately 3.8% equity interest in the Target Company will be repurchased by the Company from Huaige Int. and approximately 1.2% equity interest in the Target Company will be repurchased by the Company from Mr. Ke Wei (柯偉) at the total consideration of RMB60.08 million (the "**Repurchases**"). Upon completion of the Repurchases, the Target Company will be owned as to approximately 61.36% by the Company. As at the date of this annual report, the Repurchases have not yet been completed.

As one or more of the applicable percentage ratios in respect of the Repurchases does not exceed 5%, the Repurchases in aggregate are exempt from the reporting and announcement requirements under Chapter 14 of the Listing Rules. The general partner of Huaige Int is Huaige Enterprise, which is owned as to 70.00% by Huaige Heath as the general partner. Huaige Health owns approximately 1.56% in and is the general partner of Ningbo Huaige Taiyi, a substantial Shareholder which held approximately 14.31% equity interest in the Company. Accordingly, Huaige Int is an associate of Ningbo Huaige Taiyi and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Repurchase from Huaige Int constitutes a connected transaction of the Company which is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further details are set out in the announcement of the Company dated 23 February 2024 and 4 March 2024.

REPORT OF THE DIRECTORS

Allotment and Issuance of Domestic Shares under the 2023 Share Incentive Scheme

Reference is made to the announcement of the Company dated 15 March 2024 in relation to the allotment and issuance of 5,000,000 domestic shares to Dr. Liang Dongke, Mr. Lin Sen, Dr. Song Yuan, Mr. Wang Ruiqin and 13 other employees of the Company (the "**Grantees**"). The Company has received approval dated 13 March 2024 from the CSRC (the "**2024 CSRC Approval**") in relation to the Company's allotment and issuance of 5,000,000 new domestic shares under the 2023 Share Incentive Scheme. The 2024 CSRC Approval shall be effective for 12 months from 13 March 2024. The Company will apply to the China Securities and Depository and Clearing Limited for approval of allotting 5,000,000 new domestic shares to the Grantees (the "**2024 Proposed Allotment**") in due time within the validity period approved by the CSRC. Upon completion of the 2024 Proposed Allotment, the total number of issued shares of the Company will be 176,000,000, and all the award shares under the 2023 Share Incentive Scheme will be fully issued.

Change of Company Website

The website of the Company has changed from "www.kdl-int.com" to "www.int-medical.com" with effect from 18 March 2024. All announcements, notices or other documents submitted by the Company for publication on the website of the Stock Exchange will also be published on this new website of the Company.

Save as disclosed above, there was no significant event after the Reporting Period.

AUDITORS

KPMG and KPMG Huazhen LLP had been appointed as the international and domestic auditors of the Company in respect of the financial statements for the year ended 31 December 2023 prepared in accordance with HKFRS and PRC GAAP, respectively. KPMG and KPMG Huazhen LLP will retire and, being eligible, offer themselves for re-appointments as the auditors of the Company at the forthcoming AGM. These financial statements were prepared in accordance with HKFRS and have been audited by KPMG.

By order of the Board
Shanghai INT Medical Instruments Co., Ltd.*
上海瑛泰醫療器械股份有限公司
Dr. Liang Dongke
Chairman

Shanghai, the PRC
18 March 2024

REPORT OF THE SUPERVISORY COMMITTEE

The Supervisory Committee, in compliance with the relevant requirements of the Company Law of the PRC and the Articles, has conducted its work in accordance with the fiduciary principle, and has taken up an active role to work seriously and with diligence to protect the interests of the Company and the Shareholders.

During the Reporting Period, the Supervisory Committee had reviewed cautiously the development plans of the Company and provided reasonable suggestions and opinions to the Board. It also strictly and effectively monitored and supervised the Company's management in making significant policies and decisions to ensure that they are in compliance with the relevant requirements of the Company Law of the PRC and the Articles, and in the interests of the Shareholders.

We have reviewed and agreed to the report of the Directors, audited financial statements and the dividend to be proposed by the Board for presentation at the forthcoming AGM. We are of the opinion that the Directors, the chief executive officer and other senior management of the Company are able to strictly observe their fiduciary duty, to act diligently, to exercise their authority faithfully in the best interests of the Company and to work in accordance with the Articles. The transactions between the Company and connected persons are in the interests of the Shareholders as a whole and under fair and reasonable terms.

As of today, none of the Directors and senior management of the Company had been found to have abused their authority, damaged the interests of the Company or infringed upon the interests of the Shareholders and employees. None of them was found to be in breach of any laws and regulations or the Articles.

The Supervisory Committee is satisfied with the achievement and cost-effectiveness of the Company in 2023 and has great confident in the future prospect of the Company.

By Order of the Supervisory Committee
Shanghai INT Medical Instruments Co., Ltd.*
上海瑛泰醫療器械股份有限公司
Ma Huifang
Chairperson of the Supervisory Committee

Shanghai, the PRC
18 March 2024

CORPORATE GOVERNANCE REPORT

The Board is committed to achieve good corporate governance standards to protect the Shareholders' interest and enhance the Company's transparency and accountability. The Company's corporate governance practices are based on the CG Code contained in Appendix C1 of the Listing Rules on the Stock Exchange.

SUMMARY OF CORPORATE GOVERNANCE

The Company has established a corporate governance structure comprising general meeting, the Board, the Supervisory Committee and the management in accordance with Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and the Listing Rules. Such structure gives a clear division of authority and responsibilities among the authority, decision-making and regulatory bodies and the management, and creates a balances mechanism and mutual coordination for standard operation.

CORPORATE GOVERNANCE CODE

The Company's H Shares have been listed on the Stock Exchange since 8 November 2019. During the Reporting Period, save for the deviation from code provision C.2.1 of Part 2 of the CG Code as described in the paragraph headed "Chairman and Chief Executive" below, the Company has complied with all the code provisions set out in Corporate Governance Code in Appendix C1 to the Listing Rules and adopted substantially all the recommended best practices therein.

THE BOARD

During the Reporting Period and as at the date of this annual report, the composition of the Board is as follows:

Executive Directors

Dr. Liang Dongke (梁棟科) *(Chairman)*
Mr. Lin Sen (林森)

Non-executive Directors

Mr. Zhang Weixin (張維鑫)
Ms. Chen Hongqin (陳紅琴)
Dr. Song Yuan (宋媛)
Mr. Wang Ruiqin (王瑞琴)

Independent non-executive Directors

Mr. Jian Xigao (蹇錫高)
Mr. Hui Hung Kwan (許鴻群)
Mr. Xu Congli (徐從禮)

The biological information of the Directors are set out in the section headed "Directors, Supervisors and Senior Management" on pages 114 to 119 of this annual report. Save as disclosed in their respective biographies, the Directors, Supervisors and senior management members do not have financial, business, family or other material relationships with one another.

With regard to the CG code provision requiring directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as the identity and the time involved to the issuer, the Directors have agreed to disclose their commitments and any subsequent change to the Company in a timely manner.

CORPORATE GOVERNANCE REPORT

Responsibilities

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The Board has delegated to the senior management of the Group the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Audit Committee, Remuneration Committee and Nomination Committee and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

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

Chairman and Chief Executive

Code provision C.2.1 of Part 2 of the CG Code provides that that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual.

Dr. Liang Dongke is our chairman of the Board and the general manager (same as a chief executive) of the Company. With extensive experience in the medical devices industry and as the founder of the business of the Group, Dr. Liang is in charge of overall management, business, strategic development and scientific research and development of the Group.

The Board considers that vesting the roles of chairman and general manager in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the Board, the Supervisors and the senior management members of the Company, which comprises experienced and visionary individuals. The Board currently comprises two executive Directors (including Dr. Liang), four non-executive Directors and three independent non-executive Directors, and therefore has a strong independence element in its composition. The Board shall review the structure from time to time to ensure that the structure facilitates the execution of the Group's business strategies and maximizes effectiveness of its operation.

Board Diversity and Workforce Policy

The Company has adopted the Board Diversity Policy, pursuant to which the Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

As at the date of this annual report, our Board consists of seven male members and two female members with 3 Directors of age 41 to 50 years old, 5 Directors of age 51 to 60 years old and 1 Director of over 60 years old. The Company has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable the Company to maintain high standard of operation.

The total gender diversity of the Group is balanced, at 61.6%, representing 966 female out of 1,567 employees (including senior management) as at 31 December 2023. To support diversity across all facets, the Group is enhancing diversity and inclusion efforts through employee networks, mentoring programmes, equitable hiring practices, policies and awareness raising events and training for all employees to support inclusive behaviours.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of Part 2 of the CG Code.

During the Reporting Period, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Independent Non-executive Directors

Since the Company's Listing in November 2019, the Board has at all times exceeded the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing one-third of the board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received annual confirmation on independence from each of the independent non-executive Directors of the Company. The Company considers that each of its independent non-executive Director is independent in accordance with Rule 3.13 of the Listing Rules.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as a code of conduct of the Company for Directors' and Supervisors' securities transactions. Having made specific enquiry of all Directors and Supervisors, the Directors and the Supervisors have complied with the required standard set out in the Model Code during the Reporting Period. Employees who are, or likely to be, in possession of unpublished inside information in relation to the Company or the Shares are prohibited from dealing in the Shares during the black-out period.

Delegation by the Board

The Board undertakes responsibility for decision making in major matters of the Group, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

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

The Company has established mechanism to ensure that each Director is normally able to seek independent professional advice, views and input in appropriate circumstances at the Company's expense, upon making request to the Board. During the Reporting Period, the Board reviewed the implementation and effectiveness of such mechanism.

CORPORATE GOVERNANCE REPORT

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors has entered into a service contract with our Company for a term of three years and which are renewable upon expiry and subject to re-election upon expiry of their term of office in accordance with the Articles and applicable laws, rules and regulations.

Each of the Supervisors has entered into a service contract with our Company for a term of three years and in respect of, among others, compliance with relevant laws and regulations, observation of the Articles and provision on arbitration.

Save as disclosed above, the Company did not sign any relevant unexpired service contract which is not terminable within a year without payment of any compensation, other than statutory compensation.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Each newly appointed Director shall receive formal and comprehensive induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors will be continuously updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Directors are also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The joint company secretaries of the Company update the Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

According to the records maintained by the Company, all Directors participated in trainings regarding the knowledge of the Listing Rules and other legislations, as well as the knowledge in relation to responsibilities of directors of a listed company. In addition, relevant reading materials including legal and regulatory update have been provided to the Directors for their reference and studying.

The record of continuous professional development relating to director's duties and regulatory and business development that have been received by the Directors for the year ended 31 December 2023 is summarized as follows:

Name of Director	Reading materials relevant to corporate governance and regulations	Attending training session(s) relevant to corporate governance and regulations
Executive Directors		
Dr. Liang Dongke (梁棟科) *(Chairman)*	√	√
Mr. Lin Sen (林森)	√	√
Non-executive Directors		
Mr. Zhang Weixin (張維鑫)	√	√
Ms. Chen Hongqin (陳紅琴)	√	√
Dr. Song Yuan (宋媛)	√	√
Mr. Wang Ruiqin (王瑞琴)	√	√
Independent Non-executive Directors		
Mr. Jian Xigao (蹇錫高)	√	√
Mr. Hui Hung Kwan (許鴻群)	√	√
Mr. Xu Congli (徐從禮)	√	√

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Pursuant to the requirements of the Articles, Directors (including non-executive Directors) shall be elected at the general meeting with a term of three years. A Director shall be eligible for re-election on the expiry of each term. The Company has implemented a set of effective procedures for appointment of new Directors. The nomination of new Directors shall be first deliberated by the Nomination Committee and then submitted to the Board, subject to approval by election at the general meeting.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in notes 8 and 9 to the consolidated financial statements on pages 159 to 161 of this annual report.

For the Reporting Period, no emoluments were paid by the Group to any Directors, Supervisors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors or Supervisors has waived any emoluments for the year ended 31 December 2023.

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

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS AND GENERAL MEETING

Pursuant to code provision C.5.1 of Part 2 of the CG Code, the Company has adopted the practice of holding Board meetings for at least four times a year at approximately quarterly intervals. Notice of not less than 14 days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting in accordance with code provision C.5.3 of Part 2 of the CG Code.

All Directors are provided with agenda and relevant information not less than three days before a Board meeting. They have access to the senior management and the joint company secretaries of the Company at all times and, upon reasonable request, may seek independent professional advice at the Company's expense.

Minutes of Board meetings are kept by the secretary to the Board with copies circulated to all Directors for information and records. Minutes of Board meetings and committee meetings record sufficient detail of the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of Board meetings and committee meetings are sent to the Directors for comments within a reasonable time after the date on which a meeting is held. The minutes of the Board meetings are open for inspection by Directors.

During the Reporting Period, the Company held 12 Board meetings and 4 general meetings (including the 2022 AGM, 2023 First EGM, H shareholders class meeting and domestic shareholders class meeting) in total. The attendance of Directors at Board meetings during the Reporting Period are set out below.

Directors	Number of Board meetings attended/eligible to attend	Attendance rate
Executive Directors		
Dr. Liang Dongke (梁棟科) *(Chairman)*	12/12	100%
Mr. Lin Sen (林森)	12/12	100%
Non-executive Directors		
Mr. Zhang Weixin (張維鑫)	12/12	100%
Ms. Chen Hongqin (陳紅琴)	12/12	100%
Dr. Song Yuan (宋媛)	12/12	100%
Mr. Wang Ruiqin (王瑞琴)	12/12	100%
Independent non-executive Directors		
Mr. Jian Xigao (蹇錫高)	12/12	100%
Mr. Hui Hung Kwan (許鴻群)	12/12	100%
Mr. Xu Congli (徐從禮)	12/12	100%

Directors	Number of general meetings attended/eligible to attend	Attendance rate
Executive Directors		
Dr. Liang Dongke (梁棟科) *(Chairman)*	4/4	100%
Mr. Lin Sen (林森)	4/4	100%
Non-executive Directors		
Mr. Zhang Weixin (張維鑫)	4/4	100%
Ms. Chen Hongqin (陳紅琴)	4/4	100%
Dr. Song Yuan (宋媛)	4/4	100%
Mr. Wang Ruiqin (王瑞琴)	4/4	100%
Independent non-executive Directors		
Mr. Jian Xigao (蹇錫高)	4/4	100%
Mr. Hui Hung Kwan (許鴻群)	4/4	100%
Mr. Xu Congli (徐從禮)	4/4	100%

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, to handle particular responsibilities of the Board and the Company's affairs.

All Board committees of the Company are established with defined written terms of reference that have been uploaded to the respective websites of the Stock Exchange and the Company, and are provided with sufficient resources to discharge their duties.

Audit Committee

The Company established the Audit Committee in compliance with Rules 3.21 and 3.22 of the Listing Rules with written terms of reference in compliance with the CG Code and the roles and responsibilities delegated to the Audit Committee by the Board.

The Audit Committee is primarily responsible for the appointment of external auditor; reviewing the Group's financial information and overseeing the Group's financial reporting system, risk management and internal control procedures, supervising the Company's internal audit function and reviewing its effectiveness, reviewing the Company's compliance with the relevant terms and rules, reviewing the interim and annual results of the Group, appointment, re-appointment and removal of external auditor, prior to recommending them to the Board for approval, and other matters that the Board has authorized it to deal with. The Audit Committee is provided with sufficient resources to perform its duties and should seek independent professional advice to perform its responsibilities, when necessary, at the Company's expense.

The Audit Committee consists of two independent non-executive Directors, Mr. Hui Hung Kwan (chairman of the Audit Committee) and Mr. Xu Congli, and one non-executive Director, Dr. Song Yuan.

During the Reporting Period, the Audit Committee held 3 meetings to review the interim, annual financial results and reports systems and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors, connected transactions and arrangements for employees to raise concerns about possible improprieties. A summary of the attendance record of the Audit Committee members is set out in the table below.

Committee members	Number of meetings attended/ eligible to attend	Attendance rate
Mr. Hui Hung Kwan	3/3	100%
Dr. Song Yuan	3/3	100%
Mr. Xu Congli	3/3	100%

During the Reporting Period, the Audit Committee reviewed and was of the opinion that the Group's consolidated financial statements for the year ended 31 December 2022 and the unaudited condensed consolidated financial statements for the six months ended 30 June 2023 complied with the applicable accounting principles, standards and requirements and that adequate disclosures were made, reviewing the effectiveness of risk management and internal control system in accordance with code provision D.2.1 of the CG Code, considering the appointment and re-appointment of external auditors of the Company, reviewing their independence and their audit scope and fees. The Audit Committee therefore recommend for the Board's approval of the Group's consolidated financial statements for the year ended 31 December 2022.

Nomination Committee

The Company established the Nomination Committee with written terms of reference in compliance with the requirements of the CG Code and the roles and responsibilities delegated to the Nomination Committee by the Board. The Nomination Committee should seek independent professional advice to perform its responsibilities, when necessary, at the Company's expense.

The Nomination Committee is primarily responsible for screening and nominating candidates for Directors and members of the board committees of the Company and assessing the candidates' qualifications, including proposing to the Board on its size and composition in accordance with the Company's operating results, assets and shareholding structure, reviewing the procedures and criteria for determining the candidates for Directors and the chief executive officer of the Company and making proposals to the Board, assisting the Board in assessing and reviewing the independence of the independent non-executive Directors, and performing regular review on contributions made by the Directors and the sufficiency of their time devoted to perform their duties. The Company has adopted nomination policy, which is incorporated in the terms of reference of the Nomination Committee and sets out the selection criteria and nomination procedures for identifying and recommending candidates for appointment or re-appointment of Director. The Nomination Committee conducts extensive searches for candidates for Directors and senior management after considering the Company's requirements. With the consent of the nominees, a meeting of the Nomination Committee will be convened to vet the qualifications of the shortlisted nominees and recommend candidates for Directors and new senior management appointments to the Board and furnish relevant materials.

The Nomination Committee currently consists of one executive Director, Dr. Liang Dongke (chairman of the Nomination Committee), and two independent non-executive Directors, Mr. Jian Xigao and Mr. Xu Congli.

The Board has adopted a board diversity policy, more details of which are set out in "Board Diversity and Workforce Policy" on page 48 of this annual report. When a vacancy in the Board arises, the Nomination Committee evaluates the balance of skills, knowledge and experience of the Board, and identifies any special requirements for the vacancy. The Nomination Committee will then identify suitable candidates and convene a meeting to discuss and vote on the nomination of directors and make recommendation to the Board on the candidate(s) for directorship. During the Reporting Period, the Board and the Nomination Committee had reviewed the implementation of the Board Diversity Policy and confirmed its still effectiveness.

During the Reporting Period, the Nomination Committee held 1 meeting. A summary of the attendance record of the Nomination Committee members is set out in the table below.

Committee members	Number of meetings attended/ eligible to attend	Attendance rate
Dr. Liang Dongke	1/1	100%
Mr. Jian Xigao	1/1	100%
Mr. Xu Congli	1/1	100%

Remuneration Committee

The Company established the Remuneration Committee with written terms of reference in compliance with the CG Code and the roles and the responsibilities delegated to the Remuneration Committee by the Board.

The Remuneration Committee is primarily responsible for evaluating the remuneration strategies and policies, performance appraisal and share schemes and other matters regarding the remuneration of Directors, Supervisors and senior management, and making relevant recommendations to the Board. The Remuneration Committee is provided with sufficient resources to perform its duties and should seek independent professional advice to perform its responsibilities, when necessary, at the Company's expense. Upon the approval by the Board, relevant recommendations will be proposed for consideration at the general meeting. The Remuneration Committee has adopted the second model described in paragraph E.1.2(c) of Part 2 of the CG Code (i.e. make recommendations to the Board on the remuneration packages of individual executive Directors and senior management members).

The Remuneration Committee consists of two independent non-executive Directors, Mr. Jian Xigao (chairman of the Remuneration Committee) and Mr. Hui Hung Kwan, and one executive Director, Dr. Liang Dongke.

Details of the Directors' emoluments and the five highest paid individuals are set out in notes 8 and 9 to the consolidated financial statements. During the Reporting Period, the remuneration of each of the members of senior management as named in the section headed "Directors, Supervisor and Senior Management" of this annual report within the remuneration band of RMB0.63 million to RMB1.32 million.

During the Reporting Period, the Remuneration Committee held 4 meetings. A summary of the attendance record of the Remuneration Committee members is set out in the table below.

Committee members	Number of meetings attended/ eligible to attend	Attendance rate
Mr. Jian Xigao	4/4	100%
Mr. Hui Hung Kwan	4/4	100%
Dr. Liang Dongke	4/4	100%

SUPERVISORY COMMITTEE

The Supervisory Committee is a supervisory agency of the company which is responsible for the supervision of the Board and its members and senior management such as the general manager and deputy general manager so as to prevent them from the misuse of authority and infringement upon lawful rights of the Shareholders, the Company and the Company's employees. The number of members and the composition of the Supervisory Committee are in line with the provisions and requirements of the laws, regulations and the Articles. During the Reporting Period, the Supervisory Committee was comprised of three Supervisors Ms. Ma Huifang (chairperson of the Supervisory Committee), Ms. Chen Jie and Mr. Shen Xiaoru. Ms. Chen was democratically elected as an employee representative Supervisor by our employees, and Ms. Ma and Mr. Shen were appointed as shareholder representative Supervisors. The background and biographical details of the Supervisors are set out in the section headed "Directors, Supervisors and Senior Management" in this annual report.

The Supervisors shall serve a term of three years, and may be re-elected for successive terms. The chairperson of the Supervisory Committee shall be appointed or removed by the votes of more than two thirds of the members of the Supervisory Committee. Resolutions of the meeting of the Supervisory Committee shall be approved by more than two thirds of the members of the Supervisory Committee.

During the Reporting Period, the Supervisory Committee held 5 meetings. A summary of the attendance record of the Supervisory Committee members is set out in the table below.

Committee members	Number of meetings attended/ eligible to attend	Attendance rate
Ms. Ma Huifang	5/5	100%
Ms. Chen Jie	5/5	100%
Mr. Shen Xiaoru	5/5	100%

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the risk management and internal control systems of the Group and for reviewing their effectiveness at least annually, with assistance from the Audit Committee in fulfilling its oversight and corporate governance roles in the Group's financial, operational, compliance and risk management.

In order to identify, assess and control the risks that may cause impediments to our business, the Group has designed and implemented various policies and procedures to help ensure effective risk management in our operations. Our general manager is ultimately responsible for our risk management. Senior management of the Company implements the risk management policies, strategies and plans set by our general manager. Each business department monitors and evaluates the implementation of risk management and internal control policies and procedures. Our general manager conducts a bi-weekly meeting with senior management and each business department head to discuss among other things, risk management and internal control policies and procedures. At general manager's meetings, depending on the agenda, different department heads will report to our general manager on the relevant agenda items, as necessary. The Directors believe that our corporate structure provides an appropriate system of checks and balances to improve our risk management procedures in a number of important respects.

The Company has an internal audit department, which is responsible for independently reviewing the adequacy and effectiveness of the risk management and internal control system of the Company, and reporting the results to the Audit Committee. Internal control supervisor of the Company is responsible for coordinating the internal control, sorting out and improving the business process and management mechanism, and carrying out the effectiveness evaluation of internal control. In addition to the internal control and internal audit functions, all employees are liable for risk management and internal control within their business scope. Each department shall actively cooperate with the internal control and internal review, report to the management on the important development of the department's business and the implementation of policies and strategies established by the Company, and identify, evaluate and manage major risks in time.

The Company has established risk management and internal control management to build general risk management internal control environment. At present, the Company has built an internal control process framework covering procurement, sales, human resources and compensation management, marketing and promotion management, tax management, capital management, information security and intellectual property rights, financial reporting and disclosure and other business processes and carry out risk assessment regularly to ensure risk management and internal control being in operation effectively.

The Audit Committee was satisfied as to the implementation and effectiveness of the Group's risk management and internal control procedures. There were no matters of material concerns relating to financial, operational or compliance controls. The Board is satisfied with the adequacy of the risk management and internal control procedures of the Group during the Reporting Period.

ANTI-CORRUPTION

The Group takes anti-corruption responsibilities very seriously. The Group's anti-corruption policies set out the standards of conduct to which all employees are required to adhere to. The Group has designated email for relevant stakeholders to report, in confidence, any illegal or fraudulent behaviours to the Board. Employees making such reports are assured of protection. The designated email is available on the Company's website at www.int-medical.com. The Group has also established a regularly review on its business practices and anti-corruption measures and guidelines, as well as reported improprieties investigation.

CORPORATE GOVERNANCE REPORT

The Group establishes an effective whistle-blowing policy for reporting suspected irregularities, fraud and corruption via specified channels for employees and the relevant third parties (e.g. customers, suppliers, creditors, debtors). All reported matters will be investigated independently and, in the meantime, all information received from a whistleblower and its identity will be kept confidential. The Group also continues to improve its internal control and monitoring system. If any irregularities are identified, the Group takes immediate action and adopts a zero-tolerance approach to corruption.

The Board and the Audit Committee will regularly review the whistle-blowing policy and mechanism to improve its effectiveness.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements for the year ended 31 December 2023 which give a true and fair view of the affairs of the Company and the Group and of the Group's financial performance and cash flows. The Directors also acknowledge their responsibilities to ensure that the consolidated financial statements of the Group are published in a timely manner.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's consolidated financial statements for the year ended 31 December 2023 which are put to the Board for approval. The management also provides all members of the Board with monthly updates giving a balanced and understandable assessment of the performance and prospects of the Company.

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

The statement prepared by KPMG, the international auditor of the Company, regarding their reporting responsibilities on the consolidated financial statements of the Company prepared under HKFRS, is set out in the Independent Auditor's Report in this annual report.

AUDITORS' REMUNERATION

During the Reporting Period, the total fee paid/payable in respect of audit and non-audit services provided by the Group's international and domestic auditors, KPMG and KPMG Huazhen LLP is set out below:

Service Category	Fees Paid/Payable *(RMB million)*
Audit services	3,000
Other services	1,600
Total	4,600

The nature of the other services provided by KPMG and KPMG Huazhen LLP related to esg and capital market.

MAIN DUTIES OF INTERNAL AUDIT

The Company has established an internal audit department as its dedicated internal audit function, which is also the executive body for the work of the Audit Committee under the Board. The roles and duties of the internal audit are designated to facilitate the effective operation and management of the Company and provide support to the Board and the Audit Committee is discharging their duties.

JOINT COMPANY SECRETARIES

Dr. Song Yuan, one of our joint company secretaries, is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures and applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company has also engaged Ms. Leung Shui Bing, a manager of the Listing Services Department of TMF Hong Kong Limited (a global corporate services provider), as another joint company secretary to assist Dr. Song Yuan in discharging her duties as company secretary of the Company. Ms. Leung Shui Bing's primary contact person at the Company is Dr. Song Yuan.

During the Reporting Period, both of Dr. Song Yuan and Ms. Leung Shui Bing had undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Procedures for Shareholder(s) to Convene an Extraordinary General Meeting ("EGM")

Shareholders requesting the convening of an EGM shall proceed in accordance with the procedures set forth below.

Two or more Shareholders individually or jointly holding over 10% of the Shares with the voting power at the proposed meeting may sign one or more written requests of identical form of content requesting the Board to hold the EGM or a class meeting.

If the Board fails to issue a notice of convening such meeting within 30 days upon receipt of the above written request, the Shareholders who made such request may request the Supervisory Committee to convene the EGM or class meeting.

If the Supervisory Committee fails to issue a notice of convening such meeting within 30 days upon receipt of the above written request, for more than 90 consecutive days, Shareholders individually or jointly holding 10% or more of the shares carrying voting rights at the meeting sought to be held may convene the EGM of their own accord within four months upon the Board having received such request. The convening procedures shall, to the greatest extent possible, be identical to procedures according to which the Shareholders' general meetings are to be convened by the Board.

CORPORATE GOVERNANCE REPORT

Procedures for Shareholder(s) to Put Forward Proposals at a General Meeting

When the Company convenes a shareholders' general meeting, Shareholders individually or jointly holding 3% or more of the total voting shares of the Company are entitled to propose new resolutions in writing to the Company and submit them to the convener 10 days before the meeting. The convener of the Shareholders' general meeting shall issue a supplementary notice of the Shareholders' general meeting to other Shareholders within two days upon the receipt of such proposal and incorporate any matters falling within the scope of duties of the shareholders' general meeting into the agenda of such meeting. The new agenda shall be tabled to the shareholders' general meeting for consideration.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's registered office in the PRC at Block 2, No. 925 Jin Yuan Yi Road Jiading District, Shanghai, PRC. Shareholders may also make enquiries with the Board at the general meetings of the Company.

COMMUNICATIONS WITH SHAREHOLDERS

The Company continuously attaches great importance to maintaining and developing investor relations for a long time, enhances transparency of the corporate information by promptly and effectively releasing the corporate information to the public, which has established effective channels for the Company to communicate with investors.

The Company publishes its announcements, financial information and other relevant information on the website at www.int-medical.com, as a channel to facilitate effective communication.

The Board welcomes Shareholders' views and encourages them to attend general meetings to convey any concerns they might have to the Board or the management. Chairman of the Board and the chairman of all committees (or their proxy) will attend the annual general meeting and other general meetings. At the general meetings, all Shareholders attending the meeting may make enquiries to the Directors and other management in respect of matters relevant to the resolutions. The Company has published detailed contact methods through its website, notices of the general meeting, circulars to the Shareholders and annual reports for Shareholders to express their views or make enquiries.

INVESTOR RELATIONS

The Company considers it crucial to provide investors with accurate information in a timely manner and maintains communication with investors through effective communication channels, with an aim to enhance mutual understanding between investors and the Company and to improve the transparency of the Company's information disclosure.

In accordance with the Listing Rules, the Company shall duly disseminate its corporate information via various channels, including regular reports, announcements and company website.

CHANGE IN CONSTITUTIONAL DOCUMENTS

Save for the amendments to the Articles effective on 20 December, 2023, there was no change in the constitutional documents of the Company during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1 ABOUT THIS REPORT

Report Overview

This is the fifth Environmental, Social and Governance Report ("**ESG Report**") issued by Shanghai INT Medical Instruments Co., Ltd. (hereinafter referred to as the "**Company**") and its subsidiaries (hereinafter referred to as the "**Group**"), which aims to present the performance of the Group in fulfilling its environmental and social responsibility practices in 2023, including key ESG issues concerned by stakeholders.

Basis of Preparation

This report is prepared for the year from 1 January 2023 to 31 December 2023 in accordance with Appendix C2 the Environmental, Social and Governance Reporting Guide of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**SEHK**"). This report provides an overview of the Group's activities over the year and will be posted on the website of SEHK and the official website of the Group.

Publication Interval

This is the Group's annual ESG Report, which covers the year from 1 January 2023 to 31 December 2023. The report in the next Reporting Period (year of 2024) is expected to be released in 2025.

Scope of Report

The reporting entities are Shanghai INT Medical Instruments Co., Ltd. and its subsidiaries. The data in respect of their policies, social responsibilities and environmental protection efforts cover all of the Group's business lines.

Sources of Data

The data used in this report are derived from the internal documents and related statistics of Shanghai INT Medical Instruments Co., Ltd. and its subsidiaries.

Reporting Principles

Materiality: We identify major ESG issues through materiality assessment, and the relevant process and results have been disclosed in this report.

Quantitative: The Group makes quantitative disclosure of the key performance indicators with historical data in the areas of "environmental" and "social" according to the requirements of the "Key Performance Indicators" in the Appendix C2 the Environmental, Social and Governance Reporting Guide of the Rules Governing the Listing of Securities on the SEHK, makes quantitative disclosure of forward-looking information such as targets as much as possible, and will gradually improve the statistical process to achieve full disclosure in the future.

Balance: This report objectively, fairly and truly discloses the Group's work performance and practice in environmental and social matters in 2023, and discloses the problems encountered and improvement measures in a responsible manner.

Consistency: We adopt a consistent statistical method for disclosure. In this report, we have maintained the same statistical method for the information as disclosed in the previous year's report. For the information disclosed for the first time, we will adopt a consistent statistical method for ESG information disclosure in subsequent years, in order to facilitate meaningful comparisons from year to year.

2 STATEMENT BY THE BOARD

Assuming full responsibility for the Group's ESG strategy and reporting, the Board of the Group is responsible for assessing and determining the Group's ESG-related risks, and ensuring that the Group has an appropriate and effective system for ESG risk management and internal monitoring.

Our development opportunities stem from people's pursuit of longer life and better quality of life. Because of this, we pay special attention to the sustainable development of the Company, establish and improve the ESG governance system, and have the review and decision-making of major ESG issues led by the Board, including identifying and evaluating ESG risks, formulating ESG strategies and policies, establishing management policies and plans, approving and reviewing ESG target management, and approving the annual ESG report and other management content.

Based on the external environment and the Group's development strategy, the Group conducted research on internal and external stakeholders during the Reporting Period, identified key ESG issues, clarified work priorities, including: product responsibility, supply chain management, information security and privacy protection, etc., with focus on reviewing the above issues and improving performance in daily work, and carried out target management accordingly. In the future, we will continue to adjust the strategy and promotion method of sustainable development management according to the expectations of stakeholders and the actual operation of the Group, so as to continuously improve the level of sustainable development.

This report disclosed details of the progress and effectiveness of the Group's ESG work in 2023. The Board of the Group, as the highest responsible and decision-making body for ESG matters, warrants that there are no false representations or misleading statements contained in, or material omissions from this report, and accepts all responsibilities for the truthfulness, accuracy and completeness of this report.

3 CHAIRMAN'S ADDRESS

In the year of 2023, we continued to work hard and move forward. Though we experienced storms, we have made gains, and are full of confidence in the future. This year's pace was solid, powerful, and vibrant, with remarkable achievements in fulfilling environmental and social responsibilities and achieving economic benefits.

Adhering to the development philosophy of "innovation and quality", we are fully aware that the responsibility of product quality management weighs heavier than Mount Tai for medical device enterprises. We insist on good quality management, attach great importance to product quality, strictly comply with relevant laws and regulations and establish a perfect quality management system. We continuously improve the management system by adopting a process methodology ranging from the identification of production requirements to the evaluation of customer satisfaction. In 2023, in order to further enhance the safety of our products, we have increased the number of clinical visits and expanded the scope of coverage, collected more information and feedback after the use of our products, and improved the risk control management process of our products.

We are well aware of the importance of scientific and technological research and development, and always adhere to the development of scientific and technological innovation. We enhance the technological competitiveness of our products through continuous investment in research and development, accumulation of technological innovation, synergy between industry, academia and research, and transformation of scientific and technological achievements, so as to unremittingly contribute to the cause of human life and health. In 2023, we efficiently and rapidly advanced the progress of product development, and enhanced our own competitiveness while realizing cost sharing. This aims to jointly promote the development and growth of the regional biomedical and big health industry, so as to realize mutual benefits and a win-win situation for both sides. We not only focus on our own development, but also actively serve the world by assuming our responsibility as part of the great nation, and actively participating in international exchange exhibitions. At the 2023 American Trans-catheter Cardiovascular Therapeutics Symposium, we exchanged and collided with exhibitors from 70 countries and regions, shared our innovative products, and showed the world the strength of China's smart manufacturing.

We adhere to green, safe and sustainable development, integrate ESG concepts with corporate strategy and operation management, and form ten assessment indicators in the areas of finance, business, strategy, compliance, and market environment to regularly measure business development in terms of results and value orientation. Meanwhile, we have set up a top-down ESG governance system with the Board of Directors as the highest responsible and decision-maker on ESG matters, and have promoted the implementation of ESG within the Company. We always bear in mind the development concept that "green mountains and clear waters are mountains of gold and silver", and deeply understand that the development of enterprises is closely related to the natural environment and interdependent. Therefore, in the process of operation, we pay attention to energy conservation and emission reduction, resource conservation, and try our best to build a resource-based and environmentally friendly society, so that the environment in which enterprises operate and the economy develop in a coordinated manner.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We insist on being people-oriented and actively fulfil our social responsibilities. We firmly believe that employees are the carrier of our career, and the team is the cornerstone of entrepreneurship, and the development of an enterprise depends on the hard work and creativity of employees. We protect the rights and interests of our employees, focus on talent development, and continue to provide them with broad career development opportunities, a safe and healthy working environment, and competitive salaries in the market. We work together with our employees to create a prosperous future.

Over the years, we have always been committed to giving back to the community, and considered it as our duty to support social welfare. We continue to contribute our entrepreneurial efforts to the local community in which we operate, incorporating our corporate social responsibility into our daily management, improving the quality of life of local people in the areas of education and community welfare. In particular, we utilize our resources and strengths to actively promote the accessibility of healthcare products at the social level, which is of great significance to the enjoyment of high-quality healthcare products and services by people in remote areas.

The journey of dreams calls us to start a new journey. In the lunar year of the Dragon, we look forward to continuing to innovate and dedicate ourselves to contributing to the health of all mankind through our actions like leaping dragons and tigers, or like a fish leaping over the Dragon Gate. We will continue to implement ESG practices, commit ourselves to realizing the win-win situation of environmental, social and economic benefits, and achieve responsible, high-quality and sustainable development, so as to respond to the expectations of the society with fruitful results.

By order of the Board
Liang Dongke
Chairman

Shanghai, the PRC
18 March 2024

4 ENVIRONMENTAL, SOCIAL AND GOVERNANCE OVERVIEW

4.1 Group ESG Strategy

The Group focuses on "innovation and quality" in the course of business and is committed to the health undertaking of all human beings. The development of human health industry is closely related to the natural environment and social environment. The development of the Group, on one hand, greatly depends on the natural environment. Therefore, we implement energy saving and emission reduction as well as resource conservation during our business process to do our part for the establishment of a resource conserving and environment-friendly society; On the other hand, the development of the Group also relies on the continuous hard work and innovation of our employees. Therefore, we focus on the build-up of a stable core employee team, provide a platform for their development and make timely adjustment to their remuneration package to let them share the benefit of the Group's development.

We recognize that the development of an enterprise not only depends on itself, but also correlates with the demands of people who use our products and receive our services, as well as the coordinated development of our clients and business partners. Besides, in a long term, the development of an enterprise is not only reflected on economic efficiency, but also on the environment efficiency and social efficiency in order to realize sustainable development. Our operation principle is identical with the principle of sustainable development. Co-existence, win-win and co-development are undertakings made by the Group to all employees, vice versa. It is also a serious undertaking made by the Group to its customers and business partners.

The Group has integrated ESG concepts with corporate strategy and operational management to form ten assessment indicators in the areas of finance, business, strategy, compliance, and market environment to regularly measure business development from a results- and value-oriented perspective.

Assessment dimensions	Assessment of indicators	Content of the assessment
Financial affairs	Revenue growth	Measure the extent to which the Company's business has expanded and its market share has increased
	Profitability	Reflect the profitability of the Company
	Cash flows	Measure the liquidity of the Company to ensure that funds are available for day-to-day operations and investments
Business	Customer satisfaction	Reflect the quality of products and services and the maintenance of customer relationships
	Return rate	Measure the effectiveness of product quality and customer service

Assessment dimensions	Assessment of indicators	Content of the assessment
Strategy	Number of intellectual property rights	Reflect the Company's technological strength and market competitiveness
	Number of research and development personnel	Reflect the Company's ability to innovate and its potential for long-term growth
Compliance	Compliance training exam pass rate	Measure employee knowledge of compliance
	Compliance audit pass rate	Reflect the Company's implementation of compliance requirements
Market environment	Market share	Measure the Company's competitive position in a specific market

4.2 Group ESG Governance Structure

The Group has established a top-down ESG governance structure, whereby the Board of Directors continuously evaluates and monitors the progress and effectiveness of ESG efforts, regularly reviews the Company's ESG strategy and implementation, and conducts in-depth evaluation of and decision-making on major ESG issues to ensure that the Company's ESG policies and strategies are aligned with its long-term value creation objectives. In addition, it has also assumed the supervisory responsibility for the Group's environmental and social matters, including risk assessment, prioritization and risk management, and monitoring and reviewing the Group's performance in environmental and social matters, so as to guide the direction and methods of sustainable development.

At the executive level, the Group has also set up an ESG working group led by senior management with the participation of middle management from all major divisions and subsidiaries, which is responsible for collecting data and information on ESG-related aspects of the Company (e.g. energy consumption, water consumption, GHG emissions, employee remuneration, Board structure, etc.), and analyzing and calculating the data collected on a quarterly basis or as necessary to assess the Company's sustainability and risks. The members of the Group's ESG working group are from the General Manager's Office, the Technology Department, the Finance Department, the Administration Department, the Marketing Department, the Quality Department, the Production Department, etc., covering all relevant departments of the Group's daily management.

The ESG Working Team reports to the Board of Directors once a year on a regular basis or at an increased frequency according to actual needs, and is responsible for conveying and communicating the Group's strategies, institutional norms and feedback on environmental and social governance, and listening to the Board of Directors' opinions and suggestions, and is an indispensable executive force in the Group's sustainable development efforts. The Board of Directors will request the ESG Working Team to improve or adjust the ESG strategy if it fails to achieve the expected results.

4.3 Risk Management

The Group has continued to improve its risk management system and strengthened the level of risk management in terms of system construction, assessment and analysis, and supervision and improvement, so as to safeguard the sound development of its business and effectively enhance the Company's anti-risk capability.

Risk Identification for Effective Prevention

The Group has established a risk governance structure with a sound organizational structure and clear boundaries of responsibilities, clarified the division of responsibilities among the Board of Directors, the general meetings, and the internal audit department in risk management, and established a multi-level, coordinated and effective balanced operational mechanism. The Group has also further clarified its internal risk reporting process, with the most senior person responsible for risk management at the operational level reporting to the Board of Directors at least annually. The most senior person in the Internal Audit Department is responsible for monitoring and auditing the performance of risk management, communicating with and listening to feedback based on the reporting process of "General Manager — Chairman of the Board of Directors — Board of Directors — General meetings". At the level of the Board of Directors, ESG-related risks are continuously monitored to ensure that the Company is fully aware of ESG-related risks and has taken comprehensive management measures.

The Group provides risk management training to non-executive directors on a regular basis to ensure that they have a more comprehensive understanding of the risk profile that the Company may face and to assist them in providing more forward-looking strategic guidance for the development of the Company. The training covers the basic concepts, methods and techniques of risk management, as well as how to assess and manage the various risks faced by the business (e.g. market risk, credit risk, operational risk, etc.).

In conjunction with business developments and industry trends, we have identified 2 long-term (3 to 5 years and above) emerging risks that have a significant impact on our future business:

Types of risks	Risk profile	Response
Technology risk	With the development and advancement of technology, the medical device industry is also experiencing rapid changes, and the emergence of new technologies may have an impact on the Company's products, which may lead to a decline in the Company's market share.	Continuously upgrade our R&D investment to maintain our technological leadership and update our products in time to meet the market demand.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Types of risks	Risk profile	Response
Regulatory and policy change risk	Changes in regulations and policies in the medical device industry may have a significant impact on the Company's business. For example, the centralized procurement policy promotes a significant increase in the purchasing volume of medical device products, which in turn reduces the purchasing cost of individual products. However, the prices of the products are also suppressed, and the sales profit of the medical device products with higher prices will be significantly affected.	Continuously strengthen research and development innovation, and improve the technical content and added value of products in order to obtain higher profit margins.

In addition, we have further identified other risks based on our strategic objectives, internal operations and changes in the social environment, and the results of our materiality assessment, in order to continuously improve the Company's risk management system:

Types of risks	Risk profile	Response
Financial risk	Financial risks arise mainly from liquidity, foreign exchange movements and changes in interest rates. — Financial liquidity may affect R&D, production and sales activities; — Foreign exchange fluctuations may affect the costs and revenues of foreign trade operations; — Changes in interest rates may have an impact on the Company's borrowing and financing costs.	By establishing close cooperation with financial institutions, expanding diversified financing channels, and carrying out reasonable foreign exchange management to maintain sufficient cash flow.

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Types of risks	Risk profile	Response
Strategic operational risk	Strategic business risks relate to the competitive position of the Company's core business, technological upgrades and changes in customer demand. If the Company's technology and products fail to keep up with market demand or are overtaken by competitors, this may affect its market position.	Continuous R&D and innovation, introducing new technologies and products to improve production efficiency and product quality; Conduct market research, maintain close communication with customers and provide quality products based on market demand; Regularly evaluates the effectiveness of the Company's strategy and adjusts or optimizes the strategy in light of industry dynamics and technology trends.
Market/business environment risk	Market/business environment risks involve changes in policies and regulations, changes in the economic situation, and social and cultural factors. For example, strict policy regulation of the medical device industry may affect the Company's operations in terms of increased access thresholds and restricted sales channels.	We have established a tracking mechanism for policies and regulations, strengthened communication with government departments, paid timely attention to changes in the external environment, and flexibly adjusted our business strategies.

Types of risks	Risk profile	Response
Operational risk	Operational risks relate to production safety, product quality and supply chain management. For example, poor product quality may lead to legal disputes or loss of customers; supply chain-related issues may lead to production disruptions.	— Improve the product quality management process, strictly control product quality, and strengthen production safety management; — Establish long-term relationship with reliable suppliers to realize diversified supply chain management.
Compliance risk	Compliance risk is mainly related to whether the Company follows domestic and international laws and regulations and industry standards. Non-compliance may result in fines, loss of reputation or legal proceedings.	We have established a sound internal compliance mechanism, strengthened compliance training, conducted regular compliance reviews, and cooperated with professional legal advisors to efficiently control compliance-related risks.

Comprehensive Assessment, Safety and Security

The Group has formulated the "Risk Management Control Procedures" to clarify the process and requirements for risk management such as analysis, evaluation and control of risks throughout the life cycle of the Company's medical devices. At the product concept stage, risk management planning is carried out; at the product design and development stage, risk management plans, risk acceptability guidelines, hazard analysis, Design Failure Mode and Effects Analysis (DFMEA), Process Failure Mode and Effects Analysis (PFMEA), etc. are formulated, and a risk management report is formed at the end; at the production and post-production stage, risk management is carried out by monitoring information such as non-conforming product data, customer complaints/feedback, etc., and an annual risk management evaluation report is formed.

In order to enhance employees' risk awareness and ability to respond to risks, the Company provides training to employees responsible for risk management on a regular basis, instructing them to deepen their understanding of the nature and characteristics of risks, as well as how to identify, assess, and control risks, and to strengthen their sensitivity to and ability to respond to risks. In addition, we collect employee feedback on risk management at each risk analysis stage and during regular risk assessments, and further analyze and evaluate it for continuous improvement.

4.4 Communication with Stakeholders

Stakeholders	Government	Shareholders	Employees	Customers	Providers	Community
Target and focus	• Respond to relevant state medical policies • Operate according to science, laws and regulations • Increase medical level • Dispose the medical hazardous wastes • Perform the duty to pay taxes in accordance with applicable tax laws	• Business strategy and financial performance • Protect shareholders' legal rights • Business sustainability • Incubator of emerging industries • Sustainable development of Company	• Payment and welfare • Guarantee of rights and interests • Career development • Safety and health • Corporate culture	• Supply precision medical devices • Efficient and convenient equipment • Improve the efficiency of medical workers • Increase the survival rate of patients • Improve the service quality continuously	• Abide by commercial ethics & state laws and rules • Be open and fair • Keep promises, achieve mutual benefits and create a win-win situation • Keep channels transparent	• Hold community activities • Participate in community construction • Devote to community welfare • Promote community development • Assist and support needy students
Methods of communication and exchange	• Take part in discussions when relevant policies of medical devices are being formulated and share enterprise experience • Guide and influence the implementation of public policies actively • Engage in dialogue with the local government • Create an efficient medical and health system	• Enhance information disclosures • Board meetings, general meetings and investors' meetings • Direct communication among shareholders • Carry out relevant activities with universities or colleges to promote the incubation and implementation of industry	• Employee representative of the Supervisory Committee • Labor union • Employee representative conference • Employee survey and provision of feedback • Enhance information disclosures	• Feedbacks of user experience on medical devices from medical workers • Cure rate of patients upon usage • Complaints hotline • Enhance information disclosures • Feedbacks from hospitals	• Announce the supplier management rules • Contract negotiation • Daily business exchange • Enhance information disclosures	• Engage in dialogues with local government and organizations • Visit community and exchange ideas with community members • Participate in activities providing assistance and support organized by foundation • Enhance information disclosures
Key actions	• Implement state policies and abide by state laws and regulations • Accept supervision and check-ups • Create more posts to boost the employment rate • Monitor the disposal of wastes and pollutants strictly • Declare taxes in a timely manner	• Convene general meetings regularly • Convene board meetings regularly • Convene investors' meetings • Disclose statutory issues in a timely manner • Industry-university-research linkage	• Enhance training for employees in respect of culture and technical skills • Improve employees living and working environment • Guarantee employees' rights and benefits and upgrade their welfare level • Health and safety guarantees for employees • Establish a labor union	• Regulate and standardize services • Conduct regular customer satisfaction surveys • Respond to customer complaints and provide them with feedback in a timely manner • Earnestly protect customer privacy • Questionnaire	• Set up an open and transparent bid invitation system • Set up a communication platform for suppliers • Perfect the supplier selection system • Offer suppliers with opportunities for fair competition	• Regularly hold activities to benefit community residents • Encourage good deeds • Be passionate about public welfare and contribute to society • Conduct employee volunteer activities • Set up a special foundation
Key performance indicators	• Conduct centralized disposal of wastes • Take action to implement garbage classification • Number of persons employed	• Stock value and dividend returns • Stock market value • Invest in subsidiaries	• Number of participants of employee training • Remuneration and welfare system	• Investments in greening • Feedbacks on complaints about disputes between doctors and patients • Improve product precision	• Contract performance rate • Assessment of suppliers	• Examples of good deeds • Investments in social welfare causes • Employee volunteer activities

4.5 Materiality Assessment

We carried out the assessment of the materiality from internal stakeholders within the Group with an online questionnaire, and the coverage rate of the assessment in the employees within the Group exceeds 5%. We conduct materiality assessments at least once a year, and we will also continually pay attention to all stakeholders, constantly review and update the materiality assessment, and include external stakeholders when the conditions are appropriate, so as to achieve a more accurate and thorough understanding of the demands of various parties, and to provide guidance and direction to the enterprise's business operations and controls over environmental and social governance.

Based on the analysis and summary of the results of the materiality assessment from all stakeholders, we have formed the following materiality assessment matrix. Based on the focus of stakeholders on corporate operations, environment, and social governance, as well as the Guidelines on Environmental, Social and Governance Reporting in Appendix C2 of the Main Board Listing Rules of the SEHK, and taking into account national macro policy orientation, capital market focus, and benchmarking analysis of sustainable development reporting standards, the Group's key areas of focus are focused on social issues such as occupational health and safety, supply chain management, product responsibility, information security and privacy protection, and high-excellent customer service, as well as environmental issues such as indirect energy, direct energy, and water resources.

INT Medical ESG Materiality Issues Assessment Process	
01	**ESG Issue Identification and Recognition**
•	Based on the feedback obtained from communication with stakeholders, the concerns of sustainable development in the industry, and based on the actual development of the Company, we determine the scope of key issues that have a greater impact on both the Company's development and stakeholders;
•	Based on ESG ratings in the capital market and domestic and international sustainability disclosure standards, identify the key concerns and potential risks in the medical device industry in the field of sustainability, and screen and form a list of issues.
02	**Stakeholder Communication and Research**
•	The list of issues is used as the basis for stakeholder research to prepare the ESG importance issues assessment questionnaire, and internal stakeholders score the importance of the corresponding ESG issues, which is then collated and analyzed to arrive at the final sustainability research results.
03	**Important Issues Assessment**
•	Based on the results of the questionnaire survey, combined with the Company's development situation and the analysis results of peer companies, the assessment of materiality issues was carried out in the aspects of "materiality to stakeholders" and "materiality to management", and the importance of each ESG issue was ranked based on the scores and a matrix was generated.

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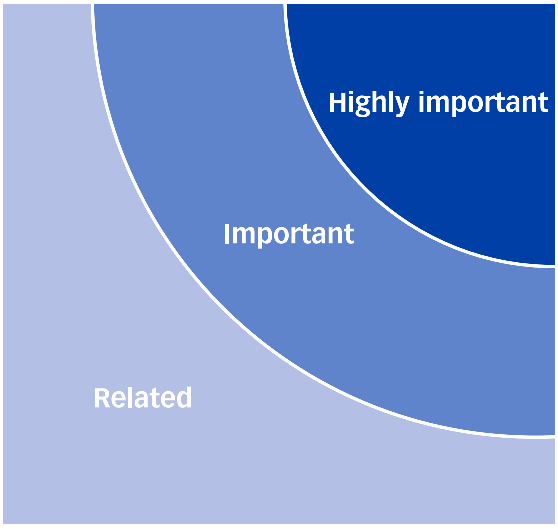

Highly important

Occupational health and safety
Supply chain management
Product responsibility
Information security and privacy protection
Excellent customer service
Direct energy
Indirect energy
Water management

Important

Employees' rights and benefits
Employment and labor practices
Training and development
Responsible marketing
Anti-corruption
Intellectual property protection
Packaging material use

Related

Address climate change
Impact on the environment and natural resources
Wastewater discharge
Waste gas emissions
Greenhouse gas emission
Waste emission
Community investment

Category	Issue	Importance	Response
Society	Occupational health and safety	Highly important	Health and safety
Society	Supply chain management		Supply chain management
Society	Product responsibility		Product Responsibility
Society	Information security and privacy protection		Focus on needs, protect privacy
Society	Excellent customer service		Product Responsibility
Environment	Direct energy		Use of resources
Environment	Indirect energy		Use of resources
Environment	Water management		Use of resources

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Category	Issue	Importance	Response
Society	Employees' rights and benefits	Important	Employment and labor practices
Society	Employment and labor practices		Employment and labor practices
Society	Training and development		Development and training
Society	Responsible marketing		Excellent quality, medical equipment reputation
Society	Anti-corruption		Anti-corruption
Society	Intellectual property protection		Upholding property rights and encouraging innovation
Environment	Packaging material use		Use of resources
Environment	Address climate change	Related	Address climate change
Environment	Impact on the environment and natural resources		Environmental responsibility
Environment	Wastewater discharge		Wastewater discharge
Environment	Waste gas emissions		Waste gas emissions
Environment	Greenhouse gas emission		Greenhouse gas emission
Environment	Waste emission		Waste
Society	Community investment		Community investment

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Based on the results of the materiality assessment, the Group focuses on highly important issues and further formulates specific targets in the four areas of occupational health and safety, supply chain management, product responsibility, and excellent customer service. It further clarifies the quantitative indicators for measuring the relevant targets, continuously tracks the Company's progress in the following areas, and correlates the fulfillment of the targets with the management's remuneration:

	Occupational Health and Safety	Supply Chain Management	Product Quality and Safety	Customer Service
Progress towards 2023 target	1. Zero accidents of serious injuries and fatalities in production throughout the year 2. Zero fire, explosion and traffic accidents in production throughout the year 3. Zero incidence of occupational diseases throughout the year	1. Order timely completion rate of 92% 2. Inventory turnover days of approximately 3-4 months 3. Improve the extent and coverage of automation, with a significant decrease in unit production costs	Batch complaint rate of less than 5% for the year	Please refer to the results of the customer satisfaction survey in the section "Focus on Demands and Protection of Privacy"
2024 target	1. Zero accidents of serious injuries and fatalities in production throughout the year 2. Zero fire, explosion and traffic accidents in production throughout the year 3. Zero incidence of occupational diseases throughout the year	1. Improve customer order delivery, shorten the delivery cycle, with order timely completion rate ≥ 90% 2. Enhance inventory management and improve inventory turnover by optimising procurement, production, sales and other processes 3. Based on market demand expectations, unit costs are expected to continue to decrease as production volume grows and production automation improves	Batch complaint rate controlled within 5% for the year	Satisfaction survey, with a satisfaction rate of 90% or above

5 ENVIRONMENTAL RESPONSIBILITY

5.1 Emissions Management

Responsible Management

Though the Group is not a key pollutant-discharging entity announced by the environment authorities, we still attach great importance to emission management. The Group strictly complies with the relevant laws and regulations in relation to environment, including the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) and the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》). Each subsidiary has established an environment management committee and an environmental accident response team consisted of coordinators from each relevant department. The representative of the subsidiary is appointed as the head of the team and the competent department leader as the vice head.

During the Reporting Period, the Group did not have any material pollution or environmental incompliance. In the event of a pollution incident, the Group clearly asks the relevant department to arrange the removal of the pollutants first and then identify the reasons thereof. Except for rectification by the relevant department or company strictly, other companies under the Group shall also take it as a warning and review if there are preventive measures in place and, if not, make timely rectification and improvement.

The Group incorporates green and low-carbon concepts into the development of new products (and services) to minimize the impact on the environment, and implements green production and operations in the following ways:

1. Green raw material procurement: choose renewable, recyclable or biodegradable raw materials, and try to avoid the use of toxic or environmentally harmful substances.

2. Energy efficiency improvement: minimize energy consumption in the process of product design, production and packaging. For example, optimize the design of products to reduce their weight and volume, thus reducing energy consumption during transportation; adopt energy-saving production equipment to improve the efficiency of energy use.

3. Reduce operational emissions: minimize emissions of waste gas, waste water and solid waste by improving production processes and adopting cleaner production technologies. For example, advanced wastewater treatment technologies are used to reduce wastewater emissions; a waste management system is formulated, recyclable and non-recyclable waste is collected in a separate manner, and the recycling rate of waste is improved; and the disposal of waste is rationally arranged to minimize its impact on the environment.

4. Promote water-saving technological reforms: optimize production processes and adopt water-saving technologies to reduce the amount of water used in the production of products. For example, reduce water consumption by installing water-saving equipment and improving the cleaning process.

5. Green packaging use: adopt environmentally friendly packaging materials and designs to reduce the impact of packaging on the environment. For example, use recyclable or biodegradable packaging materials and simplify the packaging structure to reduce the amount of materials used.

6. Environmental protection training and promotion: strengthen staff training and education on environmental protection awareness, create a good atmosphere of green and low-carbon development, and further enhance the ecological and environmental protection awareness and participation of all staff, so that the green concept is in mind and in practice.

The Group's medical device products are single-use and therefore do not involve in programs related to product recalls. Most products have a shelf life of 3 years and are clearly labelled on the packaging of the product. We endeavour to predict market demand as accurately as possible to minimise the generation of near-expired products. If a product is close to its expiry date and is in the Company's warehouse, we will launch rework procedures according to the process and judge whether it needs to be scrapped or reprocessed through strict quality control, following the standards of the established process documentation. For any products that are close to or exceed their expiry dates in a customer's warehouse, the customer shall be solely responsible for the disposal of the same and the Group will not intervene in the relevant disposal process.

Waste Gas Emissions

The Group strictly complies with the Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》).The emission of non-methane hydrocarbons generated from the Group's production process must comply with relevant standards after activated carbon filtration. There is online monitoring system in place to monitor the emission process and calculate the volume of emissions. In 2023, the Group's waste gas emissions were 58.41 million m^3, and the Group's emissions of non-methane hydrocarbons in 2023 were as follows:

	2023	2022
Emission of non-methane hydrocarbons (unit: 10,000 m^3)	**5,841**	5,858
Intensity of emission of non-methane hydrocarbons (unit: 10,000 m^3/RMB ten thousand (revenue))	**0.08**	0.10

According to the characteristics of different production processes in each link, the Group adopted the working principle of higher requirements, higher standards and stricter measures, and carried out self-inspection, re- inspection and comprehensive benchmarking approach to further reduce the Company's emissions based on the working idea of "source prevention, process control, and strict control at end". In the process of feeding, processing and molding, blending, printing, cleaning and other production operations, we adopt enclosed equipment or confined space operations (take local exhaust gas collection measures if it cannot be enclosed), and discharge waste gas to the waste gas treatment collection system. The waste gas treatment facilities are treated with activated carbon adsorption and kept in normal operation during the whole process of production facility operation (start-up, stopping and maintenance). The actual emission reduction of VOCs in 2023 compared to 2019 is 0.04 tons/year, with an emission reduction rate of 17.3%. We regularly check the operating conditions of the waste gas treatment facilities, carry out maintenance work (replacement of activated carbon) in a timely manner based on the results of inspections, and carry out regular monitoring work to ensure that the waste gas emissions comply with national environmental requirements. We also combine the requirements of the "Shanghai Municipal Bureau of Ecology and Environment's Notice on the Supplementary Revision of the Emergency Emission Reduction List for Heavy Pollution Weather for the Year of 2023" to formulate emergency emission reduction measures and make public notice boards to be posted on the bulletin boards, to continue to practice advanced environmental protection concepts, and to do well with our daily environmental management work.

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During the Reporting Period, no incompliance was occurred in relation to the emission of waste gas.

For the management of waste gas emissions target, we aim to comply with emission standards and raise standards appropriately in respect of new facility construction in order to meet the increasingly strict regulatory requirements. Meanwhile, considering the new facilities to be put into use in the next 1 to 2 years, we will gradually improve management system, optimize the filtration system in production process, and establish and control waste gas emissions reduction target to reduce waste gas emissions.

Noises

We use machines during our production, which will inevitably generate noises. Long-term working in a noisy environment will affect the physical condition of our employees. In view of this, we strictly comply with the Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution (《中華人民共和國環境噪聲污染防治法》), making careful study and identifying the location where the noise comes from. Sound-proof cottons will then be used to decrease the acoustic sound level as well as the impact on our employees. Meanwhile, we purchased some protective equipment, such as earbuds and posted warning signs about wearing protective equipment before entry on the gate to the noise area. All production noises are inside the plants and have no significant impact on areas around the plant.

Wastewater Discharge

The Group's production doesn't generate waste water, excluding domestic wastewater primarily from the kitchen of the factory canteen, which is processed by the oil-water separators before discharge. The Group strictly complies with the Water Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國水污染防治法》) and has obtained a urban drainage permit pursuant to the Administrative Regulations on Drainage (《排水管理條例》). In order to make sure the discharge of domestic wastewater in compliance with relevant standards, the Group makes periodic inspections on the domestic wastewater processing facilities in its factory every year, including sewage discharge standards testing. The Group's waste water discharge is as below:

	2023	2022
Waste water discharge (unit: m^3)	**37,620**	36,435
Intensity of waste water discharge (unit: m^3/RMB ten thousand (revenue))	**0.50**	0.62

During the Reporting Period, no incompliance was identified in relation to the discharge of waste water.

For the management of waste water discharge target, we aim for compliant discharge. In the short term, with the continuous expansion of business and employees, the total discharge will continue to maintain a growth trend, but we plan to control the increase in waste water discharge by adopting various measures, including promoting the recycling of waste water, and cause the decrease in discharge density. In the medium and long term, we will further improve water efficiency, reduce absolute consumption, and increase the use of recycled water through waste water recycling.

Wastes

The Group strictly complies with the relevant laws and regulations in relation to environment, including the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), implementing classification of wastes, including hazardous wastes, non-hazardous wastes (recyclable) and non-hazardous wastes (unrecyclable). For hazardous wastes, the Group has established the Hazardous Waste Emergency Response (《危險廢棄物應急預案》), covering the whole process of hazardous wastes from the source to the final treatment. For non-hazardous waste, the first step is to distinguish whether it can be recycled from the source. For the recyclable parts, each department should concentrate and implement requirements for leakage prevention, rain prevention, dust prevention, etc. Environmental protection graphic signs should be posted in prominent positions and corresponding solid waste categories should be indicated. The administrative department should regularly hand them over to third parties for recycling; For unrecyclable non-hazardous wastes, the Group will increase garbage classification facilities pursuant to the local Administrative Regulation on Domestic Waste (《生活垃圾管理條例》), introduce relevant knowledge on garbage classification in its regular meetings, put up posters in the factory and arrange a watchkeeper responsible for giving garbage classification instructions in the fixed collection points in order to make the employees understand the importance, implement and support the development of urban garbage classification in an orderly manner.

In 2023, the hazardous wastes of the Group mainly include wastes of activated charcoal, waste ink barrels, waste saponification solution, waste solution absorbed by the spray tower and laboratory wastes and waste solution. Given misplacement is the source of pollution accidents, each subsidiary has designated place for the stacking and storing of hazardous wastes. Such hazardous wastes will be removed from our workplace by a qualified third party for disposal. Meanwhile, an environmental safety inspection team has been set up by each of our subsidiaries with a WeChat group. In case of any incompliance, the inspection team may report to the head of the competent department or the legal representative of each company and any member of the team may also report to the competent department of the company he or she works for. The Group has formulated an emergency response plan for environmental emergencies and filed it with the Environmental Protection Bureau of Jiading District (Filing Number: 02-310114-2022-579-2) in Shanghai, which includes the procedures for handling hazardous waste to further manage the discharge, treatment and disposal of hazardous waste in a compliant and effective manner.

The Group's hazardous waste emission is as below:

	2023	2022
Laboratory wastes (unit: kg)	**1,023**	1,015
Waste ink (unit: kg)	**110**	103
Wastes of activated charcoal (unit: kg)	**800**	1,000
Waste solution absorbed by the spray tower (unit: kg)	**8,500**	2,000
Waste saponification solution (unit: kg)	**3,000**	2,085
Waste emulsion (unit: kg)	**2,000**	/
Total hazardous waste emission (unit: kg)	**15,433**	6,203
Intensity of hazardous waste emission (unit: kg/RMB ten thousand (revenue))	**0.20**	0.11

Note:

In 2023, the Group added one new hazardous waste emission statistic: waste emulsion. The increase in waste solution absorbed by the spray tower compared to 2022 was mainly due to the fact that we had a professional third-party treatment organisation removing and disposing of the waste solution from time to time, and part of the waste solution absorbed by the spray tower treated in 2023 was generated in 2022.

The Group's non-hazardous waste emission is as below:

	2023	2022
Domestic wastes (unit: kg)	**31,390**	31,521
Wastes of oil-water separators (unit: kg)	**6,230**	4,260
Total non-hazardous waste emissions (unit: kg)	**37,620**	35,781
Intensity of non-hazardous waste emissions (unit: kg/person)	**23.99**	21.92

The Group's waste packing materials emission is as below:

	2023	2022
Waste paper-made packing materials (unit: kg)	**836**	540
Waste plastic packing materials (unit: kg)	**2,663**	2,619
Total waste packing materials (unit: kg)	**3,499**	3,159

During the Reporting Period, no incompliance was identified in relation to the waste emissions. Due to our active implementation of the green development concept, waste classification and management, and effective and rational arrangement of production plans have been practiced.

In terms of target management of waste discharge, we have set the targets of 100% compliant disposal of hazardous waste and zero accidental leakage of hazardous chemicals. In the short term, with the completion and putting into production of new facilities in Shandong base, the Group's production capacity and employees will further increase, hence the increase in waste discharge. By implementing wastes classification, waste reduction and other management measures, the Company will continue to maintain environmentally friendly approach, keep the growth of waste discharge to minimum and cause the reduction of discharge density. In the medium and long term, we will continue to classify wastes depending on different hazard levels, increase the proportion of non-hazardous waste recycling, establish and improve our waste treatment system, further optimize production process to reduce process losses and strengthen recyclable production, and ultimately reduce or control the absolute discharge of wastes.

Greenhouse Gas Emissions

The greenhouse gas emissions will cause a greenhouse effect, raise global temperature and lead to climactic abnormalities, thus endangering the environment on which the existence and development of human beings relies. According to the Sixth Assessment Report by United Nations Intergovernmental Panel on Climate Change, climate change resulting from human has caused much extreme weather and climate occurred in regions worldwide, and observed extreme climate issues such as heat-wave, heavy precipitation, drought and tropical cyclone are changing. Climate change has become an issue which can determine characteristics of our time and a common concern of all human beings. However at a decisive moment, as listed company committed to "the health undertaking of all human beings", we deeply recognize the importance and urgency to reduce greenhouse gas emissions.

The Group has formulated a greenhouse gas emission reduction policy and explored a new model of low-carbon development from the directions of risk assessment, green production and training and publicity to promote greenhouse gas emission reduction and contribute to our efforts against climate change. We continue to improve our policies and measures for adapting to climate change in order to ensure that the Company can quickly recover and stabilize its operations in the face of a climate change event, and to enhance its business resilience; formulate risk management strategies, identify potential climate risks, assess the financial impact of climate change on the Company, reduce the related financial risks and seize business opportunities related to climate change; and promote the research and formulation of a net Zero Emission Target, which plans to commit to achieving net-zero carbon emissions at some time in the future, subject to the need to further develop detailed plans and targets, and to take reasonable and efficient measures to reduce carbon emissions.

The greenhouse gas emissions of the Group primarily come from purchased electricity, liquefied petroleum gas ("**LPG**") for canteens and oil for service cars. Although the Group's greenhouse gas emissions as well as the expenses in electricity, LPG and oil consumption are not significant, given that no act of kindness, no matter how small, is ever wasted, we still adopt the following emission reduction measures:

Green office:

- Optimizing the energy consumption of office equipments, adopting LED lamps and lanterns in all public areas, reasonably arranging the location of lamps and lanterns, and installing intelligent elevator system, etc. to reduce unnecessary energy waste;

- Through the air-conditioning system's timed shutdown, system temperature control and other functions, the maximum temperature of the air-conditioner in winter and the minimum temperature of the air-conditioner in summer are limited so that, in principle, it is not higher than 20 degrees in winter and not lower than 26 degrees in summer;

- Advocating paperless office and secondary use of paper. Each department regularly and quantitatively receives paper according to demand. For necessary paper documents, measures such as double-sided printing and waste paper recycling are adopted to reduce paper consumption;

- Promoting electronic office, strengthening the intelligence of office software, optimizing the approval process, and reducing unnecessary energy consumption;
- Calling on employees to turn off the power of personal office equipment in a timely manner after work, and requiring the last person leaving the office to check and close doors and windows, and turn off relevant power supplies and lighting;
- Employees' dining is subject to individual serving system. The main dishes are equally divided by the canteen staff, and the rice and soup are taken by the employees themselves, so as to refuse the waste on the tongue;
- Reducing the frequency of business trips and increasing participation in field activities through video conferencing;
- Strengthening staff training on low-carbon awareness, promoting low-carbon office and lifestyle, and forming a company-wide low-carbon culture.

Green production:

- Formulating a reasonable production scheme based on sales forecast to improve productivity;
- In the procurement of new equipment, priority is given to environmentally friendly and low-carbon suppliers and raw materials, and energy-saving equipment with a lower level of comprehensive energy consumption is procured to reduce carbon emissions at source;
- Improving production processes, optimizing production flows, increasing energy efficiency and reducing unnecessary energy consumption;
- Reducing environmental pollution and carbon emissions through rational segregation, treatment and recycling of wastes;
- Promoting green planting within the plant's boundaries;
- Purchasing additional electric vehicles and advocating for increased use of electric vehicles to reduce fuel vehicle use and tailpipe emissions.

The above measures for the reduction of greenhouse gas emission may temporarily increase our capital expenditure, in the long run, however, we believe they will improve our efficiency and realize win-win of the economic efficiency and environmental efficiency. The Group's greenhouse gas emission is as below:

	2023	2022
Direct GHG emissions[1] (Unit: tCO_2e)	**48**	48
Indirect GHG emissions[2] (Unit: tCO_2e)	**7,319**	6,173
Total GHG emissions (Unit: tCO_2e)	**7,367**	6,221
Total GHG emissions intensity (Unit: tCO_2e/RMB ten thousand (revenue))	**0.10**	0.11

During the Reporting Period, with nitric oxide emission of 8.48 kilograms, sulphide emission of 0.02 kilogram and particulate matter emission of 0.69 kilograms due to the use of gasoline and diesel.

5.2 Use of Resources

Resource conservation and environment protection are the national policies of the PRC.

The Group strictly complies with the Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》) and the Law of the People's Republic of China on Promoting Clean Production (《中華人民共和國清潔生產促進法》). Internal regulations have been in place to help the Group to fulfil its responsibility on energy saving and emission reduction and improve the comprehensive resource utilization rate. As specified in the Social Responsibility Management System (《社會責任管理制度》) of the Group, green production and green office shall be implemented on a group-wide basis to reduce unnecessary resource consumption and avoid environmental pollution. The Employee Handbook (《員工手冊》) of the Group provides the employees shall not destroy equipment and tools and waste raw materials, and the Group shall improve the environment protection and resource conservation awareness of its employees through publicity and training. We practice green office management and regularly compile statistics on the consumption of resources, including paper, water and electricity, office supplies, etc., by all departments of the Group and report them to the higher management so as to adjust and optimize the use of resources in a timely manner.

1 Direct GHG emissions were calculated based on "Appendix 4 of China Energy Statistics Almanac 2020", GHG Protocol, and the "Energy Statistics Workbook" (Energy Department, National Bureau of Statistics, 2010).

2 Indirect greenhouse gas emissions were calculated based on the national grid emission factors in the "Notice on the Proper Management of Greenhouse Gas Emission Reporting for Enterprises in Some Key Industries in 2023-2025" issued by the Ministry of Ecology and Environment of the People's Republic of China.

Purchased electricity, LNG for canteens, oil for service cars and packing materials are the key resources consumed by the Group. Package plays a crucial role in protecting products from damages. As the nature of medical devices, the Group uses some packing materials, including cardboard cases, boxes, paper pallets, plastic bags and plastic pallets; in selecting packing materials, the Group still tries to actively adopt various measures to replace cheaper plastic products with paper or other easily degradable packing materials, and also reduce the consumption of waste paper packages to realise the recycle and reuse of paper packages.

The Group's use of packing materials is as below:

	2023	2022
Paper consumption (Unit: kg)	**323,819**	295,643
Plastic products consumption (Unit: kg)	**29,494**	56,588
Packing materials consumption (Unit: kg)	**353,313**	352,231
Intensity of packing materials consumption (Unit: kg/RMB ten thousand (revenue))	**4.69**	6.01

The Group has office cars and staff shuttle bus which consumed gasoline of 881.7L and diesel of 451.5L during the Reporting Period.

The Group's use of other resources is as below:

	2023	2022
External-purchased electricity (Unit: kWh)	**13,072,900**	10,625,630
Liquefied gas (Unit: kg)	**14,214**	14,148
Comprehensive energy consumption[3] (Unit: kWh)	**13,105,506**	10,835,562
Comprehensive energy consumption per RMB ten thousand revenue (Unit: kWh/RMB ten thousand (revenue))	**174**	185
Water (unit: m^3)	**88,400**	77,552
Water consumption per RMB ten thousand revenue (unit: m^3/RMB ten thousand (revenue))	**1.17**	1.32

The Group uses fresh water provided by local Urban Water Supply Bureaus, and the Group did not encounter any problem in obtaining water sources.

In 2023, the Group is well on track to meet its energy use and water efficiency targets.

3 Comprehensive energy consumption was calculated based on the conversion factors in the national standard of the People's Republic of China, "Comprehensive Energy Consumption Calculation Guidelines (GB/T2589-2020)".

Energy efficiency: During the year, the Group's total investment in the environment amounted to RMB1,924,800. We installed a photovoltaic system and put it into operation at the headquarters of the Group in October 2023, generating a total of 62 MWh of electricity during the Reporting Period. We eliminated one fuel vehicle and purchased two new energy vehicles to use clean energy instead of fuel, saving 676 L gasoline annually. In order to reduce unnecessary gasoline consumption, we basically use new energy vehicles for short distances and fuel vehicles for long distances and special circumstances, which improved the efficiency of energy use. We also improved energy efficiency in production through the construction of digital factories. In the future, we will further improve the automation of our production and scale up the application of automation to improve energy efficiency.

Water efficiency: In 2023, we reused the wastewater from the purified water from the workshops, such as for flushing toilets. The Group projects the numerical value of water usage for the following year and requires the relevant departments to evaluate the data. In the short term, considering the increase in the Group's production capacity and number of employees, the use of water resource will increase accordingly. However, we took a series of water- saving measures such as posting slogans and increasing water inspection. In the medium and long term, we will further strengthen the implementation of water conservation management, promote waste water recycling through facility renovation or process upgrading, and take water conservation into account in the design of new production lines and business strategies, so as to improve water efficiency and reduce absolute consumption.

5.3 Environment and Natural Resources

The Group adheres to the concept of green production, strictly abides by the Environmental Impact Assessment Law of the People's Republic of China, the Regulations on the Administration of Environmental Protection of Construction Projects and other laws and regulations, and takes the protection of biodiversity as an important factor in site selection. At the site selection stage, we select areas with relatively low environmental sensitivity, actively carry out environmental impact assessment, and take appropriate preventive and mitigation measures to reduce impacts on land and habitats. The Group's efforts to conserve resources and reduce emissions have been set out in the two preceding sections. We continue to explore win-win solutions for ecological conservation and business development, and contribute to the sustainable development of the medical device industry.

In 2023, the Company had no fines resulting from violations of environmental laws and regulations.

5.4 Address Climate Change

Climate change has become a common challenge faced by human beings. The Group always pays close attention to the risks and opportunities relevant to climate change, evaluates their actual and potential impact on our operations, strategies and financial performance, and actively takes countermeasures to further promote the sustainable development of the Company. Referring to the Reporting on TCFD recommendations — Guidance on Climate Disclosures issued by the SEHK, this section describes our determination to address climate change and the direction of our future efforts by governance, strategy, risk management, indicators and targets.

Governance

The TCFD has made two disclosure recommendations based on its oversight responsibilities for climate-related risks and opportunities: one is focusing on the Board and the other one is focusing on the management. We have initially clarified the Board's responsibilities for oversight of climate-related risks and opportunities, as well as the roles and responsibilities of the management on climate change issues. The Board has recognized the impact of climate change on the global health and healthcare industry and is actively involved in discussions and decision-making on related topics. The Board needs to fully consider climate-related risks and opportunities in the development of the Company's strategy and objectives, the updating of the risk management system, and the planning of the annual budget (including production, research and development, and supply chain management), make relevant decisions, and communicate the Company's performance and commitment to climate change to other directors and stakeholders. The Board typically conducts a comprehensive assessment and review of climate change strategies and objectives on an annual basis, and follows up on significant climate-related events or policy changes to ensure that the Group is able to respond quickly. The Chairman of the Board is the most senior person in charge of climate-related issues in the Group and is responsible for formulating the strategic direction and business strategies, as well as overseeing the day-to-day operations and management. In terms of addressing climate change, the Chairman understands the greenhouse gas emissions and energy consumption generated from the operations, assesses the impact of climate change on the business and formulates appropriate response strategies, and regularly reports to the Board on the operations and performance in order to promote the sustainable development of the Group.

At the management level, the Board's ESG team is responsible for organizing the identification, assessment and monitoring of climate change-related issues, and for taking appropriate action based on the significance of the risks to ensure that the Company meets its goals. The members of the ESG team usually have expertise and experience in relevant areas (e.g. sustainability, environmental protection, etc.).

Strategy

Climate-related risks can be divided into transition risks arising from the transition to a low-carbon economy and physical risks arising from climate change. Transition risks can be divided into policy and regulatory risks, market and technology risks, and reputation risks. Physical risks include acute physical risks (e.g. extreme weather such as typhoons and floods) and chronic physical risks (refer to long-term changes in climate patterns such as sea level rise, persistent high temperature).

In terms of physical risks, acute physical risks, i.e. extreme weather events such as typhoons, floods, and high temperatures, are our current focus. On the one hand, the production and delivery of products may be directly affected by extreme weather events on worksites, production equipment, personnel commuting and transportation. On the other hand, they may also be indirectly affected by extreme weather events in the supply chain, e.g. power and water supply in the area where the operation site is located is insufficient or interrupted due to extreme weather, and raw material suppliers cannot deliver materials on time due to the impact of extreme weather, which prevent us from producing as planned due to material shortages. In terms of chronic physical risk, we haven't seen a significant impact on the business yet.

In terms of transition risks, with the deepening of the society's understanding on climate change and the implementation of relevant policies, energy prices and greenhouse gas emissions allowances will be affected, which may further affect production and sales, thereby affecting the entire value chain of the Company. We will continue to monitor the impact.

In the long run, extreme weather may affect business operations and thus reduce profitability. Therefore, the Group attaches great importance to the pressures and potential risks arising from extreme weather, and has been gradually conducting a status quo review of the risks and opportunities that we may face as a result of climate change, and identifying and studying the impact of climate change on our operations. In response to potential climate change risks, the Company has formulated specific adaptation plans to safeguard the stable operation of its existing business. The Company conducts a detailed climate risk assessment of its business operations, including but not limited to the identification and analysis of potential typhoons, floods, persistent high temperatures and other climatic events, and considers the specific impacts of these events on the Company's operations in the assessment, such as factory shutdowns, logistics disruptions, and power interruptions. Based on the assessment results, business continuity plans are developed, including alternative production locations, backup logistics routes, and alternate power solutions, to ensure that critical business operations can be quickly resumed in the event of a climate-related event. The Company also provides regular training to employees on climate change risks and emergency response to ensure that they understand how to respond properly in an emergency. At the same time, the Company builds partnerships with local emergency management authorities to obtain timely and accurate climate information and warnings. As climate change is an ongoing process, the Company's adaptation plan is regularly reviewed and updated to ensure that it always reflects current climate risks and best practices, and that the Company always keeps pace with the times in addressing climate change.

Risk Management

According to the characteristics of the industry in which the Company operates and the Company's situation, the Company has identified and evaluated the process for management of climate-related risks. For the climate-related risks identified by the Company, the Company has established relevant emergency plans, and formulated emergency plans for different events under a unified emergency framework. The emergency framework should include conditions for initiating emergency plans, emergency handling procedures, system recovery procedures, post-event education and training, etc.; at the same time, it should ensure sufficient resources for the implementation of the emergency plan, including manpower, equipment, technology and finance.

Indicators and Targets

In order to measure the effectiveness of actions against climate change, it is important to select appropriate parameters and indicators, and to formulate corresponding targets. We have selected energy consumption, energy types and waste emissions as the key performance indicators for energy conservation and emission reduction of the Group. We plan to set up a special post to monitor data changes and regularly analyze the trend of changes, so as to improve energy use efficiency. Based on the estimated consumption that matches the production capacity, relevant departments are encouraged to actively practice energy conservation and consumption reduction, improve the overall energy and water efficiency of the Company, and reduce waste and emissions. Since the operating and economic environment in which the Company operates is constantly changing, we will constantly review our practices and adjust our targets and proposed measures as appropriate.

In the future, we will continue to improve the governance, strategy formulation, risk management, indicator and target identification and management of climate-related risks, and work with all walks of life to address climate change and achieve common sustainable development.

6 EMPLOYMENT AND LABOR PRACTICE

The establishment, development and listing of the Group greatly depend on the hard work of our employees. We firmly believe employees are the carriers of businesses and teams are the cornerstones of entrepreneurship. Therefore, we endeavor to provide a broad career development space, a safe and healthy working environment and a competitive remuneration package for each employee for the co-existence, win-win and co-development of the Group and our employees.

6.1 Employment

Open and Fair Employment and Diversified Incentives

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》) and the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) and other laws and regulations related to employment. We have established the Employee Handbook (《員工手冊》) and the Administrative Management System (《行政管理制度》) in place. The Group also makes active communication with employees in relation to their requirement, rights and obligations in an opened manner.

The Group protects the lawful rights and interests of employees, including paying remuneration in full and timely, making social security contribution and housing provident fund and providing financial rewards to outstanding employees. The Group adheres to the principle of equality during human resource management. Employees won't be discriminated for age, gender, physical or mental health condition, marital condition, family condition, race, color, nationality, religion, political group or sexual preference in respect of employment, promotion, training, remuneration and benefit package. In 2023, the Group provided suitable jobs for 8 disabled persons in the surrounding communities. In terms of gender equality, women in STEM (Science, Technology, Engineering, and Math) related fields account for 11.7% of the total number of female employees and 7.2% of all employees; 46.67% of middle management positions are held by women and 21.43% of senior management positions are held by women.

The Group conducts regular performance evaluations on employees and helps them to align their individual interests with the corporate target to create the corporate core values of "dedication, innovation, selflessness and efficiency". We provide housing allowances to all employees, housing fund to core employees with over three-year service, and employee stock ownership plan, serious illness insurance, high-end physical check-up service and other supporting measures to core employees with over five-year service, to encourage them to make remarkable results on their positions.

In order to safeguard the legitimate rights and interests of the employees and promote the healthy development of the enterprise, the Group and the labor union reached a consensus through equal consultation and jointly signed a collective agreement, which includes a collective contract, a special collective contract on wages and a collective contract on the special protection of female workers. The Group respects and supports the work of labor unions, protects the legitimate rights and interests of employees, pays special attention to the special interests and legitimate rights and interests of female employees, and signs the Special Collective Contract for the Protection of the Rights and Interests of Female Employees with the labor unions by mutual consensus, so as to build up a harmonious and stable labor relationship.

As at the end of the Reporting Period, the Group has 1,567 full time employees who have signed direct contract with the Group (2022: 1,632), including:

The number and turnover rate of full time employees by gender are as below:

	2023			2022		
	Number	**Percentage**	**Turnover rate**	Number	Percentage	Turnover rate
Male	**601**	**38.3%**	**28.6%**	623	38.2%	33.70%
Female	**966**	**61.7%**	**26.3%**	1,009	61.8%	33.00%

The number and turnover rate of employees by age are as below:

	2023			2022		
	Number	**Percentage**	**Turnover rate**	Number	Percentage	Turnover rate
Below 20	**10**	**0.6%**	**60.0%**	22	1.3%	67.2%
20-40	**1,245**	**79.5%**	**27.8%**	1,306	80.0%	33.4%
Above 40	**312**	**19.9%**	**22.4%**	304	18.6%	27.1%

The data of employees by region are as below:

	2023			2022		
	Number of employees	**Percentage**	**Turnover rate**	Number of employees	Percentage	Turnover rate
Zhuhai	**251**	**16.0%**	**38.0%**	319	19.5%	45.9%
Shanghai	**1,305**	**83.3%**	**24.8%**	1,307	80.1%	29.2%
Shandong	**11**	**0.7%**	**8.3%**	6	0.4%	25.0%

As at the end of the Reporting Period, the Group had a total of 520 new employees in 2023, and the average recruitment cost of hiring new employees was RMB365.87/person.

Calibre-Based Recruitment and Employee Care

Employees are the foothold for our sustainable development, and we recognize the value of employees and make efforts to provide humanistic care. During recruitment, the Group adheres to a caliber-based principle and on a willing basis of the parties. The administrative department identifies and recruits suitable people through talent market, employment agency, on-campus employment, online recruitment and news media for departments with any employment needs with reference to the detailed requirements for the jobs, with a view of "making the best and appropriate use of talent".

We pay attention to the physical and mental health of our employees. In addition to the annual free staff physical examination with full coverage, we also provide occupational disease physical examination for the types of workers at risk of developing special diseases. In addition, we provide employees with executive critical illness insurance and employer's liability insurance. In line with the policies of each region, the accumulated team building activities of each department reach more than 30 times. We improve the working environment of our employees and provide them with working meals and dormitories. By the end of 2023, 467 employees are living in the staff dormitories. We pay attention to the career planning of our employees, provide positive incentives, and give annual seniority allowance awards to frontline employees according to their length of service, and award excellent employee awards to employees with excellent performance in their work at the end of the year.

We have established a comprehensive employee care program from employees' perspectives and in accordance with the needs of them, including:

- monthly food and communication allowance;
- birthday gift coupon;
- gifts for traditional festivals;
- health check for female employees in Women's Day;
- group building activities of department;
- paid annual travelling;
- free annual health check;
- payment of high temperature allowance for outdoor high temperature workers in accordance with the relevant regulations; and
- "Talent Housing" for employee in need.

Each holiday gift carries the Company's care for employees. The Group always puts the welfare of employees in the first place and attaches great importance to the humanistic care of employees. Every traditional festive season, we will send gifts and care to employees to thank them for their hard work for the development of the Company, and continuously enhance their sense of satisfaction and happiness. Over 4,800 gifts were distributed in 2023.

The Group is concerned about the physical and mental health of its employees. In order to enrich the spare time life of its employees, the Group organized the Spring Sports Day and the INT Cup Staff Basketball Match in March and October 2023, respectively. During the competitions, employees sweated and showed their style, and every moment on the field was full of laughter and passion. Sports activities not only promoted inter-departmental exchanges and cooperation, but also enhanced employees' team spirit and motivation for physical exercise. We will provide more platforms for employees to show themselves and create a harmonious and positive corporate atmosphere.

In respect of democratic communication, the Group continues to improve its democratic management system, strictly complies with the Labor Union Law of the People's Republic of China and other relevant requirements, safeguards the rights of employees to democratic communication, provides employees with channels of democratic communication and creates a harmonious and democratic working environment. During the Reporting Period, the proportion of employees jointed labor unions is 100%.

6.2 Health and Safety

The Group attaches great importance to the health and safety of employees in workplace, strictly abides by relevant laws and regulations related thereto, 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》), 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》), the Norms for the Management of Labor Protective Articles for Employers (《用人單位勞動防護用品管理規範》) and the Special Regulations on Female Labor Protection (《女職工勞動保護特別規定》), and formulates the Safety Production Responsibility System (《安全生產責任制度》). The headquarters of the Group has passed the level two enterprise for standardization of production safety certification. In 2023, the Group invested RMB225,000 in work safety and employee health protection.

Workplace Safety

The Group has established a "safety-first and prevention-oriented" safety management approach and implemented the enterprise leader responsibility system, the safety leader responsibility system and the hierarchical safety responsibility system, established and improves safety management rules, organized regular and irregular safety training and inspection and eliminated potential safety threats to ensure labor safety during production, property safety of running machines and orderly operating activities. We adopt the following major measures:

- setting up a warning sign at each dangerous place and regularly checking the workplace to ensure the warning sign is updated;
- formulating special regulations on the storage, usage and disposal of hazardous substances used in production and regularly checking the implementation thereof;
- providing protective equipment to employees on special posts;
- arranging health check on occupational diseases each year for practitioners in special position with occupational disease risk, such as the position of sterilization operations and powder;
- providing periodic employee safety training and organizing safety drills according to the planned rescue routes.

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Safety Education

The Group attaches great importance to employee safety education, and launches safety production education and assessment for each new employee. The production workshop will carry out safety production education on a quarterly basis by department. In 2023, the Group held 17 large sessions of safety production education, with the coverage rate of employees reaching over 98%. In the future, we plan to periodically hold safety training for all employees, mainly focusing on production, fire protection, and emergency management knowledge, and integrate safety education and responsibility awareness into the Company's daily work to enhance employees' safety awareness and self-protection ability, thereby reduce the risk of production accidents.

Fire Safety

We carried out one large emergency fire drill during this year, which divided into several sessions, covering all employees in each department. By carrying out relevant drills, we help employees improve their self-rescue ability in the event of fire, and help them familiarize with the use of firefighting equipment, thereby ensuring the safety of employees and company property.

In 2023, 2022 and 2021, the Group had no work-related deaths; in 2023, the Group had one work-related injury (2022: 1) and 25 workdays lost (2022: 30) due to work-related injuries.

6.3 Development and Training

Innovation is a driving force for development. The development of the Group is driven by the innovation of employees. Therefore, the Group provides a series of trainings to the employees based on the Group's development and job requirements, including both internal and external trainings. During the reporting year, the Group invested a total of RMB553,000 in training. Induction training was provided to new employees, with an annual average training time of 12 hours per new employee and an average annual training time of 11.25 hours per employee.

Our training policies are provided in the Employee Handbook (《員工手冊》), primarily including the following:

- Regular training, i.e. new employee induction training, which covers company rules and regulations, professional ethics, process hygiene, operating procedures, production safety, corporate culture, job knowledge, etc. It is mainly organized in the form of on-site training, online video learning, and mentor-apprentice teaching;

- Training on need, i.e. providing training to staff on operational skills, theoretical knowledge, and management skills as needed, which also can be classified into annual training program and provisional training program, and further classified into internal training and external training (the annual training program refers to a training program formed at the beginning of each year in accordance with the training requirements of each department collected by the administrative department in December).

In order to improve employees' understanding of climate change related issues, the Company has formulated a relevant training program, which includes but is not limited to scientific facts, impacts and challenges of climate change, the Company's strategy and objectives to address climate change, low-carbon technologies and sustainable development, etc. Training is conducted in the form of online or offline courses to further enhance employees' ability and awareness in addressing climate change. The training covers all employees of the Company, especially the management and employees in key positions. In 2023, the Company organized an emergency response drill simulating the leakage of hazardous chemicals to pollute the environment, with a total of 10 employees participating in the training.

The administrative department is also responsible for the recording and verification of the effectiveness of training. In 2023, we carried out 316 offline training courses with 2,625 training participants. Except for the two traditional forms of training, namely training session and seminar, we have also proactively launched online training. Relying on third-party platform, in 2023, we have organized 68 online trainings, with 783 training participants and online training coverage rate of 22.98%, covering all aspects of production and operation. Furthermore, the recording and broadcasting functions of online courses have greatly facilitated the staff in the arrangement of office hours, widen the coverage of trainees and enhanced the effectiveness of training courses. Meanwhile, we encourage employees to be internal trainers to share knowledge and experience and lead team to grow. As of the end of 2023, the Group has a total of 45 internal trainers.

As at the end of the Reporting Period, the statistics on the training of employees of the Group are as follows:

Percentage of employees trained and average training hours by gender:

	2023		2022	
	Percentage	**Average training hours[4] (hour/year)**	Percentage	Average training hours (hour/year)
Male	**100%**	**11.6**	100%	58.4
Female	**100%**	**11.0**	100%	54.2

4 In 2022, most of the trainings were conducted online, which could cover a larger number of persons; whereas in 2023, trainings were conducted primarily offline, though with an increase in the number of training sessions, the number of participants in each session varied and the average training hours decreased due to the actual working conditions of different lines of business.

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Percentage of employees trained and average training hours by employee grades:

	2023		2022	
	Percentage	Average training hours (hour/year)	Percentage	Average training hours (hour/year)
Middle and senior management	**100%**	**32.0**	100%	53.3
Junior employees	**100%**	**10.4**	100%	55.5

The development of employees themselves is extremely important to the Group's innovative development. The Group adheres to the principles of objectivity, fairness and seeking truth from facts and conducts monthly performance appraisals. Based on specific and measurable work objectives formulated each month and confirmed with supervisors, the authorized appraisal evaluators score the appraisals by evaluating the fulfillment of job duties, the completion of targets, the values, the implementation of the system, the attendance, and the compliance with the Code of Conduct, among other aspects.

We focus on the development of our employees by providing incentive mechanisms. The mechanism is divided into two parts: short term and medium and long term. Short term mechanism refers to the monthly performance index, which is based on the Company's strategic plan to develop the annual tabulation of the department and decompose to the monthly index, which also becomes the post assessment bonus. The medium and long term mechanism is the share incentive, which is used for some employees who have reached a certain salary level.

6.4 Labor Standards

The Group advocated co-existence, win-win and co-development with our employees, so as to arouse their passion at work. However, forced labours are strictly prohibited by the Group.

Employment in Compliance with Laws

The Group recognizes employment is an agreement entered into between an employer and an employee on a willing basis. The Group respects the rights of its employees. Withholding of valid documentation, charge of deposits and forced labour are strictly prohibited by the Group during employment. In compliance with the relevant laws and regulations of the government, we implement a standard, comprehensive or flexible working system respectively subject to different jobs, and protect our employees' rights of rest and holiday. During the reporting year, the Group provided an average of 6 paid holiday days (2022: 6 days) to employees.

No forced labour was employed by the Group during the reporting year.

Prohibition of Child Labour with Careful Examinations

In accordance with the relevant laws and regulations, such as the Law of the People's Republic of China on the Protection of Minors (《未成年人保護法》) and the Provisions on the Prohibition of Child Labour (《禁止使用童工規定》), the Group and its subsidiaries explicitly prohibit the employment of persons under the age of 18 and conduct strict examinations in the recruitment process so as to avoid the employment of child labour. All of the Group's employees should show the original identity card and submit the copy with the employee's signature for filing on enrolment, for the purpose of ensuring the recruited employee is above 18 years old. The human resource department of the Group conducts irregular inspection on the recruitment procedures and employee information of the Group and its subsidiaries and a mutual supervision and whistle-blowing system is implemented among different departments. Where the misuse of child labour is discovered, the Group will immediately terminate the employment and conduct an investigation on the relevant people involved therein.

No child labour was employed by the Group during the reporting year.

7 SUPPLY CHAIN MANAGEMENT

Adhering to a quality-oriented and customer-based principle of development, the Group maintains high standards and strict requirements on product quality and extents to the supply chain management. The Group has established the Supplier Management System (《供方管理制度》) for the purpose of reasonable selection and assessment of suppliers, and the system is continuously updated to take into account the actual situation of the Company.

Strict Admission Threshold and Pursuit of Quality

The Group continuously promotes the establishment of a comprehensive supplier management system, carries out classification management, evaluation and supervision of suppliers, and continuously improves the quality and service level of suppliers. In selecting suppliers, the purchasing department, quality department and technology department form a joint appraisal group responsible for new supplier investigation and on-site inspection, including the verification of general qualification materials, quality system assessment, sample test and sample verification, to ensure production quality. Subject to the extent of effect of raw materials on the quality of products, the Group conducts supplier qualification investigation and/or on-site inspection for new suppliers. With 1 new supplier added in 2023, the coverage rate of new supplier inspection was 100%, and the pass rate was 100%. For new suppliers that fail the investigation or on-site inspection, they will be eliminated directly without re-inspection.

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Suppliers who pass the above appraisal processes will be included in the List of Qualified Suppliers (《合格供方名錄》). Meanwhile, subject to the extent of effect of raw materials on the quality of products, the Group divides the suppliers into several categories for management. The two key categories of suppliers having a crucial and auxiliary effect on product quality will be re-appraised annually. The reappraisal of suppliers involves five aspects: qualification, reputation, quality, price, delivery and service, and further their production capacity, experience, quality system certification, constraints and other indicators are analyzed, then a Supplier Reappraisal List (《供方再評價記錄表》) will be produced after reappraisal. Before signing a contract, we conduct sufficient negotiation and consultation with the suppliers in order to clarify the responsibilities and obligations of the suppliers and stipulate clear delivery deadlines, quality standards and prices of the products, etc. After identifying the suppliers, we will promote the signing of a formal contract in a timely manner and fulfill our obligations in strict accordance with the terms of the contracts to avoid disputes and breach of contracts. The Group will conduct an inspection based on the information submitted by suppliers, and the frequency is once a year. For existing suppliers, when the supplier's production, process and other factors lead to the provision of substandard materials or a quality risk, the Company will once again organize an on-site inspection on the supplier. In 2023, the Company organized 8 on-site re-inspections on suppliers. When selecting suppliers, the Group gives due consideration to the sustainability of suppliers and requires that all materials provided by suppliers should meet environmental protection standards, and at the same time prefers to select suppliers that can provide environmentally friendly products. The Company conducts inspection of ISO14001 third-party environmental protection system every year, and signs environmental management requirements with chemical suppliers, in which clarifying the responsibility of suppliers for energy saving and emission reduction.

The distribution of the Group's suppliers is as below:

Unit: supplier	**2023**	2022
Domestic suppliers	**85**	80
of which, Northern China	**1**	1
Eastern China	**62**	58
Southern China	**14**	12
Central China	**1**	0
Southwest China	**0**	1
Overseas suppliers	**7**	8

Channel Stabilization and Emergency Management

As an enterprise manufacturing medical device, our products are not only of commercial nature, but also charged with the sacred mission of disease treatment and health recovery. Therefore, we insist on safety first and efficiency second in respect of supply chain management. Safety refers to reliable product quality and continuous product supply. We deeply understand that the stability of product quality is closely related to the stability of supply chain. The stability of supply chain is not only related to products but the supplier's environmental and social condition and its management as well.

The Group has established the Supply Chain Environmental and Social Risk Management System (《供應鏈環境及社會風險管理制度》) and the Supply Disruption Emergency Management Method (《供應中斷應急計劃管理辦法》). During our daily work, we keep frequent communication with our selected suppliers, pay attention to changes in the production conditions and processes of the said suppliers and other crucial factors which may affect quality, and keep an eye on the social responsibility performance of suppliers and the effect thereof on their product supply in order to ensure the Group's normal production and delivery to meet the market needs in the event of disruption of supply of products originally purchased.

8 PRODUCT RESPONSIBILITY

Quality is a silent advertising of products and a cornerstone for an enterprise to establish product reputation, industry position and corporate reputation. For a medical device enterprise, we assume great responsibility for the management of product quality, as the quality of medical device represents the confidence for health recovery and carries the hopes for the quality and length of life for billions of users.

Outstanding Quality and Reliable Reputation in Medical Device Industry

The Group strictly complies with the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》), the Medical Device Supervision and Administration Regulations (《醫療器械監督管理條例》), the Administration Regulations on Medical Device Production Quality (《醫療器械生產質量管理規範》), the European Medical Device Regulation (MDR), the US Quality System Regulation (QSR 820) and other laws and regulations in relation to product quality. A quality management system has been established based on relevant regulatory requirements, and the system is continuously improved and managed using a process approach from identification of production requirements to customer satisfaction evaluation to ensure its effectiveness, suitability and adequacy.

It has established the Monitoring and Measuring Device Control Procedures (《監視和測量裝置控制程序》), pursuant to which, the Group implements quality control over incoming materials, production process and finished products. All incoming materials will not be accepted until inspection, and each production process is monitored and each finished product shall receive final quality test, thus realizing the quality control in all aspects.

The sterile performance of medical devices and their packaging is the basic guarantee of product safety and efficacy. The Group has clarified the special requirements on sterile medical devices, and formulated the Ethylene Oxide Sterilization Confirmation and Routine Control Procedures for the sterilization methods of products. The sterilization records of medical devices can be traced back to each production batch. The Group ensures conformance with product standard requirements, by standardizing the sterilization process, setting the sterilization parameters reasonably, and verifying the sterilization effect of the product by the review team. The packaging of medical devices is also an important barrier to maintain the sterility and effectiveness of products. The Group has established and implemented the Procedure for Control of Sterile Barrier System Confirmation, clarifying the requirements on packaging verification scheme, in order to achieve the functions of microbial barrier and physical protection, and to ensure the safety and reliability of products.

Being concerned about the quality safety of products, the Group has formulated the Procedures for Control of Non-Conforming Products, which stipulates the input, review and processing procedures for non-conforming products. If any unqualified product is found before delivery, the relevant product will be identified, recorded, isolated and inspected. The Quality Department will cooperate with the responsible department to investigate the cause, and the responsible department will formulate reasonable measures to deal with it. If any unqualified product is found after delivery, relevant enterprises and consumers will be notified in a timely manner, and measures to recall or destroy products will be taken.

Pursuant to the Measures on the Adverse Events Monitoring and Re-Evaluation of Medical Device (《醫療器械不良事件監測和再評價管理辦法》), the Group has established the Reporting Procedures for Adverse Events Control (《不良事件控制報告程序》) and the Product Return and Replacement System (《退換貨管理制度》), to ensure the effectiveness of the product recall mechanism. Generally, the Group has the following two forms of product return:

(1) Product recall: the management organizes the relevant department to make a comprehensive assessment on the suspected adverse event and, if the result shows that a handicap exists and a recall must be made, will issue a recall notice immediately and report to the National Medical Products Administration; and

(2) Product return and replacement: any product with any quality problem before the expiry date may be returned or replaced unconditionally, if proved to be true, or in other cases, the marketing department shall identify the reasons for return and replacement and address appropriately.

Medical device is a special category of commodity closely related to life safety and physical health. The Group strictly abides by the Advertisement Law of the People's Republic of China (《中華人民共和國廣告法》), the Administrative Regulations on Medical Device Instruction and Label (《醫療器械説明書和標簽管理規定》), the Review Measures for Medical Device Advertising (《醫療器械廣告審查辦法》) and other relevant laws and regulations, and has established a Label and Instructions Management System (《標簽、説明書管理制度》) to ensure the correct use of labels and advertisings and prohibit false advertising.

To further enhance product safety, in 2023, we increased the number of clinical visits and expanded our coverage, collected more information and feedback after product use, and improved the risk control management process for our products.

During the Reporting Period, no false promotion or untrue advertising in respect of advertising and labels occurred within the Group.

International Exchange, Science and Technology Leading

We understand the importance of scientific and technological research and development for the core competitiveness of our products, and INT Medical has always adhered to the development route of scientific and technological innovation to enhance the technological competitiveness of our products through continuous investment in research and development, accumulation of technological innovation, industry-university-research synergy, and transformation of scientific and technological achievements. During the Reporting Period, the Group invested RMB179 million in the research and development of science and technology innovation.

On 8 November 2023, the Group participated in the inauguration ceremony of Hongqiao International Innovative Medical Device Industrial Park. We look forward to incubating and transforming more clinical and university research results in the future, and injecting new vitality into the innovation and development of the industry.

In 2023, we actively participated in international exchange fairs with our innovative products:

Participation in the 2023 American Trans-catheter Cardiovascular Therapeutics Conference (TCT Conference)

On October 24-27, 2023, INT Medical went to San Francisco, USA to participate in the American Trans-catheter Cardiovascular Therapeutics Conference, which is the annual scientific symposium of the Cardiovascular Research Foundation (CRF) — the world largest and most influential global conference focused on interventional cardiovascular medicine. INT Medical's foreign trade team travelled there with its own innovative products and exchanged ideas with exhibitors from 70 countries and regions, showing the world the strength of China's smart manufacturing.

In this conference, we focused on an innovative device, Hanchor Valve trans-catheter aortic valve system, which has completely independent intellectual property rights, and is incubated by the Chinese Cardiovascular Physicians Innovation Club (CCI) platform. The product is an innovative device with autonomous anchoring function, precisely controllable release depth, system size suitable for femoral artery access, bending function to enhance system maneuverability, and unique short stent ball expansion valve design. After the meeting several audiences expressed their desire to introduce the device to their countries. In the field of pure aortic regurgitation treatment, Hanchor Valve is a major breakthrough for domestic medical devices, and will have a broad application prospect in the future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Focus on Demands and Protection of Privacy

Customer demands serve as the driving force for us to allocated resources to research and development for further improvement. Accordingly, we focus on customer demands by working closely with doctors, hospitals and research institutions in research and development of products, and understand the requirements for product delivery including performance, delivery time, packaging materials, etc. to develop clinically effective products that meet clinical needs. We also attach great importance to customers' feedbacks. The Group has established a Feedback Control Procedure to collect customer satisfaction and complaints at any time with a view of improving product quality.

The Group collects feedback information in a variety of ways, mainly including visits and surveys, questionnaires, direct customer feedback, market information, research reports, etc., to further understand customer feedback on product quality, contract performance, etc., thus better respond to the market changes in demand and enhance competitiveness. We collect Customer Satisfaction Survey from our cooperative customers in December annually, register the Customer Feedback Record Form in time to collect and analyze feedback information, and evaluate the final disposal results.

In terms of handling customer complaints, the Group has established the Procedures for Complaint Handling Control (《投訴處理控制程序》) to standardize the handling and process of customer complaint information feedback, providing customers with various communication channels including mail, telephone and WeChat, etc., and requesting response to customers within 1 week to provide information support for the Company's products and services. The Company has set up a special post to accept the complaint information, and record the content of the complaint. After preliminary screening, the complaint that is judged to be reasonable will be investigated within the Company, and relevant products will be disposed of in a timely manner. In addition, the Company will initiate corrective and preventive measures according to the severity of the incident, clarify the specific responsible department and person in charge, and track customers' recognition of the handling measures and results.

The Group attaches great importance to the utilization of customer complaints and feedback information. The marketing department undertakes the responsibility to conduct analysis on product quality, attitude towards customers, timeliness of delivery, timeliness of reply and other aspects, to assess whether the customer's comprehensive evaluations are in line with the Group's quality objective, and then provide classified feedbacks to respective departments for them to develop improvement measures. For instance, all information about product design including change of packaging, addition to model and other aspects, is required to inform the technology department, so that the technology department will alter design in case of necessity. Additionally, all the proposals relating to product design put forward by clinical organization as well as quality supervision and inspection centre during their daily work, shall inform the technology department by registration department, so that the technology department will alter design in case of necessity. Upon settlement of the events by responsible departments, the outcome shall be fed back to the provider of feedback in a timely manner.

The Company actively carries out customer satisfaction surveys in the aspects of product quality, logistics efficiency, response timeliness, customer service and others respectively, and further follows up by mail or phone. During the Reporting Period, the Group issued 444 Customer Satisfaction Survey (2022: 400) with 317 collected (2022: 210), and still maintained a high overall satisfaction rate of 96.24% (2022: 94.68%) based on the significant expansion of survey coverage. During the Reporting Period, the Group had not received any complaints on products and services.

In strict compliance with Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》) as well as relevant laws and regulations at the places where it operates, the Group formulated Information Security Management System (《信息安全管理制度》) and Confidentiality Management System (《保密管理制度》). For the Company's technical information, business information and other information that belongs to others but the Company should bear the obligation of confidentiality in accordance with the provisions of the law or relevant agreements, the Company has set three confidential levels of "top secret", "confidential" and "privacy". The middle management and above in the company are required to take the lead in consciously adhering to the confidentiality system, and regularly provide confidentiality education to employees in various forms to enhance their awareness of confidentiality.

The Chairman of the Board of Directors is in charge of privacy and data security, information security and cyber security governance of the Group at the Board level. The executive management team is the network administrator of the Administration Department, whose duties are to ensure the normal operation of the network, configure various types of network services, and be responsible for the deployment and follow up of internal and external network information security systems, the implementation of various types of information security laws and regulations, and the implementation of the patented project. In terms of hardware, the Group restricts the staff to bring the data in the computer out of the Group, installs encryption software on office staff's work computers, and the network administrator of the Administration Department is fully responsible for the unified setup of computer user accounts, passwords, hardware and software configurations of the Company, and keeps them confidential; all documents are encrypted, and the encrypted documents can not be opened by other external devices even if they are sent out. They can only be decrypted by department head through the system to reduce the possibility of information leakage and ensure customer privacy. In terms of the system, employees in positions involving trade secrets and technical secrets have signed confidentiality agreements upon entry. Employees are responsible for confidentiality of information related to customer property and privacy that they come into contact with (including unintentional contact) during work. This year, we improved our records, encrypted customer information, and established a management system to protect customer privacy. The Group provides information security training for all employees once a year to improve their security awareness and response capability.

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The Group does not provide patient outcome data to all stakeholders. During the registration process, we provides authentic clinical data to the MPA (regulatory authority) for product registration licenses, while in other stages such as sales, we do not provide relevant clinical data to customers or patients. In addition, we will protect data including the names of suppliers and business partners, the content of transactions (products, quantities, amounts) and will not disclose them to the public. For technical documents provided to foreign customers, they are prohibited from being disclosed to third parties, except for the purpose of local registration and marketing.

We have also established a reporting process that need to be followed when suspicious issues relating to information security and privacy are discovered. The network administrator shall provide feedback to the department head and report to the responsible person of the board of directors.

There was no violation of customer privacy protection in the Group during the reporting year.

Safeguard of Intellectual Property Rights and Encouragement of Innovation

For a medical device enterprise whose development depends on highly professional efforts and long-lasting concentration, innovation is the source of development, while sustained innovation is where the enterprise vitality lies. Therefore, the Group not only fosters and supports innovation, but also protects innovation achievements made.

In strict compliance with the Patent Law of the PRC (《中華人民共和國專利法》), the Implementation Regulations for the Patent Law of the PRC (《中華人民共和國專利法實施細則》) and other laws and regulations, and by reference to Certain Opinions on More Strict Patent Protection (《關於嚴格專利保護的若干意見》) issued by the State Intellectual Property Office and the 13th Five-Year National Intellectual Property Rights Protection and Application Planning (《"十三五"國家知識產權保護與運用規劃》) published by the State Council, the Group has established a series of management policies, including Administrative System for Intellectual Property Rights (《知識產權管理制度》), Administrative System for Patents (《專利管理制度》), Trademarks Management Policy (《商標管理制度》), Management System for Corporate Copyrights (《企業著作權管理制度》), Trade Secret Management Policy (《商業秘密管理制度》), Reward and Penalty Policy for Intellectual Property Rights(《知識產權獎罰制度》), Intellectual Property Contingency Plan (《知識產權應急方案》), "Intellectual Property Contract Management Method"(《知識產權合同管理辦法》) and "Intellectual Property Utilization Management Method" (《知識產權運用管理方法》) to strengthen safeguard of the Group's intellectual property rights, inspire initiative from our staff to make inventions and innovations and boost the promotion and utilization of technical achievements. By the end of 2023, the Group had over 400 research and development personnel.

The intellectual property management of our Group follows the principles of unified management, division of labour and cooperation, and orderly regulation. The Group's intellectual property rights related matters are managed by the general manager office. The general manager office takes the responsibility to develop and protect the Group's intellectual property rights such as trademarks, reputation and achievements, and to make sure that the Company has effectively conducted intellectual property rights protection works mainly by adoption of the following measures:

- Strengthening the publicity of intellectual property rights protection: We have arranged courses on intellectual property rights and its related laws, and organized regular or irregular training for management and technicians at the headquarters and from subsidiaries of the Group, to enable them to get familiar with and grasp intellectual property rights related laws, such as the Patent Law and Trademark Law, thereby promoting their awareness of intellectual property rights protection;

- Encouraging technicians to devote to innovation: We have set up awards such as the "Innovation Achievement Award", "Technology Improvement Award", "Technology Invention Award", "Design Program Award", "Computer Program Award", "Transformation of Achievements Award" and "Intellectual Property Information Award" to reward outstanding individuals who actively devote to creation in their positions and inventions with evident economic efficiency, bright market prospects and prominent energy-saving and environment-friendly effects;

- Protecting the Group's intellectual property rights: We have formulated a confidentiality system and adopted measures related to non-competition, and stipulated confidentiality-related clauses and clauses related to the attribution of intellectual property rights at the time of signing an agreement to avoid the disclosure of technological secrets. We apply for patent protection for newly developed technologies, register trademarks timely. The Technology Department is responsible for the management of intellectual property rights and technicians shall report their service inventions in a timely manner. A patent engineer position was set up to be responsible for patent related affairs, while the general manager office shall assist them in the file and protection of patents. In case of external infringement, the general manager office will work with the legal department for settlement, with no exclusion of litigation;

- Avoiding infringement of intellectual property rights: We will conduct patent searches and investigate the existing patent protection of relevant technologies before technology development; if new technology development is involved in cooperation with external parties, we will agree on the legal and compliant provisions of intellectual property rights in the contract to avoid infringing on intellectual property rights by the cooperation partner.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company invests a certain proportion of funds every year in scientific research and development for new products, technical equipment renovation and other aspects. During the reporting year, the Group applied for 86 new patents. As of the end of the Reporting Period, the Group has applied for 564 patents in total, including 213 patents under application (175 invention patents, 31 utility model patents and 7 design patents), 335 granted patents (51 invention patents, 260 utility model patents and 24 design patents), 7 software copyrights under application and 9 registered software copyrights. The Group has obtained the certification of intellectual property management system.

9 ANTI-CORRUPTION

Any misconduct in commercial activities, such as corruption, bribery, extortion, fraud or money laundering, violating the enterprise's interests, violating the principle of fair trade or damaging the enterprise's reputation, will seriously disrupt the Group's normal management and operations. The Group therefore firmly opposes and expressly prohibits these kinds of misconducts.

Policy-based Anti-corruption and Prevention First

The Group strictly complies with the Law of the People's Republic of China Against Unfair Competition (《反不正當競爭法》) and follows the rules of fair competition. According to the enterprise's actual situation, the Group formulated Administrative Measures for Anti-corruption and Anti-bribery (《反腐敗反賄賂管理辦法》) and updated the corresponding rules and regulations in April 2023 to refine the punishment measures for violation of anti-fraud regulations, which are mainly in the form of intensified deduction of points in assessment. Based on the full identification of corruption risks, we intensified the management of key processes vulnerable to more frequent corruptions such as materials procurement, outsourcing, infrastructure project, marketing and sales, equipment procurement and maintenance, quality supervision and other economic activities, and of key post personnel during the processes. In view of that, the Group adopts the following measures:

- In organization structure, a leading organization to control commercial bribery is established under the leadership of administration department in cooperation with respective departments to combat commercial bribery. The administration department is responsible for the supervision over and inspection of commercial bribery prevention;

- In publicity and education, personnel in key process and at key posts are required to sign the Undertakings for Prevention of Commercial Bribery (《預防商業賄賂承諾書》) with units that they have economic interactions with. It is explicitly prohibited to have private money exchanges with suppliers, which regulates the behaviour of both parties to achieve the purpose of integrity and self-discipline, in order to strengthen the publicity and education of policy-based anti-corruption;

- In terms of people management, each department strengthened the management of personnel in key positions. In August 2023, directors, supervisors, senior management, key staff of purchasing and sales in the Parent Company and subsidiaries were requested to sign the Undertaking for Prevention of Commercial Bribery and fulfil the obligations under the anti-corruption related provisions. The Group shall take their performance of the Undertaking for Prevention of Commercial Bribery as an important part of inspection and assessment, and as the important basis of appointment and removal;

- For the safe of prevention first, we conduct investigation and research, such as investigating relevant departments openly and secretly, to grasp the characteristics and rules of dirty dealing and commercial bribery. We also study and put forward specific solutions and measures to realize effective prevention from education, policy, supervision and other aspects.

- Set up a report box for the prevention of commercial bribery, and publicize the report phone +86 21 59140056;

- Timely handling of issues discovered in the prevention of commercial bribery. In the prevention of commercial bribery, departments are required to promptly stop or handle any violations, and report to the anti commercial bribery leader. Those suspected of committing crimes should be transferred to judicial authorities for processing;

- The Company's administrative department conducts supervision and inspection based on its responsibility and authority, and deals with or makes recommendations on non-compliance with the Undertaking for Prevention of Commercial Bribery for personnel in important positions;

- If the persons of units engaged in economic activities refuse to fulfil the Undertaking for Prevention of Commercial Bribery, they shall be held responsible in accordance with relevant regulations. If it constitutes a crime of commercial bribery, they shall be handed over to judicial organs for criminal responsibility.

The Group advocates an honest corporate culture, guides employees to act in accordance with the law, be honest and trustworthy in their respective positions, and conduct anti-corruption training for all new employees. In 2023, 2 anti-corruption trainings were organized, with 290 participants in total, covering the heads of all departments of INT Medical, administrative personnel of each company, and personnel related to procurement, etc.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Enhanced Supervision and Honesty and Self-discipline

In terms of anti fraud, the Group has formulated the Anti-Fraud Management System to promote the integrity and self-discipline of all employees, and reduce the operational risks of the company. The anti fraud behaviour norms clearly prohibit employees from taking advantage of their power and position to seek improper benefits, including using their position or company resources, business channels, trade secrets, intellectual property, etc. to engage in profit-making activities or benefit transmission for themselves or others, accepting various types of rebates, handling fees, commissions, and personal ownership of marketable securities. The General Manager's Office is the anti-fraud management organization of the company, responsible for investigating, collecting evidence, accepting reviews, and publishing investigation results for violations of this system; as the first responsible person for anti-fraud, department heads should promptly report to the General Manager's Office when relevant violations are discovered.

In order to improve supervision mechanism, the Group set up a report box and announces the report hotline to prevent commercial bribery and accept whistle-blowing of corruption cases among the Group's employees and external partners. Once reported, the administration department shall curb or deal with the case timely upon careful investigation and prudent consideration, and notify such case to relevant departments. In case that the reported act involves criminal activities, it shall be transferred to the judiciary authorities. At the same time, we well protect whistleblowers and has clarified a series of measures to protect whistleblowers. We promise to strictly keep confidential for personal information of whistleblowers and reported information, conduct investigations based on the principle of least informed, and strictly prohibit any retaliation in any form.

The supervision measures are not just intended to identify corruption, embezzlement and commercial bribery issues in business activities, but also intended to correct the wrong doers' misconduct and relief them from crime risk. The strict institutional construction, rigorous supervision mechanism and down-to-earth publicity and education enable our staff to truly feel a kind of corruption-free, self-disciplined clean and upright enterprise culture, where they dare not, must not and want not to commit corruption.

During the Reporting Period, there was no misconduct detected in the Group's commercial activities, and no relevant reports received.

10 COMMUNITY INVESTMENT

Community can be the broad environment where an enterprise survives on.

The Group has put in place the Corporate Social Responsibility Task Management Policy (《企業社會責任工作管理制度》) and Management Policy on Community Engagement and Community Investment (《社區參與及社區投資管理制度》), and has integrated corporate social responsibility task into its daily management and work plan, including that each of the primary business department organically integrates social responsibility task with its own work, penetrate social responsibility task into its principal business as well as seriously conducting environment protection, employees' volunteer activities, protection of the stakeholders' interests, the collection and report of information about corporate social responsibility and other works each subordinated company take charge of. The leading group of corporate social responsibility at headquarters of the Group is responsible for the overall guidance, implementation and supervision of corporate social responsibility task, and also makes decisions with respect to specific matters.

Enhancing Healthcare Accessibility

Medical devices, as an important part of medical services, are of great significance in improving the accessibility of medical products at the social level, especially for people in remote and needy areas and underdeveloped countries to be able to enjoy quality medical products and services.

The Group actively promotes medical accessibility and supports programs to improve the accessibility of medical products, and is committed to improving access to medicines involving disadvantaged groups or underdeveloped countries. In the domestic market, on the hospital end, medical products are sold with price on online platforms, the manufacturer does not have the right to set the price and price difference is relatively small overall. The Company increases the coverage of terminal patients in needy and underdeveloped areas by expanding the scope of the corresponding distributors. In the foreign market, pricing of products is different in developing countries and developed countries. Sales price is reduced by about 20% in developing countries. At the same time, the Company also continues to explore the developing countries and underdeveloped countries to increase the coverage of terminal patients.

Social Welfare

We make dual emphasis on both poverty alleviation work and soul purification. In December 2023, the Group donated RMB20,000 to the Jiading District Representative Office of the Shanghai Charity Foundation for the "Beloved under the Blue Sky" charity activity, which has been held in Shanghai for 29 years and has become the city's landmark, dedicating to give love to more groups in need. The Group also donated dozens of gift packs of rice, grain and oil to the community.

In 2023, the Group invested approximately RMB24,500 in social welfare.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG GENERAL DISCLOSURE REFERENCE LIST

	Environmental, Social and Governance Reporting Guide set out in Appendix C2 of the Listing Rules	Chapters
Subject Areas A. Environmental		
Aspect A1: Emissions		
A1	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	5.1 Emissions Management
A1.1	The types of emissions and respective emissions data.	5.1 Emissions Management
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.1 Emissions Management
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.1 Emissions Management
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.1 Emissions Management
A1.5	Description of emission target(s) set and steps taken to achieve them.	5.1 Emissions Management
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	5.1 Emissions Management

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	Environmental, Social and Governance Reporting Guide set out in Appendix C2 of the Listing Rules	Chapters
Aspect A2: Use of Resources		
A2	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	5.2 Use of Resources
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	5.2 Use of Resources
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	5.2 Use of Resources
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	5.2 Use of Resources
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	5.2 Use of Resources
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	5.2 Use of Resources
Aspect A3: The Environment and Natural Resources		
A3	General Disclosure Policies on minimising the issuer's significant impacts on the environment and natural resources.	5.3 Environment and Natural Resources
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	5.3 Environment and Natural Resources
Aspect A4: Climate Change		
A4	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	5.4 Address Climate Change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	5.4 Address Climate Change

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	Environmental, Social and Governance Reporting Guide set out in Appendix C2 of the Listing Rules	Chapters
Subject Areas B. Social		
Employment and Labor Practices		
Aspect B1: Employment		
B1	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	6.1 Employment
B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	6.1 Employment
B1.2	Employee turnover rate by gender, age group and geographical region.	6.1 Employment
Aspect B2: Health and Safety		
B2	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	6.2 Health and Safety
B2.1	Number and rate of work-related fatalities occurred in each of the past three years (including reporting year).	6.2 Health and Safety
B2.2	Lost days due to work injury.	6.2 Health and Safety
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	6.2 Health and Safety

	Environmental, Social and Governance Reporting Guide set out in Appendix C2 of the Listing Rules	Chapters
Aspect B3: Development and Training		
B3	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	6.3 Development and Training
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	6.3 Development and Training
B3.2	The average training hours completed per employee by gender and employee category.	6.3 Development and Training
Aspect B4: Labor Standards		
B4	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	6.4 Labor Standards
B4.1	Description of measures to review employment practices to avoid child and forced labour.	6.4 Labor Standards
B4.2	Description of steps taken to eliminate such practices when discovered.	6.4 Labor Standards
Operation Practice		
Aspect B5: Supply Chain Management		
B5	General Disclosure Policies on managing environmental and social risks of the supply chain.	7 Supply Chain Management
B5.1	Number of suppliers by geographical region.	7 Supply Chain Management
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	7 Supply Chain Management
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	7 Supply Chain Management
B5.4	Description of practices used to promote environmentally friendly products and services when selecting suppliers, and how they are implemented and monitored.	7 Supply Chain Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	Environmental, Social and Governance Reporting Guide set out in Appendix C2 of the Listing Rules	Chapters
Aspect B6: Product Responsibility		
B6	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	8 Product Responsibility
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	8 Product Responsibility
B6.2	Number of products and service related complaints received and how they are dealt with.	8 Product Responsibility
B6.3	Description of practices relating to observing and protecting intellectual property rights.	8 Product Responsibility
B6.4	Description of quality assurance process and recall procedures.	8 Product Responsibility
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	8 Product Responsibility
Aspect B7: Anti-Corruption		
B7	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	9 Anti-Corruption
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	9 Anti-Corruption
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	9 Anti-Corruption
B7.3	Description of anti-corruption training provided to directors and staff.	9 Anti-Corruption

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	Environmental, Social and Governance Reporting Guide set out in Appendix C2 of the Listing Rules	Chapters
Community		
Aspect B8: Community Investment		
B8	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	10 Community Investment
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	10 Community Investment
B8.2	Resources (e.g. money or time) contributed to the focus area.	10 Community Investment

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Dr. Liang Dongke (梁棟科), aged 46, is the founder of the business of the Group. He was appointed as a Director on 7 June 2006 and as the general manager of the Company on 30 June 2010, appointed as the Chairman of the Board on 26 April 2016 and designated as an executive Director on 8 December 2018. Dr. Liang is primarily in charge of the overall management, business, strategic development, and scientific research and development of the Group. In addition, Dr. Liang holds the following positions in the subsidiaries of the Group:

Name of subsidiary	Position	Period
Zhuhai Derui Medical Instruments Co., Ltd. (珠海德瑞醫療器械有限公司)	Executive Director	26 February 2016 to present
Shanghai Qimu	Executive Director	17 August 2018 to present
Shanghai Puhui	Executive Director	14 November 2018 to present
Shanghai Healing	Executive Director	15 February 2019 to present
Hongkong INT Medical Instruments Company Limited (香港瑛泰醫療器械有限公司)	Executive Director	21 February 2019 to present
Shanghai INT Medical Instruments Automation Co., Ltd. (上海瑛泰醫療器械自動化有限公司)	Executive Director	22 March 2019 to present
Shanghai Pumei	Executive Director	12 March 2020 to present
Shandong INT Medical Instruments Co., Ltd.* (山東瑛泰醫療器械有限公司) ("**Shangdong INT**")	Executive Director and general manager	13 January 2021 to present
Shanghai Yikai Medical Instruments Co., Ltd.* (上海益凱醫療器械有限公司)	Executive Director	23 June 2021 to present
Shanghai INT Pureray Medical Instruments Co., Ltd.* (上海瑛泰璞潤醫療器械有限公司)	Executive Director	24 November 2022 to present
Shandong Insant New Material Co., Ltd.* (山東瑛盛新材料有限公司)	Chairman and General Manager	31 March 2023 to present

Dr. Liang has over 17 years of experience in the medical devices industry. Dr. Liang obtained a Bachelor of Engineering in material science and engineering from Shandong Industrial University (山東工業大學) (now part of Shandong University) in Shandong, the PRC and a Master of Engineering in material science from Shandong University in Shandong, the PRC in July 2000 and December 2002, respectively, and a Ph.D. in biomedical engineering from Dalian University of Technology in Liaoning, the PRC in July 2006. Dr. Liang was qualified as a senior engineer by the Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局) in October 2014 and has been a distinguished professor (特聘教授) in Zhuhai College of Jilin University since September 2016. Dr. Liang also served as the director of KDL from 16 February 2017 to 4 May 2017 and has served as an executive director of Shanghai INT Medical Technology Co., Ltd. (上海瑛泰醫療科技有限公司) ("**Shanghai INT**") since September 2021.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

His awards and recognitions include "Shanghai Pioneer in Outstanding Technologies" (上海市優秀技術帶頭人) awarded by the Shanghai Science and Technology Committee (上海市科學技術委員會) in April 2014, "Entrepreneur Talents in Technological Innovation" (科技創新創業人才) awarded by the Ministry of Science and Technology of the PRC (中華人民共和國科學技術部) in February 2015, and being selected as one of the scientific and technological innovation leaders in "The Plan for Ten Thousand Talents" (萬人計劃) in June 2016.

Dr. Liang is the husband of Dr. Song Yuan. Please refer to the paragraph headed "Non-executive Directors" below for her biographical details.

Mr. Lin Sen (林森), aged 55, was appointed as an executive Director and deputy general manager on 16 May 2022. Mr. Lin is currently the chief technology officer of the Company, the general manager of Shanghai INT Medical Instruments Automation Co., Ltd.* (上海瑛泰醫療器械自動化有限公司), the executive director and general manager of Shanghai Puyue and the director of Shandong Insant Mew Material Co., Ltd.* (山東瑛盛新材料有限公司). He successively served as the section chief of Taizhou Luqiao Huakangda Plastic Products Factory* (台州市路橋華康達塑膠製品廠), the head of Yuhuan County Qinggang Wumu Plastic Factory* (玉環縣清港五木塑膠廠) and the chief engineer of Shanghai Wonderful Medical Instruments Automation Research Institute Co., Ltd.* (上海萬德福醫療器械自動化研究所有限公司), the predecessor of Shanghai INT Medical Instruments Automation Co., Ltd.* (上海瑛泰醫療器械自動化有限公司). Mr. Lin obtained his bachelor's degree in economics from China University of Geosciences (中國地質大學) in the PRC in 2007.

Non-executive Directors

Mr. Zhang Weixin (張維鑫), aged 50, was appointed as a non-executive Director on 8 December 2018. Mr. Zhang is primarily responsible for supervising the management of the Board.

Mr. Zhang has over 27 years of experience in the medical devices industry. From 1996 to 1998, Mr. Zhang served as the deputy general manager of Shanghai Safe Medical Device Polymer Co., Ltd. (上海賽爾富醫械塑膠有限公司), the predecessor of Zhuhai Kindly Medical Instruments Co., Ltd. (珠海康德萊醫療器械有限公司), which is a subsidiary of KDL (one of the Controlling Shareholders which is engaged in the research and development, manufacturing and sales of medical puncture devices and is listed on the Shanghai Stock Exchange (stock code: 603987)). Mr. Zhang was the deputy general manager of KDL from 1998 to 2002, and the director and the general manager of Shanghai Meihua Amsino Equipment Co., Ltd. (上海美華醫療器具股份有限公司), a former subsidiary of KDL which sells medical equipment, chemicals and other non-hazardous materials, from November 2001 to March 2008 and from March 2006 to March 2008, respectively. Mr. Zhang has served as the chairman of the board of directors of Shanghai Gongye Investment Co., Ltd. (上海共業投資有限公司), a company engaged in business consulting, investment and domestic trading, since June 2006.

After obtaining his bachelor's degree in economics through online courses from China University of Geosciences in Wuhan, the PRC in July 2007, Mr. Zhang re-joined KDL and served as its general manager from August 2007 to May 2012, its director since September 2010, its deputy general manager from May 2012 to February 2017, and its general manager since February 2017. Mr. Zhang has been the director of Shanghai Kindly Pipe Co., Ltd. (上海康德萊制管有限公司) ("**Shanghai Pipe**"), a subsidiary of KDL engaged in the production and sale of needle tubes, since March 2017, and the director and the chairman of the board of directors of Zhejiang Kindly Medical Devices Co., Ltd. (浙江康德萊醫療器械股份有限公司), another subsidiary of KDL engaged in the production of medical puncture devices, since May 2009 and February 2018, respectively.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Chen Hongqin (陳紅琴), aged 54, was a Director from 21 September 2015 to 25 May 2017, and was reappointed as a non-executive Director on 8 December 2018. Ms. Chen is primarily responsible for supervising the management of the Board.

Ms. Chen has over 22 years of experience in equipment manufacturing and management in the medical devices industry. Ms. Chen obtained her bachelor's degree in mining equipment from the Guizhou Institute of Technology (貴州工學院) in Guizhou Province, the PRC in July 1991 and obtained a senior engineer qualification certificate granted by the Shanghai Municipal Human Resources and Social Security Bureau in October 2012.

Ms. Chen worked as an assistant engineer at State-Run No.126 Factory (國營第一二六廠) from October 1992 to March 1997 and as an engineer at China Guihang Group Xin'an Machinery Factory (中國貴航集團新安機械廠) from March 1997 to December 2001. Ms. Chen has held a number of management positions since 2002, including the quality director and management representative of KDL from January 2002 to March 2016, the officer of the general manager office of KDL Holding, one of the Controlling Shareholders, from March to December 2016, the deputy general officer and manager of the general manager office of KDL from January 2017 to February 2018, the assistant to the manager of KDL Holding from March 2018 to December 2018, and the assistant to the Chairman of KDL from January 2019 to October 2020, and the assistant to the executive director and the general manager of Shanghai Kindly Enterprise Development Medical Investment Co., Ltd. from September 2020 to June 2022. Ms. Chen has also served as the assistant to the Chairman and the vice chairman of KDL since June 2021 and February 2023, respectively.

Dr. Song Yuan (宋媛), aged 44, was appointed as the secretary to the Board on 28 September 2018, as the deputy general manager of the Company on 9 December 2018 and as one of the joint company secretaries on 22 May 2019. Dr. Song was appointed as a non-executive Director on 16 May 2022. Dr. Song is in charge of information disclosure, investor relations, equity investment and convention of Board meetings and shareholder meetings of the Group. She currently is the vice general manager of Shandong INT Medical Instruments Co., Ltd.* (山東瑛泰醫療器械有限公司), the executive director of Shanghai INT Biotechnology Co., Ltd.* (上海瑛泰生物科技有限公司) and the director of Shandong Insant Mew Material Co., Ltd.* (山東瑛盛新材料有限公司). Dr. Song has also been the supervisor of Shanghai INT since September 2021.

Dr. Song graduated with a bachelor's degree in polymer material science and engineering from Shandong University in Shandong, the PRC in July 2002, and obtained a Ph.D. in material science and engineering (polymer) in Dalian University of Technology in Liaoning, the PRC in October 2008. She worked as a clerk in KDL Holding, one of the Controlling Shareholders, from February to July 2010. Dr. Song was the secretary to the board of directors of KDL from August 2010 to September 2018, and had held directorship in the Company from May 2017 to December 2018.

Dr. Song is the wife of Dr. Liang Dongke. Please refer to the paragraph headed "Executive Directors" above for his biographical details.

Mr. Wang Ruiqin (王瑞琴), aged 52, was appointed as a non-executive Director on 16 May 2022. Mr. Wang is currently the supply chain director of the Company. He successively served the production manager of Shanghai Fuersai Medical Plastic Co., Ltd.* (上海賽爾富醫械塑料有限公司), the manager of Shanghai Meihua Medical Instruments Co., Ltd.* (上海美華醫療器具股份有限公司) and the vice general manager and the general manager of the Shanghai Wonderful Medical Device Automation Research Institute Co., Ltd.* (上海萬德福醫療器械自動化研究所有限公司), the predecessor of Shanghai INT Medical Instruments Automation Co., Ltd.* (上海瑛泰醫療器械自動化有限公司). He obtained his bachelor's degree in business administration from Jinggangshan University (井岡山大學) in the PRC in January 2009.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. Jian Xigao (蹇錫高), aged 78, was appointed as an independent non-executive Director on 8 December 2018. Mr. Jian is primarily responsible for supervising and providing independent advice to the Board.

Mr. Jian obtained his bachelor's degree in polymer chemical engineering and master's degree in polymer materials science from Dalian University of Technology (formerly known as Dalian Institute of Technology) in Liaoning, the PRC in 1969 and 1981, respectively.

Mr. Jian is currently a professor at the Dalian University of Technology, the head of its Polymer Materials Research Institute (高分子材料研究所所長) and director of the Liaoning High Performance Resin Engineering Technology Research Center (遼寧省高性能樹脂工程技術研究中心主任). In September 2016, he was appointed as an independent director of Red Avenue New Materials Group Co Ltd (彤程新材料集團股份有限公司), a chemical manufacturer listed on the Shanghai Stock Exchange (stock code: 603650).

Mr. Jian has received a number of state level awards, including a Second Class State Technological Invention Award granted by the State Council of the PRC in January 2004, a Second Class State Technological Invention Award granted by the State Council of the PRC in December 2011, a Patent Gold (專利金獎) Award for Chinese Outstanding Patented Invention granted by World Intellectual Property Organization and State Intellectual Property Office of the PRC in November 2015 and an extraordinary gold medal (特別金獎) at the Geneva International Exhibition of Inventions in April 2016. Mr. Jian has been admitted as an academician of the Chinese Academy of Engineering (中國工程院院士) in January 2013.

Mr. Hui Hung Kwan (許鴻群), aged 53, was appointed as an independent non-executive Director on 8 December 2018. Mr. Hui is primarily responsible for supervising and providing independent advice to the Board.

Mr. Hui has more than 28 years of experience in accounting. After graduating with a bachelor's degree in business administration from the Chinese University of Hong Kong in Hong Kong in December 1994, he has held various positions, including audit manager at Li, Tang, Chen & Co. from June 1994 to June 2004. From June 2004 to October 2010, Mr. Hui served as the chief financial officer of C&G Environmental Protection Holdings Limited, a company listed on the main board of the Singapore Exchange Limited (stock code: D79). He was the chief financial officer of Premiere Eastern Energy Pte. Limited (東潤能源有限公司) from November 2010 to December 2012, the independent non-executive director of Titan Invo Technology Limited (formerly known as Tus International Limited and/or Jinheng Automotive Safety Technology Holdings Limited), a company listed on the Main Board of the Stock Exchange (stock code: 872) from July 2009 to June 2015, the chief financial officer of China Creative Global Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1678) from June 2013 to May 2020, the independent non-executive director of Gansu Qingheyuan Halal Food Co., Ltd. (甘肅清河源清真食品股份有限公司) from September 2018 to June 2021, the company secretary of Shengli Mining Co. Ltd. (勝利礦業股份有限公司) from May 2020 to January 2021, and the chief financial officer of Maiyue Technology Limited (邁越科技股份有限公司) from March 2021 to April 2021, the company secretary of Idea Knack Cultural Communication Holding Limited (金鎧文化傳播控股有限公司) from May 2021 to January 2022, and the company secretary of King International Investment Limited (帝王國際投資有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 0928) from August 2023 to March 2024. Mr. Hui also served as the company secretary of Wuxi Life International Holdings Group Limited (悟喜生活國際控股集團有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 8148)since May 2021 and the independent non-executive director of Life Concepts Holdings Limited (生活概念控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 8056)since August 2023. Mr. Hui has been an associate of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) and a fellow of the Association of Chartered Certified Accountants since September 1997 and October 2002, respectively.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Xu Congli (徐從禮), aged 53, was appointed as an independent non-executive Director on 16 May 2022. Mr. Xu is currently a partner of Da Hua Certified Public Accountants LLP* (大華會計師事務所(特殊普通合夥)). He successively served as a department manager of Shandong Fangzheng Accounting Firm Co., Ltd.* (山東方正會計師事務所有限公司), a senior manager of Shanghai Branch of Yuehua Accounting Firm Co., Ltd.* (岳華會計師事務所有限公司上海分公司), a senior manager of BDO China Shu Lun Pan Certified Public Accountants LLP* (立信會計師事務所(特殊普通合夥) and a partner of Ruihua Certified Public Accountants LLP* (瑞華會計師事務所(特殊普通合夥). He obtained his bachelor's degree in finance from Changsha University of Science & Technology (長沙理工大學) in the PRC in June 1994. He became Certified Public Accountant of China in December 2002.

SUPERVISORS

Ms. Ma Huifang (馬慧芳), aged 55, was appointed as a Supervisor on 16 May 2022. Ms. Ma currently the financial director of Shanghai INT Medical Instruments Automation Co., Ltd.* (上海瑛泰醫療器械自動化有限公司). She successively served as an accountant of Shanghai Qunwei Children's Car Factory* (上海群偉童車廠), an accountant of Shanghai Haoda Plastics Products Co., Ltd.* (上海浩達塑膠製品有限公司) and an accountant of Shanghai Yanji Chemical Co., Ltd.* (上海焱基化工有限公司). Ms. Ma obtained an associate degree (專科) in accounting from Shanghai Lixin Accounting School (上海市立信會計學校) (currently known as Shanghai Lixin University of Accounting and Finance (上海立信會計金融學院)) in the PRC in June 1988.

Ms. Chen Jie (陳潔), aged 42, was elected by the Shareholders and appointed as a Supervisor on 3 March 2017. Ms. Chen obtained an associate degree (專科) in accounting from Shanghai Lixin University of Accounting and Finance (formerly known as Shanghai Lixin Institute of Commerce) in Shanghai, the PRC in July 2004 and a bachelor's degree from Tongji University in Shanghai, the PRC in January 2011.

She served as an accountant in Shanghai Sieton (Group) Co., Ltd. (上海協通(集團)有限公司) from July 2004 to August 2005 and in Shanghai Sieton Toyota Motor Sales Service Co., Ltd. (上海協通豐田汽車銷售服務有限公司) from June 2005 to March 2007. Ms. Chen joined the Company as the manager of the administrative department in December 2008. Ms. Chen received a preliminary-level accounting qualification accredited by the Ministry of Finance of the PRC in May 2006. Moreover, Ms. Chen has been the supervisor of Shanghai Qimu, Shanghai Puhui, Shanghai Healing, Shandong Int and Shanghai Puyue since August 2018, November 2018, February 2019, January 2021 and March 2021 respectively, and has been the director of Shanghai Pukon since February 2020.

Mr. Shen Xiaoru (沈曉如), aged 40, was appointed as a Supervisor on 16 May 2022. Mr. Shen currently serves as the chief financial officer and the head of financial management center of KDL, a supervisor of Zhejiang Kindly Medical Devices Co., Ltd.* (浙江康德萊醫療器械股份有限公司), a supervisor of Guangdong Kindly Medical Device Group Co., Ltd.* (廣東康德萊醫療器械集團有限公司) and a supervisor of Shanghai Kindly Enterprise Development Group Medical Investment Co., Ltd.* (上海康德萊企業發展集團醫療投資有限公司). He successively served as the financial director of Shanghai Kaiaifu Medical Polymer Equipment Co., Ltd.* (上海開愛富醫用高分子器材有限公司), the vice general manager of finance of Shanghai Kindly Enterprise Development Group Co., Ltd.* (上海康德萊企業發展集團股份有限公司), and the manager of the finance department of Shanghai Kindly International Trade Co., Ltd.* (上海康德萊國際商貿有限公司). Mr. Shen obtained his bachelor's degree in accounting from East China Normal University (華東師範大學) in the PRC in January 2010. Mr. Shen obtained the qualification of senior accountant in November 2021.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Dr. Liang Dongke (梁棟科) is the general manager of the Company. Please refer to the paragraph headed "Directors — Executive Directors" above for his biographical details.

Mr. Lin Sen (林森) is the deputy general manager of the Company. Please refer to the paragraph headed "Directors — Executive Directors" above for his biographical details.

Dr. Song Yuan (宋媛) is the secretary to the Board and the deputy general manager and joint company secretary of the Company. Please refer to the paragraph headed "Directors — Non-executive Directors" above for her biographical details.

Ms. Zhao Yan (趙燕), aged 48, is the chief financial officer of the Company since May, 2023 and is in charge of the management of financial affairs of the Group. In addition, Ms. Zhao has served as the supervisor of Zhuhai Derui since February 26, 2016. Ms. Zhao obtained an associate degree (大專) in accounting from Xi'an Jiaotong University in Xi'an, the PRC in December 2000 and a bachelor's degree in finance from SJTU in August 2005. She received the senior accountant title certified by the Shanghai Human Resources and Social Security Bureau in December 2023.

Ms. Zhao has over 20 years of experience in accounting and finance. Ms. Zhao joined KDL in May 2000 and served as the accounting manager from May 2000 to November 2007. She joined the Company in April 2007, and served as the finance controller of the Company from April 2007 to February 2020, and was the head of general manger office of the Company from February 2020 to April 2023. She had held directorship in the Company from May 2017 to December 2018.

JOINT COMPANY SECRETARIES

Dr. Song Yuan (宋媛) was appointed as one of the joint company secretaries of the Company on 22 May 2019. Please refer to the paragraph headed "Non-executive Directors" above for her biographical details.

Ms. Leung Shui Bing (梁瑞冰), was appointed as one of the joint company secretaries of the Company on 22 May 2019. Ms. Leung is a manager of the Listing Services Department of TMF Hong Kong Limited (a global corporate services provider).

She has over 19 years of experience in the company secretarial field. Ms. Leung obtained a bachelor's degree in Business and Management Studies (Accounting and Finance) from the University of Bradford in the United Kingdom in July 2008, and a master's degree in Corporate Governance from The Open University of Hong Kong (currently known as Hong Kong Metropolitan University) in August 2017.

She is a Chartered Secretary, Chartered Governance Professional and an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the shareholders of
Shanghai INT Medical Instruments Co., Ltd.
(Incorporated in the People's Republic of China)

OPINION

We have audited the consolidated financial statements of Shanghai INT Medical Instruments Co., Ltd. ("the Company") and its subsidiaries ("the Group") set out on pages 126 to 203, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including material accounting policy information.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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.

Revenue recognition

Refer to note 4 to the consolidated financial statements and the accounting policies on pages 147–148.

The Key Audit Matter	How the matter was addressed in our audit
The Group's revenue primarily derived from the sale of interventional medical devices to domestic customers and for export. The Group recognises revenue at the point in time when control of the goods is transferred to the customer. Depending on the terms of the contracts, this point in time will either be when the goods are delivered to the customer's premises or a location designated by the customer and accepted by customers for domestic sales, or in accordance with the terms and conditions of sales for export sales. We identified the recognition of revenue as a key audit matter because revenue is a key performance indicator of the Group and its significance to the consolidated financial statements which increase the risk of misstatement of revenue recognition.	Our audit procedures to assess the recognition of revenue included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls in relation to revenue recognition; • inspecting sales contracts with key customers to identify terms and conditions relating to goods acceptance and assessing the Group's policies in respect of the recognition of revenue with reference to the requirements of the prevailing accounting standards; • comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with underlying documentation, including goods acceptance notes, shipping documents and customs declarations, as well as relevant sales contracts, to assess whether the related revenue had been recognised in the appropriate financial period on the basis of the terms of sale as set out in the respective sales contracts; • on a sample basis, obtaining confirmations from customers of the Group, on sales transactions during the year and, for unreturned confirmations, performing alternative procedures by comparing details of the transactions with relevant underlying documentation; and • inspecting manual journal entries relating to revenue recognition during the year which were considered to meet specific risk-based criteria, enquiring of management the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentation.

INDEPENDENT AUDITOR'S REPORT

Potential impairment of capitalised development costs

Refer to note 13 to the consolidated financial statements and the accounting policies on page 142.

The Key Audit Matter	How the matter was addressed in our audit
The carrying value of the Group's capitalised development costs as included in intangible assets was RMB109,973,000 as at 31 December 2023. Management performs impairment assessment of the intangible assets that are not yet available for use at least annually, or when there is an indication of impairment, by comparing the carrying value of those assets against their respective recoverable amount, which is the higher of fair value less costs of disposal and value in use based on discounted cashflow forecast to determine the amount of impairment which should be recognised, if any. The preparation of discounted cash flow forecasts involves the exercise of management judgment, particularly in determining future revenue growth, discount rates and royalty rates. We identified the potential impairment of capitalised development costs as a key audit matter because such assessment involves a significant degree of management judgement, which can be inherently uncertain and subject to management bias.	Our audit procedures to assess potential impairment of capitalised development costs included the following: • evaluating management's identification of the impairment indicators related to the capitalised development costs with reference to the requirements of the prevailing accounting standards; • engaging KPMG valuation specialists in assessing the appropriateness of the impairment assessment model with reference to the requirements of the prevailing accounting standards, and the reasonableness of the discount rates applied by benchmarking against those of comparable companies and external market data and royalty rates by benchmarking against those of comparable transactions; • evaluating the reasonableness of future revenue growth by comparing with budget approved by management and/or with available industry statistics; and • performing sensitivity analysis of key assumptions and considering the resulting impact of changes in the key assumptions to the conclusions reached in the impairment assessments and whether there were any indications of management bias.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors 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. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, 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.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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 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 Tse, Wong Pui.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

18 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2023
(Expressed in Renminbi Yuan)

	Note	**2023** **RMB'000**	2022 RMB'000
Revenue	4	**752,836**	585,883
Cost of sales		**(314,766)**	(253,397)
Gross profit		**438,070**	332,486
Other income	5	**33,331**	34,042
Distribution costs		**(67,396)**	(56,394)
Administrative expenses		**(99,426)**	(64,289)
Research and development expenses		**(125,850)**	(99,634)
Recognition of impairment losses on trade and other receivables		**(407)**	(925)
Profit from operations		**178,322**	145,286
Finance costs	6(a)	**(3,194)**	(818)
Profit before taxation	6	**175,128**	144,468
Income tax	7	**(21,900)**	(10,635)
Profit for the year		**153,228**	133,833
Attributable to:			
Equity shareholders of the Company		**156,457**	131,713
Non-controlling interests		**(3,229)**	2,120
Profit for the year		**153,228**	133,833
Earnings per share *(RMB)*	10		
Basic *(RMB)*		**0.92**	0.79
Diluted *(RMB)*		**0.92**	0.78

The notes on pages 132 to 203 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 26(e).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

at 31 December 2023
(Expressed in Renminbi Yuan)

	2023 RMB'000	2022 RMB'000
Profit for the year	**153,228**	133,833
Other comprehensive income for the year (after tax and reclassification adjustments)		
Item that will be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of an overseas subsidiary	**465**	1,890
Other comprehensive income for the year	**465**	1,890
Total comprehensive income for the year	**153,693**	135,723
Attributable to:		
Equity shareholders of the Company	**156,922**	133,603
Non-controlling interests	**(3,229)**	2,120
Total comprehensive income for the year	**153,693**	135,723

The notes on pages 132 to 203 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2023
(Expressed in Renminbi Yuan)

	Note	31 December 2023 RMB'000	31 December 2022 RMB'000
Non-current assets			
Property, plant and equipment	11	**789,083**	633,671
Right-of-use assets	12(a)	**109,201**	115,943
Intangible assets	13	**130,374**	69,920
Certificate of deposits	20	**31,447**	–
Other non-current assets	16	**52,560**	28,369
Deferred tax assets	24(b)	**17,649**	15,036
Financial assets at fair value through profit or loss	19	**175,023**	162,454
		1,305,337	1,025,393
Current assets			
Inventories	17	**128,770**	154,277
Trade and other receivables	18	**125,193**	79,531
Other current assets		**35,648**	39,867
Cash and cash equivalents	20	**423,668**	518,266
Certificate of deposits and pledged deposits	20	**11,010**	10,000
		724,289	801,941
Current liabilities			
Trade and other payables	21	**176,173**	127,386
Contract liabilities	22	**37,074**	65,453
Loans and borrowings	23	**79,123**	32,683
Lease liabilities	12(b)	**–**	201
Derivative financial instruments		**491**	–
Deferred income	25	**1,550**	1,345
Current taxation	24(a)	**22,418**	12,597
		316,829	239,665
Net current assets		**407,460**	562,276
Total assets less current liabilities		**1,712,797**	1,587,669

The notes on pages 132 to 203 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2023
(Expressed in Renminbi Yuan)

	Note	31 December 2023 RMB'000	31 December 2022 RMB'000
Non-current liabilities			
Lease liabilities	12(b)	**15,656**	15,944
Deferred income	25	**16,993**	10,949
Deferred tax liabilities	24(b)	**1,770**	6,672
		34,419	33,565
Net assets		**1,678,378**	1,554,104
Capital and reserves			
Share capital	26(b)	**171,000**	168,000
Reserves		**1,478,241**	1,344,015
Total equity attributable to equity shareholders of the Company		**1,649,241**	1,512,015
Non-controlling interests	14	**29,137**	42,089
Total equity		**1,678,378**	1,554,104

Approved and authorised for issue by the board of directors on 18 March 2024.

LIANG DONG KE
Director

LIN SEN
Director

(Company Stamp)

The notes on pages 132 to 203 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023
(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company								
	Note	Share capital *RMB'000*	Treasury shares *RMB'000*	Capital reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Exchange reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2022		166,000	–	927,305	50,897	(1,164)	252,434	1,395,472	42,448	1,437,920
Changes in equity for 2022										
Profit for the year		–	–	–	–	–	131,713	131,713	2,120	133,833
Other comprehensive income		–	–	–	–	1,890	–	1,890	–	1,890
Equity-settled share-based payment	*15*	–	–	2,268	–	–	–	2,268	849	3,117
Subscription of restricted shares	*26(b)*	2,000	–	22,000	–	–	–	24,000	–	24,000
Capital injection from non-controlling interests	*14*	–	–	352	–	–	–	352	3,148	3,500
Dividends to holders of non-controlling interests		–	–	–	–	–	–	–	(6,476)	(6,476)
Dividends approved in respect of previous year	*26(e)*	–	–	–	–	–	(43,680)	(43,680)	–	(43,680)
Appropriation for surplus reserve	*26(d)*	–	–	–	11,430	–	(11,430)	–	–	–
Balance at 31 December 2022 and 1 January 2023		**168,000**	**–**	**951,925**	**62,327**	**726**	**329,037**	**1,512,015**	**42,089**	**1,554,104**
Changes in equity for 2023										
Profit/(loss) for the year		**–**	**–**	**–**	**–**	**–**	**156,457**	**156,457**	**(3,229)**	**153,228**
Other comprehensive income		**–**	**–**	**–**	**–**	**465**	**–**	**465**	**–**	**465**
Equity-settled share-based payment	*15*	**–**	**–**	**5,883**	**–**	**–**	**–**	**5,883**	**627**	**6,510**
Subscription of restricted shares	*26(b)*	**3,000**	**–**	**33,000**	**–**	**–**	**–**	**36,000**	**–**	**36,000**
Repurchase of shares for share award scheme	*26(c)*	**–**	**(21,259)**	**–**	**–**	**–**	**–**	**(21,259)**	**–**	**(21,259)**
Capital injection from non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,000**	**3,000**
Dividends to holders of non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(13,350)**	**(13,350)**
Dividends approved in respect of previous year	*26(e)*	**–**	**–**	**–**	**–**	**–**	**(40,320)**	**(40,320)**	**–**	**(40,320)**
Appropriation for surplus reserve	*26(d)*	**–**	**–**	**–**	**19,266**	**–**	**(19,266)**	**–**	**–**	**–**
Balance at 31 December 2023		**171,000**	**(21,259)**	**990,808**	**81,593**	**1,191**	**425,908**	**1,649,241**	**29,137**	**1,678,378**

The notes on pages 132 to 203 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2023
(Expressed in Renminbi Yuan)

	Note	2023 RMB'000	2022 RMB'000
Operating activities			
Cash generated from operations	20(c)	**197,740**	193,178
Payment for interest element of leases liabilities	12(d)	**–**	(62)
Tax paid	24(a)	**(19,594)**	(12,656)
Net cash generated from operating activities		**178,146**	180,460
Investing activities			
Payment for the purchase of property, plant and equipment		**(168,839)**	(243,207)
Proceeds from sale of property, plant and equipment		**779**	874
Payment for the purchase of intangible assets		**(62,356)**	(44,997)
Refund of deposit of construction project		**–**	6,640
Payment for the purchase of land use right	12(d)	**–**	(12,597)
Interest received from bank deposits		**10,886**	12,480
Increase of deposits		**(30,282)**	(9,589)
Payment for purchase of financial assets measured at fair value through profit or loss		**–**	(10,000)
Proceeds from sale of financial assets measured at fair value through profit or loss		**–**	10,212
Refund of investment deposit		**1,000**	–
Payment for the investment in unlisted funds	19	**(10,000)**	(25,000)
Payment for investment deposit	16	**(25,000)**	(1,000)
Net cash used in investing activities		**(283,812)**	(316,184)
Financing activities			
Subscription of restricted shares	26(b)	**36,000**	24,000
Proceeds from loans and borrowings		**88,340**	32,660
Repayments of loans and borrowings		**(42,000)**	–
Capital injection received from non-controlling interests	14	**3,000**	3,500
Interest of loans and borrowings paid	20(d)	**(2,353)**	(90)
Payment for capital element of lease liabilities	12(d)	**–**	(192)
Dividends paid to equity shareholders of the Company	26(e)	**(40,320)**	(43,680)
Dividends paid to holders of non-controlling interests		**(13,350)**	(6,476)
Payment for repurchase of the Company's own shares for share award scheme		**(21,259)**	–
Net cash generated from financing activities		**8,058**	9,722
Net decrease in cash and cash equivalents		**(97,608)**	(126,002)
Cash and cash equivalents at the beginning of the year	20(a)	**518,266**	640,550
Effects of foreign exchange rate changes		**3,010**	3,718
Cash and cash equivalents at the end of the year	20(a)	**423,668**	518,266

The notes on pages 132 to 203 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 GENERAL INFORMATION

Shanghai INT Medical Instruments Co., Ltd. (previously known as "Shanghai Kindly Medical Instruments Co., Ltd.", herein referred to as "the Company") was established in Shanghai, People's Republic of China (the "PRC") on 7 June 2006 as a limited liability company. The registered office and principal place of business of the Company is Block 2, No.925 Jin Yuan Yi Road, Jiading District, Shanghai PRC.

The Company and its subsidiaries (together, "the Group") are principally engaged in the research and development, manufacturing and sales of interventional and implantable medical devices in the PRC.

The H shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 November 2019. By a special resolution passed on 19 December 2023, the Company changed its Chinese name from "上海康德萊醫療器械股份有限公司" to "上海瑛泰醫療器械股份有限公司" with the English name from "Shanghai Kindly Medical Instruments Co., Ltd." to "Shanghai INT Medical Instruments Co., Ltd.". The stock short name was changed from "康德萊醫械" to "瑛泰醫療" in Chinese and from "KDL MEDICAL" to "INT MEDICAL" in English for the purpose of trading in the H shares on the Stock Exchange. The stock code of the Company on the Stock Exchange remain unchanged as "01501".

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the assets and liabilities are stated at their fair value as explained in the accounting policies set out in notes 2(e) and 2(f).

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

The Group has applied the following new and amended HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform — Pillar Two model rules*

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies *(Continued)*

Except for the following amendments, none of these developments have had a material effect on how the Group's results and financial position for the current or prior accounting periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in the annual financial statements, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries and non-controlling interests *(Continued)*

For each business combination, the Group can elect to measure any non-controlling interests ("NCI") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statements of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)(ii)).

(e) Other investments in securities

The Group's policies for investments in securities, other than investments in subsidiaries, are set out below.

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 27(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Non-equity investments

Non-equity investments are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see note 2(t)(ii)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(e) Other investments in securities *(Continued)*

(i) Non-equity investments *(Continued)*

— fair value through other comprehensive income ("FVOCI") — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in other comprehensive income ("OCI"). When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.

— FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in OCI. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income (see note 2(t)(ii)).

(f) Derivative financial instruments

The Group holds derivative financial instruments to manage its risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequently, they are measured at fair value with changes therein recognised in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(j)(ii)). The cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition and location for its intended use. Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the original assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as expenses in profit or loss in the period in which it is incurred.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(g) Property, plant and equipment *(Continued)*

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

Buildings held for own use	11 – 20 years
Machinery	3 – 10 years
Motor vehicles	4 – 10 years
Furniture, fixture and equipments	3 – 10 years
Leasehold improvements	2 – 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(h) Intangible assets

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets, including patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see note 2(j)).

Expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(h) Intangible assets *(Continued)*

The estimated useful lives for the current and comparative periods are as follows:

Software	3 – 5 years
Patents and licenses	4.3 – 16.6 years
Capitalised development costs	5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible assets with finite useful lives are tested for impairment when there is an indicator of impairment. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and when there is an indicator of impairment (see note 2(j)(ii)).

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less, and leases of low-value items. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, , the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability, and are charged to profit or loss as incurred.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(i) Leased assets *(Continued)*

(i) As a lessee (Continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(j)(ii)).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost (see notes 2(e)(i) and 2(t)(ii)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. Otherwise, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(t)(ii)(a).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses ("ECL"s) on financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables that are held for the collection of contractual cash flows which represent solely payments of principal and interest); and,

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

— fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

— lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

— financial instruments that are determined to have low credit risk at the reporting date; and

— other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments *(Continued)*

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is aged over 90 days.

The Group considers a financial asset to be in default when:

— the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

— the financial asset is aged over 270 days.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or being past due;

— the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

— it is probable that the debtor will enter bankruptcy or other financial reorganisation; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments (Continued)

Write-off policy

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than property carried at revalued amounts, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 2(j)).

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Credit losses and impairment of assets *(Continued)*

(iii) Interim financial reporting and impairment (Continued)

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(k) Inventories and other contract costs

(i) Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 2(k)(i)), property, plant and equipment (see note 2(g)) or intangible assets (see note 2(h)).

Incremental costs of obtaining a contract, e.g. sales commissions, are capitalised if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Otherwise, costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Amortisation of capitalised contract costs is recognised in profit or loss when the revenue to which the asset relates is recognised (see note 2(t)).

(l) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(t)) before being unconditionally entitled to the consideration under the terms in the contract. Contract assets are assessed for ECLs (see note 2(j)(i)) and are reclassified to receivables when the right to the consideration becomes unconditional (see note 2(m)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(l) Contract assets and contract liabilities *(Continued)*

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(t)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised (see note 2(m)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(t)).

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see note 2(j)(i)).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL (see note 2(j)(i)).

(o) Trade and other payables (other than refund liabilities)

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(p) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with note 2(v).

(q) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(q) Employee benefits *(Continued)*

(i) Short-term employee benefits and contributions to defined contribution retirement plans (Continued)

Loans given to employees at lower-than-market interest rates are generally short-term employee benefits. Loans granted to employees are financial instruments in the scope of HKFRS 9 Financial instruments. Therefore, low-interest loans to employees are measured at fair value initially, any difference between the fair value of the loan and the amount advanced is an employee benefit.

(ii) Share-based payments

The grant-date fair value of equity-settled share-based payments granted to employees is measured at grant date using the applicable valuation technique/models, taking into account the terms and conditions upon which the equity-settled share-based payment awards were granted. The amount is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date.

Where the equity-settled share-based payment awards granted vest immediately, the employees are not required to complete a specified period of service before becoming unconditionally entitled to those equity instruments. The Group presume that services rendered by the employees as consideration for the equity instruments have been received. In this case, on grant date the Group shall recognise the services received in full, with a corresponding increase in equity.

Where the Group modify its original granted equity-settled share-based payment awards during the vesting period, the effects of modifications that increase the total fair value of equity-settled share-based payment awards or are otherwise beneficial to the employees are required to recognise over the remaining vesting period. A package of modifications might include several changes to the terms of a grant, some of which are favourable to the employees and some not, it is appropriate to net the effects of both modifications. If the net effect is beneficial, then this net effect should be accounted for by applying the requirements for beneficial modifications to the net change. If the modification increases the fair value of the equity instruments granted, the Group is required to measure immediately before and after the modification and include the incremental fair value granted in the measurement of the amount recognised for services received as consideration for the equity instruments granted.

If a modification increases the number of equity instruments granted, then the Group recognises the fair value of the additional equity instruments measured at the date of modification. The additional share-based payment cost is attributed over the period from the date of modification to the end of the vesting period of the additional equity instruments.

If the modification changes a service condition or non-market performance condition in a manner that is beneficial to an employee, then the remaining grant-date fair value is recognised using the revised vesting expectations with true-up to actual outcomes.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(q) Employee benefits *(Continued)*

(ii) Share-based payments (Continued)

Where equity-settled share-based payment awards are forfeited due to a failure by the employees to satisfy the vesting conditions, the accumulated expenses previously recognised in relation to such awards are reversed at the date of the forfeiture. Where equity-settled share-based payment awards are 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.

Share-based payment transactions in which the Company grants share based payment awards to subsidiaries' employees are accounted for as an increase in value of investment in subsidiaries in the Company's financial position which is eliminated on consolidation.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

(r) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

— temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

— temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

— taxable temporary differences arising on the initial recognition of goodwill.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(r) Income tax *(Continued)*

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(s) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(t) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

The Group is the principal for its revenue transactions and recognises revenue on a gross basis, including the sale of medical devices, accessories and moulds that are sourced externally. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

Revenue is recognised when control over a product is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(t) Revenue and other income *(Continued)*

(i) Revenue from contracts with customers (Continued)

Sale of medical devices, accessories and moulds

Revenue is recognised when the customer takes possession of and accepts the products. Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers, but the Group generally provides credit terms to customers within one to three months upon customer acceptance. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

The Group offers retrospective volume rebates to certain major customers when certain criteria has been reached and offers rights of return upon customer acceptance occasionally. Such rights of return and volume rebates give rise to variable consideration. The Group uses an expected value approach to estimate variable consideration based on the Group's current and future performance expectations and all information that is reasonably available. This estimated amount is included in the transaction price to the extent it is highly probable that a significant reversal of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved. At the time of sale of medical devices, accessories and moulds, the Group recognises revenue after taking into account adjustment to transaction price arising from returns and rebates as mentioned above. A refund liability is recognised for the expected rebates, and is included in other payables (see note 21). A right to recover returned goods and corresponding adjustment to cost of sales are also recognised for the right to recover products from customers. This right to recover returned goods is measured at the former carrying amount of the inventory less any expected costs to recover goods (including potential decreases in the value of the returned goods).

(ii) Revenue from other sources and other income

(a) Rental income from operating leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(b) Interest income

Interest income is recognised using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(t) Revenue and other income *(Continued)*

(ii) Revenue from other sources and other income *(Continued)*

(c) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset by way of being recognised in other income.

(d) Dividends

— Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

— Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(u) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations are translated into RMB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognised, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(w) Related parties

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

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

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

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

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

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

(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).

(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 Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(x) Segment reporting

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

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

(y) Financial instruments with preferred rights

A contract that contains an obligation to purchase the Company's or its subsidiaries' equity instruments for cash or another financial asset gives rise to a financial liability. Even if the Company's or its subsidiaries' obligations to purchase is conditional on the counterparty exercising a right to redeem, the financial instruments with preferred rights are recognised as financial liabilities initially and accounted for at the present value of the redemption amount with a corresponding debit to equity. In effect, a reclassification is made from equity to reflect the obligation to repurchase the equity instruments in the future. The financial liabilities are subsequently measured at amortised cost with interest included in finance costs.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The carrying amount of the financial instruments derecognised was credited into the equity.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

Capitalisation of research and development expenses

Development expenses incurred on the Group's pipelines are capitalised and deferred only when the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. Development expenses which do not meet these criteria are expensed when incurred. Management will assess the progress of each of the research and development projects and determine the criteria met for capitalisation.

(b) Sources of estimation uncertainty

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

3 ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(b) Sources of estimation uncertainty *(Continued)*

Note 15 and Note 27 contain information about the assumptions and risk factors relating to fair value of equity-settled share-based payment awards and financial instruments. Other judgements made by management in the application of HKFRSs that have significant effects on the financial statement and major sources of estimation uncertainty are discussed as follows:

(i) Impairment of capitalised development costs

Intangible assets not ready for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised for the amount by which the intangible asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an intangible asset's fair value less costs of disposal and value in use. The impairment assessment of intangible assets involves significant management's estimates and judgements.

(ii) Revenue recognition

As explained in policy note 2(t), revenue from sales of medical devices is after the deduction of sales discounts. Such revenue recognition is dependent on estimating the sales rebates granted to customers which are primarily volume based or related to volume-based purchases. Based on the Group's experience, the Group has made estimates to the extent which it considered that it is highly probable that the customer will satisfy the rebate entitlement criteria within the rebate period. These estimates are based on the historical information as well as prevailing market conditions. Management reassessed the estimation based on related available information at the reporting period end. Changes in facts and circumstances may result in revisions to the conclusion, which would affect profit or loss.

4 REVENUE AND SEGMENT REPORTING

The Group derives revenue principally from the sales of interventional medical devices. Sales returns are only allowed under certain specific circumstances, which is determined and approved by management and within certain period of time agreed by buyer and seller.

(a) Disaggregation of revenue

(i) Disaggregation of revenue from contracts with customers by major products is as follows:

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products		
— Sales of interventional medical devices		
Cardiovascular devices	**608,231**	483,059
Neurological and peripheral devices	**59,721**	19,755
Orthopaedics and other devices	**3,145**	2,670
Subtotal	**671,097**	505,484
— Sales of medical accessories	**26,673**	16,851
— Agent business	**44,163**	50,325
— Moulds and others	**8,385**	12,952
	750,318	585,612
Revenue from other source		
Rental income	**2,518**	271
	752,836	585,883

The Group's customer base is diversified. There is no individual customer with whom transactions have exceeded 10% of the Group's revenue for the years ended 31 December 2023 and 2022.

The Group recognised its revenue from contract with customers at point in time in accordance with the accounting policies as set forth in note 2(t)(i). The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for medical devices, accessories and moulds, as the Group will be entitled to those revenue when it satisfies the remaining performance obligations under the contracts sales that had an original expected duration of one year or less.

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4 REVENUE AND SEGMENT REPORTING *(Continued)*

(a) Disaggregation of revenue *(Continued)*

(ii) Disaggregation of revenue by geographical location of external customers is as follows:

	2023 **RMB'000**	2022 RMB'000
Chinese Mainland	**549,503**	437,344
Europe	**45,318**	46,922
The United States	**46,640**	28,161
Other countries and regions	**111,375**	73,456
	752,836	585,883

The geographical location of customers is based on the location at which the customers operate. All of the non-current assets of the Group are physically located in Chinese Mainland.

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified one reportable segment, the cardiovascular interventional business, which is primary engaged in sales, manufacture, research and development of cardiovascular interventional medical devices as well as related accessories, moulds and medical masks. Other segments, which are currently engaged in research and development of other interventional and implantable medical devices, such as neurological interventional medical devices and endocardia implantable medical devices, etc, are combined in all other segments.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to segment on "segment net profit/(loss)".

In addition to receiving segment information concerning segment net profit, management is provided with segment information concerning revenue from external customers used by the segments in their operations.

A measurement of segment assets and liabilities is not provided regularly to the Group's most senior executive management and accordingly, no segment assets or liabilities information is presented.

4 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(i) Segment results, assets and liabilities (Continued)

Information regarding the Group's segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2023 and 2022 is set out below:

	2023		
	Cardiovascular interventional business *RMB'000*	**All others** *RMB'000*	**Total** *RMB'000*
Revenue from external customers	**625,952**	**126,884**	**752,836**
Inter-segment revenue	**15,372**	**33,354**	**48,726**
Segment revenue	**641,324**	**160,238**	**801,562**
Segment net profit	**123,098**	**36,201**	**159,299**

	2022		
	Cardiovascular interventional business *RMB'000*	All others *RMB'000*	Total *RMB'000*
Revenue from external customers	489,704	96,179	585,883
Inter-segment revenue	7,350	37,083	44,433
Segment revenue	497,054	133,262	630,316
Segment net profit	84,920	54,257	139,177

(ii) Reconciliation of revenue and segment profit

	2023 *RMB'000*	2022 *RMB'000*
Revenue		
Segment revenue	**801,562**	630,316
Elimination of inter-segment revenue	**(48,726)**	(44,433)
Consolidated revenue	**752,836**	585,883
Profit		
Segment net profit	**159,299**	139,177
Elimination of inter-segment net profit	**(6,071)**	(5,344)
Consolidated net profit	**153,228**	133,833

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

5 OTHER INCOME

	2023 **RMB'000**	2022 *RMB'000*
Government grants *(note)*	**16,064**	11,008
Interest income	**11,831**	13,408
Net unrealised gains from fair value changes on financial assets/liabilities measured at fair value through profit or loss	**2,078**	7,360
Foreign exchange gains	**2,422**	2,536
Others	**936**	(270)
	33,331	34,042

Note: Government grants mainly include subsidies received from government for encouragement of research and development projects and compensation on the capital expenditure of medical device production lines. As at the end of the reporting period, there was no unfulfilled condition or other contingency attaching to the government grants that had been recognised by the Group.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2023 **RMB'000**	2022 *RMB'000*
(a) Finance costs		
Interest on lease liabilities	**741**	705
Interest on loans and borrowings	**2,453**	113
	3,194	818
(b) Staff costs		
Salaries, wages and other benefits	**200,555**	164,853
Equity-settled share-based payment expenses *(note 15)*	**6,490**	3,107
Contributions to defined contribution retirement plan	**24,889**	22,707
	231,934	190,667

(i) Pursuant to the relevant labour rules and regulations in the PRC, the Company and its subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the "Schemes") organised by the local government authorities whereby the Company and its subsidiaries in the PRC are required to make contributions to the Schemes based on certain percentages of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees. The Group has no other obligations for payments of retirement and other post-retirement benefits of employees other than the contributions described above.

(ii) Staff costs includes remuneration of directors and senior management (notes 8 and 9).

6 PROFIT BEFORE TAXATION *(Continued)*

	2023 RMB'000	2022 RMB'000
(c) Other items		
Depreciation and amortisation		
— property, plant and equipment *(note 11)*	**41,440**	30,321
— right-of-use assets *(note 12)*	**3,837**	5,764
— intangible assets *(note 13)*	**2,277**	992
	47,554	37,077
Impairment losses on		
— recognition of impairment loss on trade and other receivables	**407**	925
— other current assets	**1,473**	–
Auditors' remuneration		
— audit services	**3,000**	2,600
— other services	**1,600**	85
Research and development costs#	**179,313**	140,941
Less: Costs capitalised into intangible assets *(note 13)*	**(53,463)**	(41,307)
	125,850	99,634
Cost of inventories##	**314,766**	253,397

\# During the year ended 31 December 2023, research and development costs includes staff costs and depreciation and amortisation of RMB99,906,000 (2022: RMB76,492,000), which amount is also included in the respective total amounts disclosed separately above.

\## During the year ended 31 December 2023, cost of inventories includes staff costs and depreciation and amortisation expenses of RMB87,764,000 (2022: RMB84,600,000), which amount is also included in the respective total amounts disclosed separately above.

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2023 RMB'000	2022 RMB'000
Current tax-PRC corporate income tax ("CIT")	**29,415**	13,037
Deferred tax	**(7,515)**	(2,402)
Total	**21,900**	10,635

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Continued)

(b) Reconciliation between tax expenses and accounting profit at applicable tax rates:

	2023	2022
	RMB'000	*RMB'000*
Profit before taxation	**175,128**	144,468
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned *(note (i))*	**43,782**	36,117
Effect of preferential tax rates *(notes (ii) & (iii))*	**(17,185)**	(8,388)
Effect of super deduction on research and development expenses *(note (iv))*	**(14,138)**	(21,832)
Effect of unused tax losses not recognised as deferred tax assets	**5,844**	6,137
Effect of super deduction on fixed assets procurement *(note (v))*	**–**	(3,015)
Effect of tax rate changed in recognition of deferred tax	**3,079**	–
Others	**518**	1,616
Actual tax expenses	**21,900**	10,635

Notes:

PRC CIT

(i) Effective from 1 January 2008, under the PRC Corporate Income Tax Law, the PRC statutory income tax rate is 25%. The Group's subsidiaries in the PRC are subject to PRC income tax at 25% unless otherwise specified.

(ii) High and New Technology Enterprise ("HNTE")

According to the PRC income tax law and its relevant regulations, entities that qualified as HNTE are entitled to a preferential income tax rate of 15%. The Company obtained its renewed certificate of HNTE on 15 November 2022 and is subject to income tax at 15% for the three years ending 31 December 2024.

Zhuhai Derui Medical Instruments Co., Ltd. ("Zhuhai Derui") obtained its renewed certificate of HNTE on 22 December 2022 and is subject to income tax at 15% for the three years ending 31 December 2024.

Shanghai Pukon Medical Instruments Co., Ltd. ("Shanghai Pukon") obtained its renewed certificate of HNTE on 15 November 2023 and is subject to income tax at 15% for the three years ending 31 December 2025.

Shanghai Puhui Medical Instruments Co., Ltd. ("Shanghai Puhui") obtained its certificate of HNTE on 15 November 2023 and is subject to income tax at 15% for the three years ending 31 December 2025.

The 15% preferential tax rate applicable to HNTE is subject to renewal approval by the relevant authorities, upon expiry of the three-year grant period, according to the then prevailing income tax regulations.

(iii) Small and Micro Enterprise ("SME")

According to the PRC income tax law and its relevant regulations issued in 2019 and renewed policy issued in 2023, entities that qualified as SME are entitled to a preferential income tax rate of 5% for taxable income less than RMB3,000,000 (2022: 2.5% for taxable income less than RMB1,000,000 or 5% for taxable income ranges between RMB1,000,000 to RMB3,000,000).

During the years ended 31 December 2023, certain subsidiaries of the Group are qualified as small and low profit enterprise and enjoyed a preferential tax rate of 5% (2022: 2.5%), whereas applicable.

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*

(b) Reconciliation between tax expenses and accounting profit at applicable tax rates: *(Continued)*

Notes: (Continued)

PRC CIT *(Continued)*

(iv) According to the PRC income tax law and its relevant regulations, an additional 100% of qualified research and development expenses for manufacturing enterprises and High-tech SMEs so incurred is allowed to be deducted from taxable income.

(v) According to the PRC income tax law and its relevant regulations issued in 2022, entities that qualified as HNTE are entitled to an additional 100% of qualified equipment newly purchased from 1 October 2022 to 31 December 2022, which is allowed to be deducted from taxable income.

Hong Kong Profits Tax

During the years ended 31 December 2023 and 2022, the Company's subsidiary incorporated in Hong Kong is subject to Hong Kong Profits Tax at 8.25% of the taxable profit less than HKD2,000,000 or 16.50% of the taxable profit exceeding HKD2,000,000.

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

For the year ended 31 December 2023	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Retirement scheme contributions *RMB'000*	Share-based payments *(note (ii) and note 15)* *RMB'000*	2023 Total *RMB'000*
Executive directors					
Dr. Liang Dongke (梁棟科)	–	1,320	115	4,705	6,140
Mr. Lin Sen (林森)	–	795	108	102	1,005
Non-executive directors					
Mr. Zhang Weixin (張維鑫)	–	–	–	–	–
Ms. Chen Hongqin (陳紅琴)	–	–	–	–	–
Dr. Song Yuan (宋媛)	–	840	115	73	1,028
Mr. Wang Ruiqin (王瑞琴)	–	635	113	51	799
Independent non-executive directors					
Mr. Xu Congli (徐從禮)	120	–	–	–	120
Mr. Jian Xigao (蹇錫高)	120	–	–	–	120
Mr. Hui Hung Kwan (許鴻群)	120	–	–	–	120
	360	3,590	451	4,931	9,332

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8 DIRECTORS' EMOLUMENTS *(Continued)*

For the year ended 31 December 2022	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Retirement scheme contributions *RMB'000*	Share-based payments *(note (ii) and note 15)* *RMB'000*	2022 Total *RMB'000*
Executive directors					
Dr. Liang Dongke (梁棟科)	–	1,158	107	2,530	3,795
Mr. Lin Sen (林森) (appointed on 16 May 2022) *(note (i))*	–	763	101	24	888
Mr. Wang Cailiang (王彩亮) (resigned on 16 May 2022) *(note (i))*	–	277	51	(30)	298
Non-executive directors					
Mr. Zhang Weixin (張維鑫)	–	–	–	–	–
Ms. Chen Hongqin (陳紅琴)	–	–	–	–	–
Dr. Song Yuan (宋媛) (appointed on 16 May 2022) *(note (i))*	–	691	107	34	832
Mr. Wang Ruiqin (王瑞琴) (appointed on 16 May 2022) *(note (i))*	–	608	106	24	738
Mr. Fang Shengshi (方聖石) (resigned on 16 May 2022) *(note (i))*	–	–	–	–	–
Independent non-executive directors					
Mr. Xu Congli (徐從禮) (appointed on 16 May 2022) *(note (i))*	75	–	–	–	75
Mr. Dai Kerong (戴尅戎) (resigned on 16 May 2022) *(note (i))*	50	–	–	–	50
Mr. Jian Xigao (蹇錫高)	120	–	–	–	120
Mr. Hui Hung Kwan (許鴻群)	120	–	–	–	120
	365	3,497	472	2,582	6,916

Note (i): As disclosed in the Company's announcement dated 16 May 2022, the term of office of Mr.Wang Cailiang, Mr.Fang Shengshi and Mr.Dai Kerong as an executive director, a non-executive director and an independent non-executive director respectively were expired on 16 May 2022 and they did not renew their appointment.

Mr.Lin Sen, Dr. Song Yuan, Mr. Wang Ruiqin, and Mr. Xu Congli were appointed as an executive director, a non-executive director, a non-executive director and an independent non-executive director respectively on 16 May 2022. Dr. Song Yuan and Mr. Xu Congli were appointed as a member of the audit committee and Mr. Xu Congli was also appointed as a member of the nomination committee of with effective from 16 May 2022.

The directors received emoluments from the Group in their roles as employees before their appointment as directors.

Note (ii): These represent the estimated value of equity-settled share-based payment awards granted to the directors. The value of these awards is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(q)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the year ended 31 December 2023, one (2022: three) of the five individuals with the highest emoluments, are directors respectively whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other four (2022: two) individuals are as follows:

	2023 **RMB'000**	2022 RMB'000
Salaries and other emoluments	**12,275**	6,822
Retirement scheme contributions	**358**	200
Share-based payments	**800**	–
	13,433	7,022

The emoluments of the above individuals with the highest emoluments are within the following bands:

Emoluments bands in Hong Kong Dollars ("HKD")	**2023** ***Number of individuals***	2022 *Number of individuals*
HKDnil – HKD2,000,000	**2**	–
HKD2,000,001 – HKD4,000,000	**1**	1
HKD4,000,001 – HKD6,000,000	**–**	1
HKD6,000,001 – HKD8,000,000	**1**	–

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the adjusted profit attributable to equity shareholders of the Company of RMB151,882,000 (2022: RMB130,145,000), and the weighted average number of shares of 165,864,000 (2022: 166,000,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2023 ***'000***	2022 *'000*
Issued ordinary shares at 1 January	**168,000**	166,000
Effect of restricted shares issued *(note 15)*	**3,000**	2,000
Effect of unvested restricted shares *(note 15)*	**(5,000)**	(2,000)
Effect of purchase of own shares *(note 26(c))*	**(136)**	–
Weighted average number of ordinary shares at 31 December	**165,864**	166,000

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10 EARNINGS PER SHARE *(Continued)*

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB156,457,000 (2022: RMB131,713,000), and the weighted average number of ordinary shares of 170,864,000 (2022: 169,000,000) in issue.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares to assume conversion of outstanding restricted shares, which are dilutive and adjusting the weighted average number of ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2023	2022
	'000	*'000*
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share	**165,864**	166,000
Effect of contingently issuable restricted shares *(note 15)*	**5,000**	3,000
Weighted average number of ordinary shares in issue for the purpose of diluted earnings per share	**170,864**	169,000

The effect of outstanding employee share purchase plan ("ESPPs") issued by the subsidiaries (note 15) is anti-dilutive, therefore is not included calculation of diluted earnings per share of the Company.

11 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Buildings held for own use *RMB'000*	Machinery *RMB'000*	Motor vehicles *RMB'000*	Furniture, fixture and equipments *RMB'000*	Construction in progress *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
Cost:							
At 1 January 2022	43,522	151,347	6,133	13,588	286,088	46,569	547,247
Additions	–	48,517	1,098	2,477	151,923	2,933	206,948
Transfer from construction in progress	17,673	335	–	–	(51,913)	33,905	–
Disposals	–	(3,980)	(78)	(435)	–	–	(4,493)
At 31 December 2022 and 1 January 2023	61,195	196,219	7,153	15,630	386,098	83,407	749,702
Additions	–	27,249	1,243	29,088	141,865	625	200,070
Transfer from construction in progress	364,580	32,623	–	–	(438,106)	40,903	–
Disposals	–	(10,111)	(217)	(1,174)	–	(2,136)	(13,638)
At 31 December 2023	425,775	245,980	8,179	43,544	89,857	122,799	936,134
Accumulated amortisation and depreciation:							
At 1 January 2022	(8,165)	(46,932)	(3,292)	(7,489)	–	(23,216)	(89,094)
Charge for the year	(3,430)	(18,768)	(1,026)	(2,394)	–	(4,703)	(30,321)
Written back on disposals	–	2,962	74	348	–	–	3,384
At 31 December 2022 and 1 January 2023	(11,595)	(62,738)	(4,244)	(9,535)	–	(27,919)	(116,031)
Charge for the year	(6,467)	(18,972)	(1,137)	(6,804)	–	(8,060)	(41,440)
Written back on disposals	–	8,064	206	1,086	–	1,064	10,420
At 31 December 2023	(18,062)	(73,646)	(5,175)	(15,253)	–	(34,915)	(147,051)
Net book value:							
At 31 December 2023	407,713	172,334	3,004	28,291	89,857	87,884	789,083
At 31 December 2022	49,600	133,481	2,909	6,095	386,098	55,488	633,671

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12 LEASES

(a) Right-of-use assets

The Group leases land and buildings for own use. The leases of buildings typically do not include an option to renew the lease for an additional period after the end of the contract term. None of the leases includes variable lease payments.

Information about leases for which the Group is a lessee is presented below:

	Property *RMB'000*	Land use right *RMB'000*	Total *RMB'000*
Cost			
At 1 January 2022	24,240	95,458	119,698
Additions	2,290	12,597	14,887
At 31 December 2022 and 1 January 2023	26,530	108,055	134,585
Termination	(12,403)	–	(12,403)
At 31 December 2023	14,127	108,055	122,182
Accumulated depreciation			
At 1 January 2022	(8,924)	(3,954)	(12,878)
Charge for the year	(3,431)	(2,333)	(5,764)
At 31 December 2022 and 1 January 2023	(12,355)	(6,287)	(18,642)
Charge for the year	(1,483)	(2,354)	(3,837)
Written back	9,498	–	9,498
At 31 December 2023	(4,340)	(8,641)	(12,981)
Net book value			
At 31 December 2023	9,787	99,414	109,201
At 31 December 2022	14,175	101,768	115,943

(i) The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	31 December 2023 ***RMB'000***	31 December 2022 *RMB'000*
Leasehold properties for own use, carried at depreciated cost, with remaining lease term of:		
— within 10 years	**9,787**	14,175

	31 December 2023 ***RMB'000***	31 December 2022 *RMB'000*
Land use right for own use, carried at depreciated cost, with remaining lease term of:		
— between 10 and 50 years	**99,414**	101,768

12 LEASES *(Continued)*

(b) Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the reporting period.

	31 December 2023		31 December 2022	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Within 1 year or on demand	**–**	**–**	201	254
More than 1 year but less than 2 years	**253**	**1,569**	232	274
More than 2 years but less than 5 years	**9,376**	**11,276**	6,139	9,749
More than 5 years	**6,027**	**6,281**	9,573	10,219
	15,656	**19,126**	15,944	20,242
	15,656	**19,126**	16,145	20,496
Less: total future interest expenses		**(3,470)**		(4,351)
Present value of the lease liabilities		**15,656**		16,145

(c) Amounts recognised in consolidated statements of profit or loss:

	2023	2022
	RMB'000	*RMB'000*
Lease charges relating to short-term leases	**142**	159
Depreciation charges on right-of-use assets	**3,837**	5,764
Interest on lease liabilities	**741**	705
Total	**4,720**	6,628

(d) Amounts recognised in the consolidated statements of cash flows:

	2023	2022
	RMB'000	*RMB'000*
Payments for short-term lease	**142**	294
Payments for interest element of lease liabilities	**–**	62
Payments for capital element of lease liabilities	**–**	192
Payment for the land use right	**–**	12,597
Total cash outflow for leases	**142**	13,145

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13 INTANGIBLE ASSETS

	Software *RMB'000*	Patents and licenses *RMB'000*	Capitalised development costs *RMB'000* *(i)*	Total *RMB'000*
Cost				
At 1 January 2022	3,039	5,400	21,458	29,897
Additions	1,728	–	41,307	43,035
At 31 December 2022 and 1 January 2023	4,767	5,400	62,765	72,932
Additions	1,499	7,769	53,463	62,731
Transfers through internal development	–	6,255	(6,255)	–
At 31 December 2023	6,266	19,424	109,973	135,663
Accumulated amortisation				
At 1 January 2022	(1,151)	(869)	–	(2,020)
Charge for the year	(666)	(326)	–	(992)
At 31 December 2022 and 1 January 2023	(1,817)	(1,195)	–	(3,012)
Charge for the year	(924)	(1,353)	–	(2,277)
At 31 December 2023	(2,741)	(2,548)	–	(5,289)
Net book value				
At 31 December 2023	3,525	16,876	109,973	130,374
At 31 December 2022	2,950	4,205	62,765	69,920

(i) At 31 December 2023 and 2022, the capitalised development costs are related to cost incurred for vascular interventional division, endocardia implantable division and neurological interventional division, which was not yet available for use.

As at 31 December 2023, the carrying amount of capitalised development cost which was not yet available for use was RMB109,973,000. Annual impairment test is performed in respect of these intangible assets based on their recoverable amount. The Group assessed the recoverable amounts of the capitalised development costs based on the fair value less costs of disposal, determined using future revenue growth ranged from 0.00% to 100.00% , discount rates ranged from 15.00% to 18.76%. and royalty rates ranged from 12.66% to 17.67%. The Group considers that reasonably possible change in the key assumptions above would not cause the CGU's carrying amount of these intangible assets at 31 December 2023 to exceed their recoverable amount.

(ii) The amortisation charge for the year is included in "cost of sales, research and development expenses, and administrative expenses" in the consolidated statement of profit or loss as well as capitalised development costs.

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14 INVESTMENT IN SUBSIDIARIES

The following list contains subsidiaries which affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Company name	Place and date of incorporation/ establishment	Particulars of registered and paid-in capital	Proportion of ownership interests held by the Company	Principal activities
Shanghai INT Medical Instruments Automation Co., Ltd. (previously known as "Shanghai Kindly Medical Instruments Automation Research Centre Co., Ltd.") (i)	23 February 2000 the PRC	RMB5,000,000	100%	Manufacturing of masks, moulds and processing
Zhuhai Derui (i)	26 February 2016 the PRC	RMB130,000,000	100%	Manufacturing of medical devices
Shanghai Pukon (i)	28 March 2018 the PRC	RMB20,000,000	85%	Research and development, manufacturing and sales of semi-finished medical devices
Shanghai Qimu Medical Instruments Co., Ltd. ("Shanghai Qimu") (i)	17 August 2018 the PRC	RMB30,000,000/ RMB28,000,000	53.33%	Research and development, manufacturing and sales of medical devices
Shanghai Puhui (i)	14 November 2018 the PRC	RMB57,500,000/ RMB39,800,000	54.26%	Research and development, manufacturing and sales of medical devices
Shanghai Healing Medical Instruments Co., Ltd. ("Shanghai Healing") (i) (ii)	15 February 2019 the PRC	RMB61,210,526/ RMB53,060,526	56.36%	Research and development, manufacturing and sales of medical devices
Hongkong INT Medical Instruments Company Limited ("Hongkong Int")	21 February 2019 Hong Kong	HKD36,000,000	100%	Import and export trade, investment, and consultancy
Shanghai Pumei Medical Instruments Co., Ltd. ("Shanghai Pumei") (i)	12 March 2020 the PRC	RMB20,000,000/ RMB100,000	70%	Research and development, manufacturing and sales of medical devices
Shandong INT Medical Instruments Co., Ltd. ("Shandong INT") (i)	13 January 2021 the PRC	RMB165,000,000/ RMB159,827,800	100%	Manufacturing of medical devices
Shanghai Pulin Medical Instruments Co., Ltd. ("Shanghai Pulin") (i)	7 February 2021 the PRC	RMB20,000,000/ RMB16,500,000	65%	Sales of medical devices

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14 INVESTMENT IN SUBSIDIARIES *(Continued)*

Company name	Place and date of incorporation/ establishment	Particulars of registered and paid-in capital	Proportion of ownership interests held by the Company	Principal activities
Shanghai Puyue Medical Instruments Co., Ltd. ("Shanghai Puyue") (i)	18 March 2021 the PRC	RMB20,000,000/ RMB13,000,000	60%	Research and development, manufacturing and sales of medical devices
Shanghai Yikai Medical Instruments Co., Ltd. ("Shanghai Yikai") (i)	23 June 2021 the PRC	RMB13,000,000/ RMB50,000	100%	Research and development, manufacturing and sales of medical devices
Shanghai INT Biotechnology Co., Ltd. ("Shanghai INT") (i)	9 September 2022 the PRC	RMB5,000,000/ RMB2,000,000	100%	Research and development, manufacturing and sales of medical devices
Shanghai INT Pureray Medical Equipment Co., Ltd. ("INT Pureray") (i)	24 November 2022 the PRC	RMB10,000,000/ RMB8,000,000	100%	Research and development, manufacturing and sales of medical devices
Shandong Insant New Material Co., Ltd. ("Shandong Insant") (i)	31 March 2023 the PRC	RMB20,000,000/ RMB7,600,000	51%	Research and development, manufacturing and sales of medical devices
Zhuhai Puyue Medical Instruments Co., Ltd. ("Zhuhai Puyue") (i)	25 September 2023 the PRC	RMB1,000,000/ RMB400,000	60%	Research and development, manufacturing and sales of medical devices

(i) These subsidiaries are limited liability companies established in the PRC.

(ii) According to the Company's announcement dated 29 July 2021, the Company entered into a capital increase agreement with Shanghai Huaige Int Venture Investment Partnership (Limited Partnership)* (上海懷格瑛泰創業投資合夥企業（有限合伙）) (the "Int Fund"), Mr. Ke Wei and the other existing shareholders of Shanghai Healing. Pursuant to which, the share capital of Shanghai Healing will be increased from RMB58,150,000 to RMB61,210,526. Int Fund and Mr. Ke Wei (together referred to as the "Investors") will subscribe for 5% enlarged equity interest of Shanghai Healing at a cash consideration of RMB50,000,000 in aggregate. The consideration price is determined with reference to the then fair value of equity interests of Shanghai Healing as determined by an independent valuation firm.

In accordance with the shareholder agreement, Int Fund and Mr. Ke Wei have been granted certain preferred rights upon the above subscription of ordinary shares including the redemption rights, anti-dilution right, liquidation preferences and valuation adjustment. On 9 September 2021, the redemption right was terminated. Subsequent to the reporting period, a repurchase agreement was entered into between the Company, Int Fund, Mr. Ke Wei and Shanghai Healing. Pursuant to which, the Company agreed to repurchase a total of 5% equity interest in Shanghai Healing from Int Fund and Mr. Ke Wei. Detailed information is disclosed in the Company's announcements dated 23 February 2024 and note 31.

14 INVESTMENT IN SUBSIDIARIES *(Continued)*

The following table lists out the information relating to the subsidiaries of the Group which has a material NCI. The summarised financial information presented below represents the amounts before any inter-company elimination.

	31 December 2023		31 December 2022	
	Shanghai Pukon	**Shanghai Healing**	Shanghai Pukon	Shanghai Healing
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
		(ii)		*(ii)*
NCI percentage	**15.00%**	**43.64%**	15.00%	43.64%
Current assets	**82,487**	**20,082**	128,014	25,145
Non-current assets	**28,898**	**99,336**	17,909	63,055
Current liabilities	**(45,333)**	**(74,585)**	(72,677)	(34,927)
Non-current liabilities	**–**	**(1,980)**	–	(940)
Net assets	**66,052**	**42,853**	73,246	52,333
Carrying amount of NCI	**9,233**	**16,150**	10,460	20,287
Revenue	**145,280**	**27**	124,702	–
Profit/(loss) for the year	**80,964**	**(10,624)**	72,509	(6,324)
Profit/(loss) allocated to NCI	**11,997**	**(4,636)**	9,944	(2,760)
Cash flows from/(to) operating activities	**39,415**	**(26,059)**	105,494	(6,427)
Cash flows to investing activities	**(9,861)**	**(18,529)**	(3,502)	(32,518)
Cash flows (to)/from financing activities	**(89,000)**	**44,632**	(43,171)	25,432

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15 SHARE-BASED PAYMENT TRANSACTIONS

(a) Employee share purchase plan ("ESPP") — equity settled

Since 2020, the Group adopted several ESPPs to its subsidiaries, pursuant to which, the partnership firms, whose limited partners consisted of employees and directors of the Group ("participants"), invested in the Group's subsidiaries (the Target Company) by way of subscribing newly issued equity interests of the subsidiaries.

(i) Healing ESPP

In 2021, the Group adopted ESPP to one of its subsidiary, Shanghai Healing. Pursuant to which, Dr. Liang Dongke and Ningbo Hanshen Enterprise Management Consulting Partnership (LP)* 寧波翰昇企業管理諮詢合夥企業（有限合夥) (the Healing Share Incentive Platform) are eligible to acquire 14.02% equity interest in Shanghai Healing at a price of RMB8,150,000 in total (the "Healing ESPP"). The consideration price is determined with reference to the registered capital of Shanghai Healing. The Healing ESPP have vesting terms in schedule from the grant date over 55 months ending 31 December 2025 on the condition that the employees fulfil certain non-market performance condition.

In 2023 and 2022, Shanghai Healing forfeited 45,000 ESPPs and 429,800 ESPPs, respectively, for certain participants upon their resignation from Shanghai Healing and re-granted these ESPPs to Dr. Liang Dongke at an exercise price of RMB1.00 per ESPP. These changes were accounted for as forfeiture to the original equity-settled share-based payment arrangements and a new grant in accordance with note 2(q)(ii).

(ii) Puhui ESPP

In 2021, the Group adopted ESPP to one of its subsidiary, Shanghai Puhui. Pursuant to which, Ningbo Youtuo Enterprise Management Partnership (LP)* 寧波優拓企業管理合夥企業（有限合夥) (the Puhui Share Incentive Platform) is eligible to acquire 20% equity interest in Shanghai Puhui at a price of RMB7,500,000 in total (the "Puhui ESPP"). The consideration price is determined with reference to the registered capital of Shanghai Puhui. The Puhui ESPP have vesting terms in schedule from the grant date over 61 months ending 31 December 2026 on the condition that the employees fulfil certain non-market performance conditions.

In 2022, Shanghai Puhui resolved to make a package of modifications to the Puhui ESPP with the net beneficial effect to the participants. The change was accounted for a modification to equity-settled share-based payment arrangements in accordance with note 2(q)(ii). Accordingly, the increase in fair value of the Puhui ESPP measured immediately before and after the modification is recognised on the modification date.

(iii) Fair value of ESPP and assumptions

The fair value of services received in return for the ESPPs granted on the grant date and/or modification date is measured by reference to the valuation reports prepared by the external valuers and reviewed and approved by the management.

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15 SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(a) Employee share purchase plan ("ESPP") — equity settled *(Continued)*

(iv) Outstanding ESPPs

The number of ESPPs outstanding at 31 December 2023 was 15,650,000 (31 December 2022: 15,650,000) with an exercise price of RMB1.00 and a weighted average remaining contractual life of 1.65 years (31 December 2022: 2.08 years).

(v) Expense recognised in profit or loss

For details of the related employee benefit expenses, see Note 6.

(b) Restricted shares

(1) 2021 Share Incentive Scheme

On 19 August 2021, the Company adopted share incentive scheme ("2021 Share Incentive Scheme"), pursuant to which, Dr. Liang Dongke and two partnership firms, Jingning Int Chuangqi Enterprise Management Partnership (LP)* 景寧瑛泰創啟企業管理合夥企業（有限合夥）and Jingning Int Chuangyuan Enterprise Management Partnership (LP)* 景寧瑛泰創啟企業管理合夥企業（有限合夥）, whose limited partners consisted of employees of the Group, invested in the Company by way of subscribing 5,000,000 domestic shares (the restricted shares) at a price of RMB12.00 per share.

The restricted shares have vesting terms in schedule from the grant date over 60 months ending 12 May 2027 on the condition that the employees fulfil certain non-market performance conditions. On 13 May 2021 and 17 October 2023, the Company received approval from the China Securities Regulatory Commission ("CSRC") in relation to its allotment and issuance of 2,000,000 and 3,000,000 respective new domestic shares under the 2021 Share Incentive Scheme. During the year ended 31 December 2023, the Company issued 3,000,000 domestic shares (2022: 2,000,000 domestic shares were issued) to the participants under the 2021 Share Incentive Scheme and received fund raised from the participants amounting to RMB36,000,000 (2022: RMB24,000,000).

During the year ended 31 December 2023, the Company forfeited 84,300 restricted shares and cancelled 65,700 restricted shares for certain participants upon their resignation from the Company or voluntary withdrawal from the 2021 Share Incentive Scheme (2022: forfeited 350,800 restricted shares and cancelled 36,500 restricted shares). Meanwhile, the Company granted these restricted shares to Dr. Liang Dongke at a price of RMB12.00 per share.

According to the Company's announcement dated 30 December 2022, the Company resolved to make certain amendments# to the 2021 Share Incentive Scheme in light of the Company's proposed adjustment to the performance target provision of the 2021 Share Incentive Scheme. This modification has beneficial effect to the participants and therefore the change was accounted for a modification to equity-settled share-based payment arrangements in accordance with note 2(q)(ii). Accordingly, the increase in fair value of the restricted shares measured immediately before and after the modification is recognised on the modification date.

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\# The modified performance target provision of the 2021 Share Incentive Scheme was approved by the board of directors on 30 December 2022.

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15 SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) Restricted shares *(Continued)*

(1) 2021 Share Incentive Scheme *(Continued)*

Detailed information is disclosed in the Company's announcements and circular dated 21 September 2020, 6 November 2020, 16 April 2021, 17 May 2021, 19 August 2021 and 30 December 2022.

(i) Fair value of restricted shares and assumptions

The fair value of services received in return for the restricted shares granted on the grant date and/or modification date is measured by reference to the valuation reports prepared by the external valuers and reviewed and approved by the management.

(ii) Outstanding restricted shares

The number of restricted shares outstanding at 31 December 2023 was 5,000,000 (31 December 2022: 5,000,000) with an exercise price of RMB12.00 and a weighted average remaining contractual life of 3.33 years (31 December 2022: 3.58 years).

(iii) Expense recognised in profit or loss

For details of the related employee benefit expenses, see Note 6.

(2) 2023 Share Incentive Scheme

According to the Company's circular dated 16 October 2023 and 30 November 2023, the Company announced the adoption of share incentive scheme ("2023 Share Incentive Scheme"). Pursuant to which the restricted shares administered under the 2023 Share Incentive Scheme shall not exceed 5,000,000 domestic shares and shall be granted to no more than 19 employees and directors of the Group. The restricted shares will be granted to the grantees at a price equivalent to RMB12.00 per share.

On 19 December 2023, the 2023 Share Incentive Scheme was approved by the extraordinary general meeting of the Company. As at 31 December 2023, no share has been granted to the employees.

15 SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(c) The H Share Award Scheme

On 16 May 2022, the annual general meeting approved the Company to adopt the H Share Award and Trust Scheme ("the H Share Award Scheme") to eligible employees. A trust deed has been entered into between the Company and Trident Trust Company (HK) Limited ("the Trustee"). Pursuant to the trust deed, the trust will be constituted to service the H Share Award Scheme whereby the Trustee shall assist with the administration of the H Share Award Scheme and shall, subject to the relevant provisions of the trust deed and upon the instruction of the Company, acquire such underlying shares of the H Share Award Scheme through on-market transactions with funds to be transferred by the Group to the Trust. Such underlying shares of the H Share Award Scheme shall not exceed 10,420,000 shares in any event. The H Share Award Scheme shall be valid and effective for ten years commencing from the date on which the H Share Award Scheme was approved by the shareholders at the annual general meeting. Detailed information is disclosed in the Company's circular dated 11 April 2022.

During the year ended 31 December 2023, the Trust acquired 892,800 award shares from the market at an average prevailing market price of approximately HKD25.94 (equivalent to approximately RMB23.81) per share at an aggregate consideration of approximately HKD23,163,000 (approximately equivalent to RMB21,259,000) as disclosed in note 26(c). Repurchased shares held at the end of reporting period were classified as treasury shares and presented as a deduction in equity. No award shares were granted, vested, cancelled or lapsed under the H Share Award Scheme during the years ended 31 December 2023 and 2022.

16 OTHER NON-CURRENT ASSETS

	2023 ***RMB'000***	2022 *RMB'000*
Prepayment for purchase of property, plant and equipment	**17,722**	19,423
Investment deposit *(Note (i))*	**27,000**	–
Others	**7,838**	8,946
Total	**52,560**	28,369

Note (i): During the year, the Company (the "Purchaser") entered into an acquisition agreement with three individuals (the "Vendors") and Shanghai Hude Automobile Tensioning Wheel Co., Ltd.* 上海滬德汽車張緊輪有限公司 (the "Target Company"), pursuant to which, amongst others, the Purchaser has agreed to purchase and the Vendors have agreed to sell its entire equity interest in the Target Company at a consideration of RMB32 million, of which its assets mainly consist of a land use right in Shanghai. The Company paid RMB25 million during the year and the transaction has not yet completed as of 31 December 2023 as well as the date of this report.

* English translation is for identification purpose only.

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17 INVENTORIES

	31 December 2023 *RMB'000*	31 December 2022 *RMB'000*
Raw materials	**56,331**	69,100
Work in progress	**26,717**	25,986
Finished goods	**39,858**	55,454
Goods in transit	**5,864**	3,737
	128,770	154,277

(a) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	31 December 2023 *RMB'000*	31 December 2022 *RMB'000*
Carrying amount of inventories sold	**310,383**	253,149
Write down of inventories	**4,383**	248
	314,766	253,397

18 TRADE AND OTHER RECEIVABLES

	31 December 2023 *RMB'000*	31 December 2022 *RMB'000*
Trade and bills receivables (a)		
Receivables from third parties	**121,599**	69,155
Receivables from related parties *(note 29)*	**2,625**	3,734
Less: losses allowance on trade receivables	**(1,305)**	(1,508)
Trade and bills receivables, net	**122,919**	71,381
Deposits for construction project	**403**	5,454
Others	**1,892**	2,696
Less: losses allowance on other receivables	**(21)**	–
Trade and other receivables, net	**125,193**	79,531

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

18 TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade and bills receivables, based on the invoice date and net of loss allowance, is as follows:

	31 December 2023 ***RMB'000***	31 December 2022 *RMB'000*
Within 3 months	**113,866**	64,166
3 to 6 months	**5,673**	5,225
6 to 9 months	**3,380**	1,990
	122,919	71,381

Trade receivables are generally due within 30 to 120 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 27(a).

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2023 ***RMB'000***	31 December 2022 *RMB'000*
Non-current portion		
Unlisted units in investment funds		
— managed by Huaige Health	**156,196**	155,454
— managed by a third party fund manager	**11,827**	–
	168,023	155,454
Unlisted equity investment	**7,000**	7,000
	175,023	162,454

The non-current financial assets at FVPL represent investment in units in unlisted funds, and a private entity incorporated in the PRC. These investments are primarily engaged or further invested in the life science and healthcare sectors.

Since 2020, the Company invested in three unlisted funds managed by Ningbo Huaige Health Investment Management Partnership (Limited Partnership)* (Chinese name as 寧波懷格健康投資管理合夥企業 (有限合夥), "Huaige Health"), together with other limited partners. The primary objectives of these unlisted funds are investment in equity interest of entities in the life science, healthcare and biotechnology sectors in the PRC. Total capital commitment of the Company to these funds managed by Huaige Health was RMB150 million in aggregate, of which RMB125 million was paid as at 31 December 2023. Detailed information is disclosed in the Company's announcements dated 19 March 2020, 29 April 2020, 18 August 2022 and 23 August 2022 and the circular dated 22 May 2020.

* English translation is for identification purpose only.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

In 2023, the Company invested in another unlisted fund managed by an independent third party fund manager. The primary objective is investments in equity interests of the enterprises in the medical and healthcare sectors both domestically and internationally. Total capital commitment of the Company to this unlisted fund is RMB50 million. During the year ended 31 December 2023, the Company made capital contribution of RMB10 million to the fund.

Further details on the Group's credit risk arising from financial assets and its fair value measurement are set out in note 27(a) and note 27(e), respectively.

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	31 December 2023 ***RMB'000***	31 December 2022 *RMB'000*
Cash at bank (i)	**423,622**	518,245
Cash on hand	**46**	21
Cash and cash equivalents	**423,668**	518,266

(i) Cash at bank mainly includes deposits placed at banks in the PRC with original maturities of three months or less. These deposits are guaranteed for principal repayment with fixed returns. The balance of these deposits amounts to RMB210,449,000 as at 31 December 2023 (2022: RMB313,545,000). Further details on the Group's credit policy and credit risk arising from cash at bank are set out in note 27(a).

(b) Certificate of deposits:

	31 December 2023 ***RMB'000***	31 December 2022 *RMB'000*
Current portion		
Certificate of deposits *(note i)*	**10,728**	10,000
Pledged bank deposits	**282**	–
	11,010	10,000
Non-current portion		
Certificate of deposits *(note iii)*	**31,447**	–

Notes:

(i) This balance represents deposits placed at banks in the PRC with original maturities over three months but within one year.

(ii) As at 31 December 2023, the non-current portion of deposits placed at banks in the PRC have fixed returns rates ranged from 3.2% to 3.45% and maturity periods of two to three years from the date of issue.

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(Continued)

(c) Reconciliation of profit before taxation to cash generated from operations:

	Note	2023 RMB'000	2022 RMB'000
Profit before taxation		**175,128**	144,468
Adjustments for:			
Depreciation of investment property and property, plant and equipment	*6(c)*	**41,440**	30,321
Depreciation of right-of-use assets	*6(c)*	**3,837**	5,764
Amortisation of intangible assets	*6(c)*	**2,277**	992
Finance costs	*6(a)*	**3,194**	818
Interest income	*5*	**(11,831)**	(13,408)
Loss on sale of property, plant and equipment		**620**	235
Provision for write down of inventories	*17(a)*	**4,383**	248
Net realised and unrealised gains from fair value changes on financial assets/liabilities measured at fair value through profit or loss	*5*	**(2,078)**	(7,360)
Recognition of impairment loss on trade and other receivables	*6(c)*	**407**	925
Recognition of impairment loss on other current assets	*6(c)*	**1,473**	–
Foreign exchange gains and others		**(2,545)**	(2,240)
Equity-settled share-based payment expenses	*6(b)*	**6,490**	3,107
Operating profits before changes in working capital		**222,795**	163,870
Changes in working capital:			
Decrease/(increase) in inventories		**21,124**	(62,031)
(Increase)/decrease in operating receivables		**(44,224)**	7,727
Increase in operating payables		**20,175**	55,667
Increase/(decrease) in deferred income		**6,249**	(1,785)
(Decrease)/increase in contract liabilities		**(28,379)**	29,730
Cash generated from operations		**197,740**	193,178

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20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(Continued)

(d) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Loans and borrowings *RMB'000* *(note 23)*	Lease liabilities *RMB'000* *(note 12)*
At 1 January 2022	–	13,404
Changes from financing cash flows:		
Payment for capital element of lease liabilities	–	(192)
Proceeds from new loans and borrowings	32,660	–
Interest of loans and borrowings paid	(90)	–
Total change from financing cash flows	32,570	(192)
Other changes:		
Lease liabilities recognised during the year	–	2,290
Payment for interest element of leases liabilities	–	(62)
Interest expense	113	705
Total other changes	113	2,933
At 31 December 2022 and 1 January 2023	32,683	16,145
Changes from financing cash flows:		
Proceeds from new loans and borrowings	88,340	–
Repayments of loans and borrowings	(42,000)	–
Interest of loans and borrowings paid	(2,353)	–
Total change from financing cash flows	43,987	–
Other changes:		
Lease liabilities terminated during the year	–	(1,230)
Interest expense	2,453	741
Total other changes	2,453	(489)
At 31 December 2023	79,123	15,656

21 TRADE AND OTHER PAYABLES

	31 December 2023 RMB'000	31 December 2022 RMB'000
Trade payables (i)	**32,854**	36,376
Payroll payables	**40,869**	34,109
Payables for purchase of property, plant and equipment	**66,418**	37,886
Amounts due to related parties *(note 29)*	**179**	37
Rebates liabilities	**6,888**	3,013
Others	**28,965**	15,965
	176,173	127,386

(i) As of the end of the reporting period, the ageing analysis of the Group's trade payables, based on the invoice date, is as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Within 3 months	**25,912**	30,474
Over 3 months but within 6 months	**3,490**	2,287
Over 6 months but within 1 year	**1,611**	2,697
Over 1 year	**1,841**	918
	32,854	36,376

All of the trade and other payables are expected to be settled within one year.

22 CONTRACT LIABILITIES

	31 December 2023 RMB'000	31 December 2022 RMB'000
Advances received from third parties	**37,074**	65,428
Amounts due to related parties *(note 29)*	**–**	25
	37,074	65,453

Movement in contract liabilities

	2023 RMB'000	2022 RMB'000
At the beginning of year	**65,453**	35,723
Increase in contract liabilities as a result of receiving advances from customers	**279,460**	376,610
Decrease in contract liabilities as a result of recognising revenue during the year	**(307,839)**	(346,880)
At the end of year	**37,074**	65,453

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23 LOANS AND BORROWINGS

	2023 **RMB'000**	2022 RMB'000
Unsecured bank loan payable within 1 year	**79,123**	32,683

As at 31 December 2023, the Group's loan of RMB79,123,000 (31 December 2022: RMB32,683,000) was borrowed from bank in the PRC with an interest-bearing rate of 2.50% per annum and would be mature within one year.

24 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

	2023 **RMB'000**	2022 RMB'000
At the beginning of the year	**12,597**	12,216
Provision for the year	**29,415**	13,037
Tax paid	**(19,594)**	(12,656)
At the end of year	**22,418**	12,597

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax

The components of deferred tax assets recognised in the consolidated statements of financial position and the movements during the year are as follows:

	Intercompany unrealised profit RMB'000	Tax losses RMB'000	Deferred income RMB'000	Fair value changes on financial assets measured at fair value through profit or loss RMB'000	Depreciation allowances in excess of the related depreciation RMB'000	Right-of-use Assets (*) RMB'000	Lease liabilities (*) RMB'000	Others RMB'000	Total RMB'000
At 1 January 2022	1,212	5,762	2,040	(3,496)	–	(2,011)	2,011	444	5,962
Credited/(charged) to profit or loss	1,242	4,610	(337)	(1,092)	(1,788)	(115)	411	(529)	2,402
At 31 December 2022 and 1 January 2023	2,454	10,372	1,703	(4,588)	(1,788)	(2,126)	2,422	(85)	8,364
Credited/(charged) to profit or loss	2,388	1,714	812	(365)	214	658	(74)	2,168	7,515
At 31 December 2023	4,842	12,086	2,515	(4,953)	(1,574)	(1,468)	2,348	2,083	15,879

* As disclosed in note2(c), the Group adopted amendments to HKAS12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction, in 2023 and revised the disclosure of companies of deferred tax by disclosing the temporary differences arising from leases separately.

24 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Continued)

(b) Deferred tax assets and liabilities recognised: *(Continued)*

(ii) Reconciliation to the consolidated statement of financial position is as follows:

	2023 **RMB'000**	2022 *RMB'000*
Net deferred tax assets in the consolidated statement of financial position	**17,649**	15,036
Net deferred tax liabilities in the consolidated statement of financial position	**(1,770)**	(6,672)
	15,879	8,364

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(r), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB162,243,000 (2022: RMB111,873,000), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Cumulative tax losses incurred by the PRC subsidiaries amounting to RMB162,243,000 (2022: RMB111,873,000) will expire in ten years under the current tax legislation.

25 DEFERRED INCOME

	31 December 2023 **RMB'000**	31 December 2022 *RMB'000*
Government grants		
At the beginning of year	**12,294**	14,079
Grants received	**8,863**	1,100
Charged to profit or loss	**(2,454)**	(2,885)
Other	**(160)**	–
At the end of year	**18,543**	12,294
Representing		
— Current portion	**1,550**	1,345
— Non-current portion	**16,993**	10,949
Total	**18,543**	12,294

Deferred income of the Group mainly represents various grants received from the government to compensate the capital expenditure on production lines and expenditure incurred for research and developments projects.

Government grants are recognised as other income over the useful lives of relevant property, plant and equipment or when the research and development projects commenced.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

26 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company	*Note*	Share capital *RMB'000*	Treasury shares *RMB'000*	Capital reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
Balance at 1 January 2022		166,000	–	936,296	50,687	248,479	1,401,462
Profit for the year		–	–	–	–	113,200	113,200
Equity-settled share-based payment	*15(b)*	–	–	1,179	–	–	1,179
Subscription of restricted shares		2,000	–	22,000	–	–	24,000
Dividends approved in respect of the previous year	*26(e)*	–	–	–	–	(43,680)	(43,680)
Appropriation for surplus reserve		–	–	–	11,430	(11,430)	–
Balance at 31 December 2022 and 1 January 2023		**168,000**	**–**	**959,475**	**62,117**	**306,569**	**1,496,161**
Profit for the year		**–**	**–**	**–**	**–**	**192,696**	**192,696**
Equity-settled share-based payment	*15(b)*	**–**	**–**	**4,286**	**–**	**–**	**4,286**
Subscription of restricted shares		**3,000**	**–**	**33,000**	**–**	**–**	**36,000**
Dividends approved in respect of the previous year	*26(e)*	**–**	**–**	**–**	**–**	**(40,320)**	**(40,320)**
Appropriation for surplus reserve		**–**	**–**	**–**	**19,266**	**(19,266)**	**–**
Repurchase of shares for share award scheme	*26(c)*	**–**	**(21,259)**	**–**	**–**	**–**	**(21,259)**
At 31 December 2023		**171,000**	**(21,259)**	**996,761**	**81,383**	**439,679**	**1,667,564**

26 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Share capital

	2023 No. of shares ('000)	2023 RMB'000	2022 No. of shares ('000)	2022 RMB'000
Ordinary shares, issued and fully paid:				
At the beginning of the year	**168,000**	**168,000**	166,000	166,000
Domestic shares issued during the year *(note i)*	**3,000**	**3,000**	2,000	2,000
At 31 December	**171,000**	**171,000**	168,000	168,000
Representing:				
Domestic shares issued	**66,787**	**66,787**	63,787	63,787
H shares issued	**104,213**	**104,213**	104,213	104,213
Total ordinary shares issued at 31 December *(note ii)*	**171,000**	**171,000**	168,000	168,000

Notes:

(i) The Company issued 3,000,000 domestic shares at a price of RMB12.00 per share to the participants under the 2021 Share Incentive Scheme during the year ended 31 December 2023, of which, RMB3,000,000 was recorded under share capital and the remaining of RMB33,000,000 was charged to capital reserve.

(ii) As at 31 December 2023, the treasury shares of 892,800 (see note 26(c)) do not carry the right to vote, which are included in the above ordinary shares.

(c) Purchase of own shares

During the year ended 31 December 2023, the Company repurchased its own shares on the Stock Exchange as follows:

Month/year	Number of H shares repurchased	Highest price paid per share HKD	Lowest price paid per share HKD	Aggregate price paid in HKD'000	Aggregate price paid in RMB'000
June 2023	**2,000**	**24.75**	**24.00**	**49**	**45**
July 2023	**31,400**	**23.30**	**24.92**	**770**	**709**
November 2023	**859,400**	**26.00**	**26.00**	**22,344**	**20,505**
					21,259

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

26 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Nature and purpose of reserves

(i) Capital reserve

Under PRC rules and regulations, capital reserve is non-distributable other than in liquidation and may be utilised for business expansion or converted into ordinary shares by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by the shareholders.

(ii) Statutory surplus reserve

In accordance with the PRC Company Law, all PRC subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the PRC accounting standard, to their respective statutory reserves until the reserves reach 50% of their respective registered capital. For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the the PRC. The reserve is dealt with in accordance with the accounting policy set out in note 2(u).

(e) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2023 ***RMB'000***	2022 *RMB'000*
Final dividend proposed after the end of the reporting period of RMB0.27 per ordinary share (2022: RMB0.24 per ordinary share)	**47,520**	40,320

On 18 March 2024, the directors of the Company proposed a final dividend for the year ended 31 December 2023 of RMB0.27 per ordinary share, which has not been recognised as a liability at 31 December 2023.

26 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(e) Dividends *(Continued)*

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2023 ***RMB'000***	2022 *RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, RMB0.24 per ordinary share (2022: RMB0.26 per ordinary share)	**40,320**	43,680

Pursuant to the shareholders' approval of the Company held on 18 May 2023, a final cash dividend of RMB0.24 per share in respect of the year ended 31 December 2022 based on 168,000,000 ordinary shares with total amount of RMB40,320,000 was paid in June 2023.

(f) Distributability of reserve

As 31 December 2023, the aggregate amount of reserves available for distribution to equity shareholders of the Company, was RMB439,679,000 (2022: RMB306,569,000).

(g) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of the debt-to-equity ratio. For this purpose, the Group defines debt as total loans and borrowings and leases liabilities and defines equity as total equity.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

26 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(g) Capital management *(Continued)*

As at 31 December 2023 and 2022, the Group's net debt-to-equity ratio was as follows:

	Note	**31 December 2023 *RMB'000***	31 December 2022 *RMB'000*
Current liabilities:			
Loans and borrowings	*23*	**79,123**	32,683
Lease liabilities	*12*	**–**	201
Non-current liabilities:			
Lease liabilities	*12*	**15,656**	15,944
Total debt		**94,779**	48,828
Total equity		**1,678,378**	1,554,104
Debt-to-equity ratio		**5.65%**	3.14%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's exposure to credit risk arising from cash at banks and deposits placed at banks, is limited because the counterparties are reputable banks, for which the management believes are of high credit quality. Credit risk of investment in the unlisted funds are also considered to be limited because the fund managers are specialised in investment in life science and healthcare business with good track record proven. Accordingly, the Group's credit risk is primarily attributable to trade and other receivables. Management monitors the exposure to credit risk on an ongoing basis.

The Group normally require its distributors to make full prepayment prior to the delivery of the products. The Group offer credit sales to its medical device manufacturers and other distributors, with credit periods range from 30 to 120 days. The Group's exposure to credit risk arising from trade receivables is influenced mainly by the individual characteristics of each customer. The default risk of the industry or country in which the customers operate also has an influence on credit risk. As at 31 December 2023, 30% (2022: 19%) of the total trade receivables were due from the Group's top five largest customers. Normally, the Group does not obtain collateral from customers.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The Group measures loss allowances for trade receivables at lifetime ECL. The Group determines ECL by using a provision matrix, estimated based on historical credit loss experience, the past default experience of the debtor, general economic conditions of the industry and country in which the debtors operates and an assessment of both the current and the forecast duration of condition as of the end of the reporting period. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2023 and 2022:

	As at 31 December 2023		
	Expected loss rate *%*	**Gross carrying amount** *RMB'000*	**Loss allowance** *RMB'000*
Within 3 months	**0.36%**	**114,278**	**(412)**
3 ~ 6 months	**1.00%**	**5,432**	**(54)**
6 ~ 9 months	**5.00%**	**3,558**	**(178)**
Over 9 months	**100.00%**	**661**	**(661)**
		123,929	**(1,305)**

	As at 31 December 2022		
	Expected loss rate *%*	Gross carrying amount *RMB'000*	Loss allowance *RMB'000*
Within 3 months	0.36%	64,365	(199)
3 ~ 6 months	1.00%	5,278	(53)
6 ~ 9 months	5.00%	2,095	(105)
Over 9 months	100.00%	1,151	(1,151)
		72,889	(1,508)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2023 *RMB'000*	2022 *RMB'000*
At the beginning of the year	**1,508**	583
Impairment losses recognised	**386**	925
Written off	**(589)**	–
At the end of year	**1,305**	1,508

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's shareholders when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities as of the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current as at the end of reporting periods) and the earliest date the Group can be required to pay:

	As at 31 December 2023					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*	Carrying amount *RMB'000*
Lease liabilities	–	1,569	11,276	6,281	19,126	15,656
Trade and other payables	127,272	–	–	–	127,272	127,272
Loans and borrowings	80,246	–	–	–	80,246	79,123
	207,518	1,569	11,276	6,281	226,644	222,051

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

	As at 31 December 2022					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*	Carrying amount *RMB'000*
Lease liabilities	254	274	9,749	10,219	20,496	16,145
Trade and other payables	90,264	–	–	–	90,264	90,264
Loans and borrowings	33,376	–	–	–	33,376	32,683
	123,894	274	9,749	10,219	144,136	139,092

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from deposits with banks, loans and borrowings and lease liabilities. Instruments bearing interest at variable rates and fixed rates expose the Group to cashflow interest rate risk and fair value interest rate risk respectively. The Group regularly reviews its strategy on interest rate risk management in the light of the prevailing market condition. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's financial assets and liabilities as of the end of the reporting period.

	2023		2022	
	Effective interest rate %	***RMB'000***	*Effective interest rate %*	*RMB'000*
Fixed rate instruments:				
Lease liabilities	**4.90%**	**(15,656)**	4.90%	(16,145)
Bank deposits	**0.2% – 5.36%**	**250,731**	0.25% – 4.40%	314,545
Loans and borrowings	**2.50%**	**(79,123)**	2.50%	(32,683)
		155,952		265,717
Variable rate instruments:				
Cash at bank	**0.0001% – 1.35%**	**213,173**	0.0001% – 0.35%	213,700

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

The following table details the effect on the Group's profit after tax for the reporting period and retained profits as at the end of the reporting period that an increase/decrease of 100 basis points in interest rates would have.

	As at 31 December 2023				As at 31 December 2022			
	Increase/ (decrease) of basis point	Effect on profit after tax *RMB'000*	Effect on retained earnings *RMB'000*	Effect on non-controlling interests *RMB'000*	Increase/ (decrease) of basis point	Effect on profit after tax *RMB'000*	Effect on retained earnings *RMB'000*	Effect on non-controlling interests *RMB'000*
Interest rates	100	2,802	2,475	327	100	4,259	3,998	261
	(100)	(2,802)	(2,475)	(327)	(100)	(4,259)	(3,998)	(261)

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expenses or income of such a change in interest rates.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars ("USD"). In the normal course of business, the Group enter into foreign currency forward contracts for trading transactions denominated in USD to reduce exposure to fluctuations in foreign currency exchange rates. These foreign currency forward contracts are not hedge account.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk *(Continued)*

(i) Exposure to currency risk

The following table details the Group's exposure as at the end of the reporting periods to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year-end date.

	31 December 2023 USD *RMB'000*	31 December 2022 USD *RMB'000*
Trade and other receivables	**42,435**	2,431
Cash and cash equivalents	**129,922**	69,897
Trade and other payables	**(1,468)**	(5,207)
Net exposure arising from recognised assets and liabilities	**170,889**	67,121

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	As at 31 December 2023				As at 31 December 2022			
	Increase/ (decrease) of basis point	**Effect on profit after tax *RMB'000***	**Effect on retained earnings *RMB'000***	**Effect on non-controlling interests *RMB'000***	Increase/ (decrease) of basis point	Effect on profit after tax *RMB'000*	Effect on retained earnings *RMB'000*	Effect on non-controlling interests *RMB'000*
USD	**10%**	**14,766**	**14,808**	**(42)**	10%	5,720	5,871	(151)
	(10%)	**(14,766)**	**(14,808)**	**42**	(10%)	(5,720)	(5,871)	151

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, and then translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs

A valuation report with analysis of changes in fair value measurement is prepared by the finance team at each interim and annual reporting date, and is reviewed and approved by the head of finance department. Discussion of the valuation process and results with the head of finance department and the directors is held twice a year, to coincide with the reporting dates.

	As at 31 December 2023			
	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Recurring fair value measurement				
Assets:				
— Investment in unlisted funds	–	–	168,023	168,023
— Unlisted investment	–	–	7,000	7,000
Liabilities:				
— Derivative financial instruments	–	–	(491)	(491)
Total	–	–	174,532	174,532

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(e) Fair value measurement *(Continued)*

(i) Financial assets and liabilities measured at fair value *(Continued)*

Fair value hierarchy *(Continued)*

	As at 31 December 2022			
	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Recurring fair value measurement				
Assets:				
— Investment in unlisted funds	–	–	155,454	155,454
— Unlisted investment	–	–	7,000	7,000
Total	–	–	162,454	162,454

During the years ended 31 December 2022 and 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

Investment in unlisted funds

The fair value of unlisted units in investment funds have been estimated using market approach. A valuation analysis of changes in fair value of each fund is prepared by the fund managers to the Company at each quarter end. The fund manager used methodology based on relevant comparable data whether possible to quantify the adjustment from cost or latest financing price when adjustment is necessary, or to justify that cost or latest financing price is still a proper approximately of fair value of the underlying investments held by the unlisted funds in determining the net asset value.

Unlisted investment

The fair value of unlisted investment is determined using the recent comparable market transaction price, if available, or other acceptable valuation techniques. As at 31 December 2023, the management determined the fair value of the unlisted investment with reference to the latest financing price where adjustment is necessary.

Derivative financial liabilities

The obligations of valuation adjustment right granted to the Investors (see note 14) give rise to derivative financial liabilities, which are measured in accordance with the accounting policy set forth in note 2(f). The fair market value of the derivative financial liabilities is valued by the management of the Group with reference to valuation reports carried out by an independent valuation firm. The Group used discounted cash flow method to determine the total share value of the entity and applied the scenario weighted method to determine the fair market value of the relevant shares at the end of the reporting period.

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27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(e) Fair value measurement *(Continued)*

(i) Financial assets and liabilities measured at fair value *(Continued)*

Information about Level 3 fair value measurements *(Continued)*

Derivative financial liabilities (Continued)

The movements during the year in the balance of these Level 3 fair value measurements was as follows:

2023	**Investment in unlisted funds** *RMB'000*	**Unlisted investment** *RMB'000*	**Derivative financial liabilities** *RMB'000*	**Total** *RMB'000*
At 1 January 2023	**155,454**	**7,000**	**–**	**162,454**
Investment in unlisted funds	**10,000**	**–**	**–**	**10,000**
Net unrealised gains recognised in profit or loss	**2,569**	**–**	**(491)**	**2,078**
At 31 December 2023	**168,023**	**7,000**	**(491)**	**174,532**

2022	Wealth management products issued by banks *RMB'000*	Investment in unlisted funds *RMB'000*	Unlisted investment *RMB'000*	Total *RMB'000*
At 1 January 2022	–	123,174	7,000	130,174
Purchase of wealth management products	10,000	–	–	10,000
Investment in unlisted funds	–	25,000	–	25,000
Net unrealised gains recognised in profit or loss	–	7,280	–	7,280
Redemption of wealth management products	(10,000)	–	–	(10,000)
At 31 December 2022	–	155,454	7,000	162,454

(ii) Fair values of financial assets and liabilities carried at other than fair value

All financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2023 and 2022.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(e) Fair value measurement *(Continued)*

(iii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs
Unlisted investment	Valuation multiples *(Note i)*	Changing trend of medium market multiples of comparable companies
Unlisted funds	Net asset value *(Note ii)*	Net asset value of underlying investments
Derivative financial liabilities	Scenario weighted method *(Note iii)*	Expected probability of event

Note i: The fair value of certain unlisted investments is determined using valuation multiples adjusted for changing trend of medium market multiples of comparable companies. The fair value measurement is positively correlated to the changing trend of medium market multiples of comparable companies. As at 31 December 2023, it is estimated that with all other variables held constant, an increase/decrease in change of medium market multiples of comparable companies by 5% would have increased/decreased the Group's profit for the year by RMB350,000 (2022: RMB350,000);

Note ii: The fair value of unlisted units in investment funds is determined referencing net asset value of underlying investments. The fair value measurement is positively correlated to net asset value of underlying investments. As at 31 December 2023, it is estimated that with all other variables held constant, an increase/decrease in net asset value of underlying investments by 5% would have increased/decreased the Group's profit for the year by RMB8,786,000 or RMB5,525,000 (2022: RMB6,729,000 or RMB6,559,000).

Note iii: The fair value of derivative financial liabilities is determined by using scenario weighted method referencing the total share value of the entity. The fair value measurement is positively correlated to expected probability of event. As at 31 December 2023, it is estimated that with all other variables held constant, an increase/decrease in expected probability of event by 1% would have decreased/increased the Group's profit for the year by RMB98,000.

28 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at 31 December 2023 and 2022 not provided for in the financial statements were as follows:

	At 31 December 2023 *RMB'000*	At 31 December 2022 *RMB'000*
Contracted for	**72,076**	104,179
Authorised but not contracted for	**80,701**	162,081
Total	**152,777**	266,260

The capital commitments mainly include the unpaid capital commitments to the unlisted funds and the capital expenditures on the construction of Shanghai and Shandong base as well as upgrading of production lines.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

29 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9.

	2023 **RMB'000**	2022 RMB'000
Short-term employee benefits and others	**4,233**	3,626
Share-based payments	**4,907**	2,549
Total	**9,140**	6,175

Total remuneration is included in "Staff costs" (note 6(b)).

(b) Related party transactions

During the reporting period, the directors are of the view that the following companies are related parties:

Name of party	Relationship
Shanghai Kindly Enterprise Development Group Co., Ltd.*# ("KDL") (Chinese name as 上海康德萊企業發展集團股份有限公司)	Single largest Shareholder of the Company
Guangdong Kindly Medical Device Group Co., Ltd.*# (Chinese name as 廣東康德萊醫療器械集團有限公司)	Subsidiary of KDL
Zhejiang Kindly Medical Devices Co., Ltd.*# (Chinese name as 浙江康德萊醫療器械股份有限公司)	Subsidiary of KDL
Hunan Cofoe Medical Device Co., Ltd., previously known as Hu-nan Kindly Medical Device Co., Ltd.*#@ (Chinese name as 湖南可孚醫療器械銷售有限公司, previously known as 湖南康德萊醫療器械有限責任公司)	Subsidiary of KDL
Guangdong Kindly Medical Supply Chain Management Co., Ltd.*# (Chinese name as 廣東康德萊醫療供應鏈管理有限公司)	Subsidiary of KDL
Shanghai Kindly Pipe Manufacture Co., Ltd. *# (Chinese name as 上海康德萊制管有限公司)	Subsidiary of KDL
Zhaoqing Kindly Medical Supply Chain Management Co., Ltd.*# (Chinese name as 肇慶康德萊醫療供應鏈有限公司)	Subsidiary of KDL
Guangxi Ouwen Medical Technology Group Co., Ltd*# (Chinese name as 廣西甌文醫療科技集團有限公司)	Subsidiary of KDL
Wenzhou Kindly Technology Co., Ltd. *# (Chinese name as 溫州康德萊科技有限公司)	Subsidiary of KDL
Guangxi Beilunhe Medical Industry Group Co., Ltd. *# (Chinese name as 廣西北侖河醫科工業集團有限公司)	Subsidiary of KDL
Hainan Ouwen Medical Technology Co., Ltd.*# (Chinese name as 海南甌文醫療科技有限公司)	Subsidiary of KDL

29 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Related party transactions *(Continued)*

Name of party	Relationship
Guangxi Zanwen Medical Technology Co., Ltd.*# (Chinese name as 廣西贊文醫療科技有限公司)	Subsidiary of KDL
Nanchang Kindly Medical Technology Co., Ltd.*# (Chinese name as 南昌康德萊醫療科技有限公司)	Subsidiary of KDL
Shanghai Kindly Holdings Group Co., Ltd.*^ (Chinese name as 上海康德萊控股集團有限公司, "KDL Holding")	Controlling shareholder of KDL
Zhuhai Kindly Medical Industry Investments Co., Ltd.*^ (Chinese name as 珠海康德萊醫療產業投資有限公司)	Subsidiary of KDL Holding
Zhuhai Gongsheng Medical Industry Services Co., Ltd.*^ (Chinese name as 珠海共生醫療產業服務有限公司)	Subsidiary of KDL Holding
Jiaxing Ruihao Plastics Technology Co., Ltd. * (Chinese name as 嘉興瑞豪塑膠科技有限公司)	Corporate controlled by close family member of a director
Ningbo Huaige Health Investment Management Partnership (Limited Partnership)* # (Chinese name as 寧波懷格健康投資管理合夥企業(有限合夥), "Huaige Health")	General partner of Ningbo Huaige Taiyi, which holds 14.31% equity interest in the Company

\# KDL and its subsidiaries/associates (excluding the Group) are herein referred to as "KDL Group".

@ Hunan Cofoe Medical Device Co., Ltd. and Guangxi Zanwen Medical Technology Co., Ltd. ceased to be the related parties of the Group in September and October 2022, respectively.

^ KDL Holding and its subsidiaries/associates (excluding KDL Group and the Group) are herein referred to as "KDL Holding Group".

* English translation is for identification purpose only.

During the reporting period, the Group entered into the following material related party transactions:

	2023 **RMB'000**	2022 *RMB'000*
Sales of goods to KDL Group	**7,483**	6,444
Purchase of materials from KDL Group	**651**	902
Investment in unlisted funds managed by Huaige Health *(note 19)*	**–**	25,000

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

29 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Related party balances

The outstanding balances arising from the above transactions as at the end of the reporting period are as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Amounts due from related parties		
Trade related:		
KDL Group	**2,606**	3,734
KDL Holding Group	**19**	–
Total	**2,625**	3,734

	31 December 2023 RMB'000	31 December 2022 RMB'000
Amounts due to related parties		
Trade related:		
KDL Group	**86**	62
Jiaxing Ruihao	**93**	–
	179	62
Financial assets at fair value through profit or loss		
Unlisted units in investment funds managed by Huaige Health *(note 19)*	**156,196**	155,454

Note:

(i) The trade-related outstanding balances with related parties are unsecured, non-interest bearing and are repayable on demand.

29 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(d) Other related party transactions

(i) Pursuant to an agreement dated 20 June 2018, KDL authorised the Company using its trademark "康德萊" or "KDL" on products for 20 years, commencing from 31 October 2018 to 31 October 2038. No fee is to be charged by KDL from 31 October 2018 to 31 October 2028. KDL is to charge the Company a royalty fee at an agreed amount which shall be no more than 1% of the Group's total sales of products with "康德萊" or "KDL" trademark from 31 October 2028 to 31 October 2038.

(ii) KDL authorised the Company using its trademark "康德萊" or "KDL" as its company name with free of charge. As of the date of this report, the authorisation has been ceased with the change of the Company's name.

(e) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of (i) sales of goods to KDL Group, (ii) purchase of raw materials from KDL Group, (iii) rental fee charged by KDL Holding Group and (iv) investment in unlisted funds managed by Huaige Health as disclosed in note 27(b) and note 19 above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the Directors' Report under heading "Connected Transactions". However, those transactions of above (ii) and (iii) are exempt from the disclosure requirements of continuing connected transactions in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

30 COMPANY — LEVEL STATEMENT OF FINANCIAL POSITION

	31 December 2023 RMB'000	31 December 2022 RMB'000
Non-current assets		
Property, plant and equipment	**526,882**	422,668
Right-of-use assets	**90,714**	97,063
Intangible assets	**22,156**	8,635
Other non-current assets	**37,754**	18,314
Deferred tax assets	**–**	2,245
Interests in subsidiaries	**496,271**	481,458
Financial assets at fair value through profit or loss	**175,022**	162,454
	1,348,799	1,192,837
Current assets		
Inventories	**59,092**	89,214
Trade and other receivables	**326,010**	138,009
Other current assets	**9,006**	11,687
Cash and cash equivalents	**194,039**	227,123
	588,147	466,033
	1,936,946	1,658,870
Current liabilities		
Trade and other payables	**136,033**	80,710
Contract liabilities	**8,934**	11,777
Loans and borrowings	**79,123**	32,683
Lease liabilities	**–**	201
Deferred income	**1,505**	1,345
Current taxation	**11,607**	3,368
	237,202	130,084
Net current assets	**350,945**	335,949
Total assets less current liabilities	**1,699,744**	1,528,786

30 COMPANY — LEVEL STATEMENT OF FINANCIAL POSITION *(Continued)*

	Note	**31 December 2023 *RMB'000***	31 December 2022 *RMB'000*
Non-current liabilities			
Lease liabilities		**15,656**	15,944
Deferred tax liabilities		**1,770**	6,672
Deferred income		**14,754**	10,009
		32,180	32,625
NET ASSETS		**1,667,564**	1,496,161
CAPITAL AND RESERVES			
Share capital	*26*	**171,000**	168,000
Reserves	*26*	**1,496,564**	1,328,161
TOTAL EQUITY		**1,667,564**	1,496,161

Approved and authorised for issue by the board of directors on 18 March 2024.

LIANG DONG KE
Director

LIN SEN
Director

(Company Stamp)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

31 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(i) On 23 February 2024, the Company, Int Fund and Mr. Ke Wei (together the "Sellers") and Shanghai Healing entered into an equity interest repurchase agreement (the "Repurchase Agreement"). Pursuant to the Repurchase Agreement, the Company agreed to repurchase a total of approximately 5.0% equity interest in Shanghai Healing from the Sellers. Upon completion of the transaction, Shanghai Healing will be owned as to approximately 61.36% by the Company. Detailed information is disclosed in the Company's announcements dated 23 February 2024 and 4 March 2024.

(ii) The Company has received approval dated 13 March 2024 from the CSRC in relation to the Company's allotment and issuance of 5,000,000 domestic shares under the 2023 Share Incentive Scheme. Upon the completion of the allotment, the total number of issued shares will be 176,000,000, and all the restricted shares under the 2023 Share Incentive Scheme will be fully issued. Detailed information is disclosed in the Company's announcement dated 15 March 2024.

32 IMMEDIATE AND ULTIMATE CONTROLLING COMPANY

In May 2022, the Company re-elected its third session of the board of directors during the Annual General Meeting and the directors of the Company is of the view that KDL was not the controlling company of the Company from then on. Detailed information is disclosed in the announcement of the Company dated 16 May 2022.

As at 31 December 2023 and 2022, the Company does not have immediate and ultimate controlling companies.

(Expressed in Renminbi Yuan unless otherwise indicated)

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current ("2020 amendments")*	1 January 2024
Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants ("2022 amendments")*	1 January 2024
Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*	1 January 2024
Amendments to HKAS 7, *Statement of cash flows and HKFRS 7, Financial Instruments: Disclosures: Supplier finance arrangements*	1 January 2024
Amendments to HKAS 21, *The effects of changes in foreign exchange rates: Lack of exchangeability*	1 January 2025

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

DEFINITIONS

"2023 Share Incentive Scheme"	the 2023 employee share incentive scheme of the Company approved by the Shareholders on 19 December 2023
"Articles" or "Articles of Association"	the articles of association of the Company, as amended, modified or supplemented from time to time
"Award Shares"	the 5,000,000 new Domestic Shares to be allotted to Dr. Liang Dongke and the Share Incentive Platforms or other designated persons for administration of the 2023 Share Incentive Scheme
"AGM"	the annual general meeting of the Company to be convened and held on Friday, 24 May 2024
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors of the Company
"CG Code"	the Corporate Governance Code contained in Appendix C1 to the Listing Rules
"Company"	Shanghai INT Medical Instruments Co., Ltd.* (上海瑛泰醫療器械股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Hong Kong Stock Exchange (Stock code: 1501)
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and are unlisted Shares which are currently not listed or traded on any stock exchange
"Group" or "we" or "our"	the Company and its subsidiaries
"H Share(s)"	ordinary share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, listed on the Main Board of the Hong Kong Stock Exchange
"H Share Award and Trust Scheme" or "H Share Scheme"	the H Share Award and Trust Scheme approved by the Shareholders on 16 May 2022
"H Share Scheme Rules"	the rules governing the operation of the H Share Scheme as well as the implementation procedure (as amended from time to time)
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

"Independent Third Party(ies)"	any entity or person who is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"Nomination Committee"	the nomination committee of the Board
"PRC" or "China"	the People's Republic of China
"Proposed Final Dividend"	the proposed final dividend distribution plan of RMB0.27 per Share (equivalent to HK$0.30 per Share) (inclusive of applicable tax) subject to the approval by the Shareholders at the AGM as described under the section headed "Dividend" on page 184 of this annual report
"Prospectus"	the prospectus of the Company dated 28 October 2019
"Reporting Period"	the year ended 31 December 2023
"Remuneration Committee"	the remuneration committee of the Board
"RMB"	the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, including the Domestic Share(s) and the H Share(s)
"Shareholder(s)"	the holder(s) of share(s) of the Company
"Share Incentive Platforms"	Jingning Int Chuangyuan Partnership (Limited Partnership)* (景寧瑛泰創源合夥企業(有限合夥)) and Jingning Int Chuangqi Partnership (Limited Partnership)* (景寧瑛泰創啟合夥企業(有限合夥)), limited partnerships established in the PRC whose general partner is Dr. Liang Dongke
"Share Incentive Scheme"	the share incentive scheme approved by the Shareholders on 17 December 2020 and the amendments to the Share Incentive Scheme approved by the Shareholders on 17 May 2021

DEFINITIONS

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in the Companies Ordinance (Chapter 622 of the laws of Hong Kong)
"Substantial Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules
"Supervisor(s)"	the supervisor(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company