

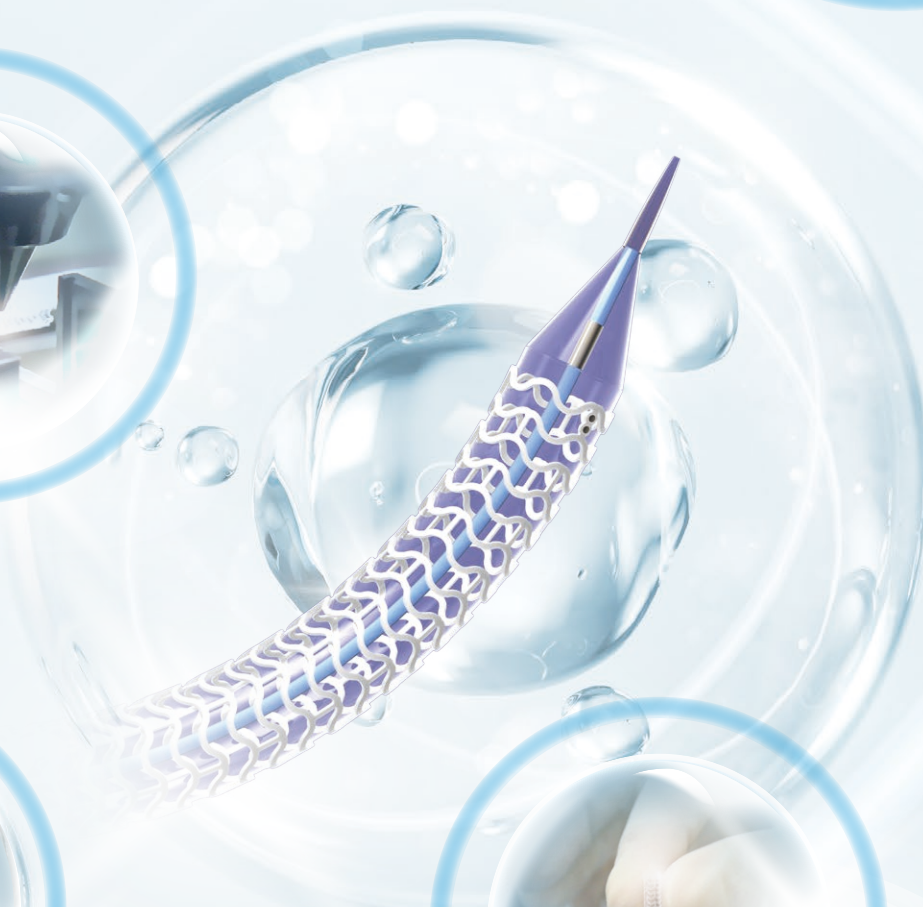


上海百心安生物技術股份有限公司

Shanghai Bio-heart Biological Technology Co., Ltd.

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

Stock Code: 2185



**2023**

**ANNUAL REPORT**



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Philip Li WANG (汪立) (*Chairperson, chief executive officer and general manager*)  
Mr. Yunqing WANG (王雲馨) (*Chief financial officer, board secretary and joint company secretary*)  
Ms. Peili WANG (王佩麗)

### Non-executive Directors

Mr. Quan ZHOU (周琮) (*retired on June 26, 2023*)  
Mr. Ji CHEN (陳紀) (*retired on June 26, 2023*)

### Independent Non-executive Directors

Mr. Charles Sheung Wai CHAN (陳尚偉)  
Mr. Xubo LU (魯旭波)  
Mr. Wing Yiu DJEN (鄭榮曜) (*appointed on June 26, 2023*)  
Mr. George Chien Cheng LIN (林潔誠) (*retired on June 26, 2023*)

## AUDIT COMMITTEE

Mr. Charles Sheung Wai CHAN (陳尚偉) (*Chairperson*)  
Mr. Xubo LU (魯旭波)  
Mr. Wing Yiu DJEN (鄭榮曜)  
Mr. George Chien Cheng LIN (林潔誠) (*retired on June 26, 2023*)

## REMUNERATION COMMITTEE

Mr. Xubo LU (魯旭波) (*Chairperson*)  
Mr. Charles Sheung Wai CHAN (陳尚偉)  
Mr. Wing Yiu DJEN (鄭榮曜)  
Mr. George Chien Cheng LIN (林潔誠) (*retired on June 26, 2023*)

## NOMINATION COMMITTEE

Mr. Philip Li WANG (汪立) (*Chairperson*)  
Mr. Charles Sheung Wai CHAN (陳尚偉)  
Mr. Xubo LU (魯旭波)

## SUPERVISORS

Mr. Tao CAI (蔡濤) (*Chairperson*)  
Mr. Lei ZHU (朱磊)  
Mr. Junyi WANG (王君毅) (*appointed on August 31, 2023*)  
Mr. Chenzhao ZHANG (張晨朝) (*resigned on August 31, 2023*)

## JOINT COMPANY SECRETARIES

Mr. Yunqing WANG (王雲馨)  
Ms. Sarah Siu Ying KWOK (郭兆瑩)

## AUTHORIZED REPRESENTATIVES

Mr. Yunqing WANG (王雲馨)  
Ms. Sarah Siu Ying KWOK (郭兆瑩)

## REGISTERED OFFICE, HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Room 302, 3/F, Building 4  
No. 590 Ruiqing Road  
East Zhangjiang Hi-Tech Park  
Pudong New Area  
Shanghai  
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## AUDITOR

Ernst & Young  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay  
Hong Kong

## LEGAL ADVISERS

*As to Hong Kong law:*  
Fangda Partners  
26/F, One Exchange Square  
8 Connaught Place, Central  
Hong Kong

*As to PRC law:*  
AllBright Law Offices  
9, 11, 12/F, Shanghai Tower  
501 Yincheng Middle Road  
Pudong New Area, Shanghai  
PRC

## H SHARE REGISTRAR

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

## PRINCIPAL BANK

HSBC Bank (China) Shanghai Branch  
LG1-38, IFC  
Pudong New District  
Shanghai  
PRC

## STOCK CODE

2185

## COMPANY'S WEBSITE

[www.bio-heart.com](http://www.bio-heart.com)

## LISTING DATE

December 23, 2021

## Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out below:

	For the year ended December 31,				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Research and development expenses	(111,743)	(157,830)	(214,228)	(245,743)	(21,530)
Administrative expenses	(52,881)	(94,370)	(195,424)	(81,556)	(3,744)
Finance costs	(578)	(959)	(685)	(56)	(86)
Other expenses	(30,552)	(55)	(6,647)	(16,363)	(5)
Other income and gains	8,567	23,776	7,159	3,424	1,646
Share of loss of an associate	(1,633)	(1,430)	–	–	–
<b>Loss for the year</b>	<b>(188,820)</b>	<b>(230,868)</b>	<b>(409,825)</b>	<b>(340,294)</b>	<b>(23,719)</b>

	As at year ended December 31,				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Total non-current assets	409,426	439,991	358,391	314,277	21,327
Total current assets	408,473	541,528	756,528	470,765	32,788
Total current liabilities	20,069	28,846	36,812	13,867	8,712
Total non-current liabilities	23,973	37,623	43,232	27,262	7,264
Non-controlling interests	25,445	31,836	39,188	43,823	–
<b>Total equity</b>	<b>773,857</b>	<b>915,050</b>	<b>1,034,875</b>	<b>743,913</b>	<b>38,139</b>

Note: The H Shares of the Company were listed on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on December 23, 2021.

# Chairman's Statement

Dear Shareholders,

On behalf of the board of directors of the Company, I am pleased to present our annual report for the financial year ended December 31, 2023.

We are a leading innovative interventional cardiovascular device company in China with a current focus on two therapies: (i) bioresorbable scaffolds (BRS) addressing the unmet medical needs of Chinese patients for the treatment of coronary artery diseases, and (ii) renal denervation (RDN) addressing the unmet medical needs of patients for the treatment of uncontrolled hypertension.

The year of 2023 witnessed Bioheart's numerous significant milestones as we made meaningful progress across all aspects of our business. We have completed the clinical study follow up for Bioheart®, a self-developed bioresorbable scaffold in China. We have received the clinical study report for Iberis HTN, which is the pivotal trial for our RDN product (Iberis® 2nd, the second-generation RDN system). We have presented the detailed data of Iberis HTN at China Interventional Therapeutics 2023 in June. We are delighted to see that both our BRS and RDN product have entered the stage of registration after over 10 years of dedicated R&D. We will continue our efforts in product registration and preparation for future commercialization.

In addition to the China market, we are also actively expanding our business globally. We have a European clinical trial ongoing to evaluate the Iberis® 2nd RDN system's advantages of being the world's only RDN product candidate that provides both the transfemoral and transradial intervention (TRI) approaches to physicians and patients. We have enrolled over 20 cases in Europe with more and more interventionists recognizing the extra benefit of TRI RDN. We firmly believe that transradial approach for renal denervation procedure is the right direction, which is safer, more effective and cheaper. TRA might be able to bring outpatient renal denervation procedures to patients around the world. In addition, we have finished the First In Human clinical trials for Iberis® 2nd in Japan in collaboration with Terumo, our global strategic partner. We are now actively communicating with PMDA regarding the Pivotal clinical trial protocol in Japan.

Furthermore, we were thrilled to see that after decades of development, RDN therapy finally received approval from FDA in November 2023 and numerous expert consensus and guidelines have been published. We are looking forward to bringing our TRI RDN solution to patients worldwide.

Looking forward to the future, bearing our mission 'turning innovation into quality care' in mind, we remain committed to bringing the best treatment options to patients fighting coronary artery diseases, uncontrolled hypertension as a provider of innovative medical products. We will continue to prepare for the commercialization of our product candidates, and will keep strengthening our in-house R&D capabilities, expanding our product pipeline, while seeking deeper cooperation and partnership around the world.

Finally, on behalf of Bioheart, I would like to express my heartfelt gratitude to our colleagues for their devotion and dedication. I would also like to extend my deep appreciation to all of our patients, physicians, business partners and shareholders.

Yours faithfully,

**Mr. Philip Li WANG**

*Chairperson and executive Director*



# Management Discussion and Analysis

## I. BUSINESS REVIEW

### Overview

We are a leading innovative interventional cardiovascular device company in China with a current focus on two therapies: (i) BRS addressing the unmet medical needs of Chinese patients for the treatment of coronary artery diseases, and (ii) RDN addressing the unmet medical needs of patients for the treatment of uncontrolled hypertension and resistant hypertension.

### Products and Pipeline

As of the date of this report, we have a portfolio of three product candidates in various stages of development. The following diagram summarizes the status of our product candidates under development as of the date of this report:

Product Candidates*	Pre-Clinical	Clinical	Registration	Commercialization
<b>BRS Product Candidate</b> Bioheart® BRS system ★+ (For coronary artery disease)	> In China • Feasibility clinical trial completed • In confirmatory clinical trial (patient follow up completed)		Expected to be the world's first second-generation BRS system approved for commercialization based on multi-center RCT results	2024 Q3-Q4
<b>RDN Product Candidate</b> Iberis® 2nd second-generation RDN system +	> In China • In confirmatory clinical trial (patient follow up completed)	> In Japan • Feasibility clinical trial completed • To initiate confirmatory clinical trial	Expected to be the first multi-electrode RDN product approved for commercialization in China	2024 Q2-Q3  2027
<b>DCB Product Candidate</b> Sirolimus Drug Eluting Balloon	> In Japan • Design stage			2026

★ Core product  
 + NMPA “Innovative Medical Device”  
 \* The confirmatory clinical trial is also known as pivotal clinical trial in Japan.

# Management Discussion and Analysis

## **Our Products and Product Candidates**

### ***BRS Product Candidate***

**Bioheart®**, our BRS product, is a self-developed temporary scaffold that will be fully resorbed by the human body over time. It is a BRS system used in percutaneous coronary intervention (“PCI”) procedures for the treatment of coronary artery disease. As of the date of this annual report, we held over 40 patents, with one registered in the U.S. and one registered in Europe. Bioheart® was recognized as an “innovative medical device” by the NMPA in February 2017 and is therefore eligible for an expedited approval process. On February 16, 2022, the Company completed the patient enrollment process for the clinical trial of Bioheart®. We expect to obtain the approval from the NMPA in Q3-Q4 2024.

### ***RDN Product Candidate***

**Iberis® 2nd** is our self-developed second-generation RDN system. RDN is one of the few device therapies with proven clinical efficacy to treat uncontrolled hypertension and resistant hypertension and is considered by many industry experts as having the potential to transform the treatment paradigm of hypertension. As of the date of this annual report, we held over 20 patents in relation to Iberis® 2nd with one registered in Japan. Iberis® 2nd was recognized as an “innovative medical device” by the NMPA in November 2016 and is therefore eligible for an expedited approval process. On January 26, 2022, the Company completed the patient enrollment process for the clinical trial of Iberis® 2nd. On April 11, 2023, the Company announced that the randomized controlled trial (“RCT”) of Iberis® 2nd Multi-Electrode Renal Artery Radiofrequency Ablation Catheter System in patients with Essential Hypertension (“Iberis-HTN”) has achieved its primary clinical endpoint according to the Statistical Report that the Company received. Detailed data has been presented at China Interventional Therapeutics 2023. We expect to obtain the approval from the NMPA in Q2-Q3 2024.

We have contracted with the European Cardiovascular Research Center to conduct a European clinical trial evaluating Iberis® 2nd RDN system. At an official annual meeting of the European Association of Percutaneous Cardiovascular Interventions, we finalized plans with clinical trial investigators on the RADIUS-HTN Trial. The European Cardiovascular Research Center will conduct the RADIUS-HTN Trial comparing the effectiveness of RDN performed via transradial arterial access (“TRA”) and transfemoral arterial access (“TFA”). We are the only company in the world to have CE Marking for catheters that can be used for both TRA and TFA to treat high blood pressure. The TRA approach to vascular interventions is preferred by physicians and patients. Compared to TFA, TRA interventions reduce access site complications and shorten the duration of hospital stay with a reduction in procedural costs and increased patient gratification. Clinical trials in Japan for Iberis® 2nd are conducted in collaboration with Terumo, our strategic business collaborator. On March 27, 2023, the first patient under the RADIUS-HTN Trial was enrolled, and the procedure was performed at the Centre Hospitalier Universitaire de Bordeaux.

# Management Discussion and Analysis

## **DCB Product Candidate**

Our newly developed drug coated balloon (“DCB”) is a sirolimus drug-eluting balloon catheter designed for in-stent restenosis. Drug-eluting balloon (“DEB”) is a kind of DCB, which usually has a longer drug release period. The drug coating contains sirolimus, amphipathic liposomes, biodegradable polymers and dispersants in a certain ratio to achieve efficient transfer and durable release of the drug coating, which is safe and effective. By encapsulating sirolimus in biodegradable nanoparticles to form nano drug-loaded microspheres, this method achieves an ultra-long release of about 90 days in the target vessel tissue. The final microsphere micelles are formed by the self-assembly effect resulting from the amphipathic liposome with the dispersant and the nano drug – loaded microspheres through intermolecular forces. Due to the effect of amphiphilic liposomes, the transfer ability of the microsphere micelles into the target vessel tissue is greatly improved, and finally drug transfer and long release period are achieved.

As of the date of this annual report, current DCB products available in Japan market all use paclitaxel-based drug coating. Compared with paclitaxel, sirolimus’s unique cytostatic effect makes it have higher safety and wider therapeutic window, and has anti-inflammatory effect.

Coronary sirolimus DCB, as the recommended product for in stent restenosis and bifurcation vessels, will be an ideal supplement to our BRS products. We are now actively communicating with PMDA preparing for clinical study.

**WE MAY NOT BE ABLE TO SUCCESSFULLY DEVELOP AND/OR MARKET OUR CORE PRODUCT, BIOHEART®, OR ANY OTHER PRODUCT CANDIDATES.**

## **Research and Development**

Our research and development team has been focusing on developing medical devices for the treatment of coronary diseases, as well as uncontrolled and resistant hypertension. We have independently developed a number of innovative medical devices and commercialized our first-generation RDN product in multiple regions. As of the date of this annual report, we had:

- one Core Product, one RDN product candidate, as well as a sirolimus DCB product candidate in various stages of development;
- Over 80 registered patents and over 40 pending patent applications; and
- CE Marking and nine registration certificates for our first-generation RDN product commercialized in overseas markets.



# Management Discussion and Analysis

## Strategic Investments

On April 14, 2023, the Company, HK Bio-heart, Shanghai Xinzhi Medical Technology Co., Ltd.\* (上海心至醫療科技有限公司) (“Xinzhi Medical”), Ms. Jiaqi Hong, the spouse of Mr. Wang, and the other shareholders of Xinzhi Medical entered into a capital increase agreement, pursuant to which the Company agreed to make a capital increase of RMB15,000,000 into Xinzhi Medical in exchange for RMB361,144 of the registered capital of Xinzhi Medical, and the remaining RMB14,638,856 shall be credited as capital reserve of Xinzhi Medical. Together with the equity interest in Xinzhi Medical directly held by HK Bio-heart, the Group holds an aggregate of approximately 22.18% interest in Xinzhi Medical after the completion of the capital increase. Xinzhi Medical’s paclitaxel coronary DCB has been approved by the NMPA in May 2023. Additionally, Xinzhi Medical has three DCB products at clinical stage in its pipeline and the patient enrollment process for the clinical trial of rapamycin coronary DCB has been completed. Compared to the commonly used stents in clinical practice, DCB, as the complementary product of BRS, is able to offer treatment without implanting foreign objects into human bodies, thereby achieving the concept of “intervention without implantation”. By investing in Xinzhi Medical, we expect to enrich our portfolio in cardiovascular device through cooperation and achieving synergy between Xinzhi’s Medical DCB products and our pipeline. For details of the capital increase in Xinzhi Medical, please refer to the Company’s announcement dated April 14, 2023.

## Manufacturing

After thorough consideration of the status of our product candidates under development and future competitive landscape, we have terminated the lease for one of our manufacturing plants located at east Zhangjiang Hi-Tech Park during the Reporting Period to reduce unnecessary expenses and allocate resources more efficiently towards the upcoming product commercialization phase. We expect to locate and establish a new manufacturing plant in other area before product commercialization to further enhance operational efficiency and reduce production costs.

## Future and Outlook

Our goal is to become a world-renowned chronic disease management medical device platform. We plan to implement the following strategies to achieve this goal:

- rapidly advance the clinical development and commercialization of our product candidates, especially Bioheart® and Iberis® 2nd, in order to enjoy a “first-mover” advantage in the unmet BRS and RDN markets in China;
- enhance our sales efforts and strengthen our presence in the interventional cardiovascular device market in China;
- further enhance our research and development capabilities and expand our product portfolios;
- expand our manufacturing capabilities and build our in-house sales and marketing team;
- further expand our presence in China and globally; and
- actively seek opportunities for external partnerships, strategic investments and acquisitions to facilitate our future expansion.

# Management Discussion and Analysis

## II. FINANCIAL REVIEW

For the year ended December 31, 2023 and 2022, we incurred net losses of RMB188.8 million and RMB230.9 million, respectively. It is highly possible for us to incur net losses in the near future as we continued to invest in R&D of, seek regulatory approval for, and commercialize our pipeline products.

### Other Income and Gains

Our other income mainly consists of government grants, bank interest income and others. Our government grants mainly include government subsidies for compensating our expenses relating to certain research and development projects.

Our other income and gains decreased from RMB23.8 million in 2022 to RMB8.6 million in 2023. The decrease was primarily attributable to the decrease of foreign exchange gains of RMB16.9 million.

### Administrative Expenses

Our administrative expenses mainly consist of (i) employee benefit expenses, (ii) depreciation expenses, (iii) professional service expenses, and (iv) utilities and office expenses. Employee benefit expenses mainly include salaries, equity-settled share awards and other welfare for our administrative employees. In 2022 and 2023, we recorded equity-settled share award expenses of RMB67.4 million and RMB22.2 million, respectively, under our administrative expenses.

Our administrative expenses decreased from RMB94.4 million in 2022 to RMB52.9 million in 2023. The decrease was primarily attributable to 1) a decrease of equity-settled share award expense of RMB45.2 million related to our key administrative employees with service periods requirements; 2) a decrease of professional service expenses of RMB3.8 million as a result of that the compliance service expenses and public relation services was not incurred during this year; 3) an increase of other expense of RMB7.1 million due to increased conference and travel costs incurred in 2023.

The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Employee benefits expenses	28,565	72,979
Including: equity-settled share award expense	22,197	67,416
Depreciation expenses	8,226	8,125
Professional service expenses	5,981	9,772
Utilities and office expenses	1,398	1,865
Others	8,711	1,629

# Management Discussion and Analysis

## Research and Development Expenses

Our research and development expenses mainly consist of (i) third party contracting cost, (ii) employee benefits expenses for our research and development staff, (iii) costs of raw materials and consumables used, and (iv) depreciation and amortization expenses.

Employee benefits expenses under research and development expenses primarily include the salaries, welfare, and equity-settled share awards for our research and development employees. In 2022 and 2023, we recorded equity-settled share award expenses of RMB73.1 million and RMB25.4 million, respectively, under our research and development expenses. We have established incentive platforms for such purposes.

Our research and development expenses decreased from RMB157.8 million in 2022 to RMB111.7 million in 2023. The decrease was primarily attributable to the decrease of equity-settled share award expenses related to our research and development employees with service periods requirements.

The following table sets forth a breakdown of our research and development expenses for the periods indicated:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Third party contracting cost	50,540	49,547
Employee benefit expenses	36,660	84,805
Including: equity-settled share award expense	25,430	73,065
Costs of raw materials and consumables used	3,430	5,425
Depreciation and amortization expenses	13,129	12,732
Others	7,984	5,321

## Other Expenses

Our other expenses increased from RMB0.1 million in 2022 to RMB30.6 million in 2023. The increase was due to the loss on disposal of items of property, plant and equipment resulting from the termination of the lease for one of our manufacturing plants during the Reporting Period.

## Finance Costs

Our finance costs mainly consist of interest on lease liabilities relating to our lease of office premises. Our finance costs decreased from RMB1.0 million in 2022 to RMB0.6 million in 2023. The decrease was primarily attributable to the lease termination.

# Management Discussion and Analysis

## Income Tax Expense

No provision for Chinese Mainland income tax has been provided for at a rate of 25% pursuant to the Enterprise Income Tax Law of the PRC and the respective regulations, as the PRC entities of our Group have no estimated assessable profits.

No provision for Hong Kong income tax has been provided for at a rate of 16.5% as the Group's Hong Kong entity has no estimated assessable profits during the year.

We did not record any income tax expense during the Reporting Period.

## Loss for the Year

Based on the factors described above, our net losses amounted to RMB188.8 million and RMB230.9 million in 2023 and 2022 respectively.

## Liquidity and Financial Resources

Our primary uses of cash are to fund the development of our product candidates, our clinical trials, our payment for the purchase of plant and equipment, administrative expenses and other recurring expenses. Our net cash used in operating activities was RMB49.0 million for the year ended December 31, 2023, primarily due to the significant research and development expenses and administrative expenses we incurred during the Reporting Period. Our operating cash flow will continue to be affected by our research and development expenses. During the Reporting Period, we mainly relied on capital contributions by our shareholders and equity financing as the major sources of liquidity. Our management closely monitors uses of cash and cash balances and strives to maintain a healthy liquidity for our operations. Going forward, we believe our liquidity requirements will be satisfied by a combination of net proceeds from the Global Offering and cash generated from our operations.

Our net cash used in investing activities was RMB28.9 million for the year ended December 31, 2023, primarily due to the purchases of items of property, plant and equipment, payments for investment in an associate amounting to RMB17.7 million and RMB15.0 million, respectively.

Our net cash used in financing activities was RMB5.8 million for the year ended December 31, 2023, primarily due to the payment for leases.

As of December 31, 2023, we had cash and cash equivalents of RMB369.4 million, representing a decrease of 18.1% compared to RMB451.3 million as of December 31, 2022.

Our net current assets decreased from RMB512.7 million as of December 31, 2022 to RMB388.4 million as of December 31, 2023, primarily attributable to the decrease in cash and cash equivalents.

# Management Discussion and Analysis

## Capital Expenditure

Our capital expenditures primarily consist of expenditures on machinery, office equipment, motor vehicles as well as leasehold improvements.

Our capital expenditures decreased from RMB30.0 million in 2022 to RMB17.7 million in 2023. The decrease was primarily attributable to less purchase of machinery and leasehold improvements.

## Indebtedness

As of December 31, 2023, we did not have any outstanding balance of borrowings.

As of the date of this annual report, we had no unutilized banking facilities.

Our lease liabilities decreased from RMB18.1 million as of December 31, 2022 to RMB1.8 million as of December 31, 2023, primarily because of increase of the lease payments made and leases termination during the year.

## Gearing Ratio

The gearing ratio of the Group, which was calculated by using total liabilities divided by total assets and multiplied by 100%, was 5.4% as of December 31, 2023, decreased from 6.8% as of December 31, 2022. The decrease was primarily due to decrease of cash and cash equivalents.

## Capital Commitments

As of December 31, 2023, we didn't have capital commitments contracted, but not yet provided for, which were related to the purchase of property, plant and equipment for the Group's production plant (2022: RMB7.6 million).

## Pledge of Assets

As of December 31, 2023, the Group had no pledge of assets.

## Contingent Liabilities

As of December 31, 2023, we did not have any material contingent liabilities.

## Foreign Exchange Exposure

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

## Future Plans for Material Investments or Capital Assets

Save as disclosed herein, the Group has no other material capital expenditure plan as of the date of this annual report.

# Management Discussion and Analysis

## Human Resources

As of December 31, 2023, the Group had 32 full-time employees, who were all based in China. The total employee benefits expenses of our Group, which consist of (i) wages, salaries and bonuses, (ii) contributions to statutory employee benefit plans, (iii) employee welfare and (iv) equity-settled share award expenses, for the Reporting Period were approximately RMB65.2 million.

We recruit our employees based on a number of factors, including work experience, educational background and the requirements of a relevant vacancy. We invest in continuing education and training programs for our management staff and other employees to upgrade their skills and knowledge continuously. We provide our employees with regular feedback as well as internal and external training in various areas, such as product knowledge, project development and team building. We also assess our employees based on their performance to determine their salary, promotion and career development. In compliance with the relevant PRC labor laws, we enter into individual employment contracts with our employees covering matters such as duration, wages, bonuses, employee benefits, workplace safety, confidentiality obligations, non-competition and grounds for termination. The Group ensures that its remuneration packages are comprehensive and competitive from time to time. When determining the emolument payable to the Directors, we take into account the experience of the Directors, their level of responsibility and general market conditions. Any discretionary bonus and other merit payments of the Directors are linked to the profit performance of the Group and the individual performance of the Directors. Employees are remunerated with a fixed monthly income plus annual performance related bonus. In addition, we are required under PRC law to make contributions to statutory employee benefit plans (including pension plans, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing funds) at a certain percentage of our employees' salaries, including bonus and allowances, up to a maximum amount specified by the local government.

In September 2020, the Board passed a resolution to grant up to 14,509,413 restricted shares of the Company to directors, employees and founders of the Company and AngioCare (i.e. the "2020 Plan"). The 2020 Plan was established in order to retain certain eligible employees for the continual operation and development of the Group. The subscription price paid by the shareholding platforms of the 2020 Plan was RMB1.0 per share of the Company.

On June 27, 2022, the annual general meeting approved the proposed adoption of the 2022 H Share Incentive Scheme (i.e. the "2022 Scheme"). The 2022 Scheme aims to attract, motivate and retain highly skilled and experienced personnel to strive for the future development and expansion of the Group. The 2022 Scheme can also help the Company to modernize the remuneration practices and to improve the interests balancing mechanism among Shareholders, the operational and executive management by aligning their interests as a whole. For further details of the 2022 Scheme, please refer to the sections headed "Other Information – Share Incentive Scheme" and Note 29 to the consolidated financial statements.



# Management Discussion and Analysis

## USE OF PROCEEDS

On December 23, 2021, the Company was successfully listed on the Stock Exchange. The net proceeds received by the Group from the Global Offering after deducting underwriting fee and relevant expenses amounted to approximately HK\$441.69 million.

The table below sets out the planned applications of the net proceeds from the Global Offering and actual usage as of December 31, 2023:

Use of proceeds	Percentage of total net proceeds	Allocation of net proceeds (HK\$ million)	Unutilized amount as of January 1, 2023 (HK\$ million)	Utilized amount during the Reporting Period (HK\$ million)	Unutilized amount as of December 31, 2023 <sup>(1)</sup> (HK\$ million)	Expected timeline of full utilization of the unutilized proceeds <sup>(2)</sup>
To fund the ongoing confirmatory clinical trial, preparation for registration filings, and planned commercial launch of our Core Product, Bioheart®	62.00%	273.85	195.49	18.89	176.60	December 2027
To fund the ongoing randomized controlled clinical trial in China for, and the continuous development of, our RDN product candidate, Iberis® 2nd	21.30%	94.08	84.83	23.04	61.79	December 2027
To fund the research and development, ongoing pre-clinical studies and planned clinical trials of other product candidates in our pipeline, including Bio-Leap™, Bioheart Ultra™, our Bioheart® balloon dilatation catheter, our Bioheart® non-compliant (high-pressure) balloon dilatation catheter and our Bioheart® impulse balloon dilatation catheters	2.79%	12.34	0.47	0.47	–	Fully utilized
General corporate and working capital purposes	10.00%	44.17	28.14	18.94	9.20	December 2027
To fund the research and development of DCB	3.91%	17.25	17.25	10.17	7.08	December 2027
	100%	441.69	326.18	71.51	254.67	

### Notes:

- As of December 31, 2023, the unused net proceeds were deposited with certain licensed banks in Hong Kong or the PRC.
- The expected timeline to use the remaining proceeds is prepared based on the best estimate made by the Group, which is subject to change according to the current and future development of the market condition.

# Management Discussion and Analysis

## Change of Use of Proceeds

In February 2024, the Board has resolved to change the use of unutilized net proceeds from the Global Offering. For details, please refer to the section headed “Subsequent Events after the Reporting Period” in this annual report.

## SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Please also refer to the section headed “Strategic Investments” for further details. Save as disclosed therein, the Group did not hold any significant investments or made any significant acquisitions and disposals during the Reporting Period.

## FULL CIRCULATION

On January 13, 2023, the conversion of 100,107,425 Domestic Shares and 74,509,781 Unlisted Foreign Shares into H Shares, and the Full Circulation of Domestic Shares and certain Unlisted Foreign Shares were completed on January 13, 2023. For further details of the share capital structure of the Company immediately after the completion of the Full Circulation, please refer to the announcement on the same date.

## SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

On February 8, 2024, the Board resolved to change the use of the unutilized net proceeds from the Global Offering, totalling approximately HK\$247.10 million as of February 8, 2024, as follows:

- (i) reallocating approximately HK\$26.37 million, which was originally allocated for funding the ongoing randomized controlled clinical trial in China for, and the continuous development of, the Group’s RDN product candidate, Iberis® 2nd, to funding the acquisition of the Property, which was completed in March 2024; and
- (ii) reallocating approximately HK\$70 million, which was originally allocated for funding the ongoing confirmatory clinical trial, preparation for registration filings, and planned commercial launch of the Company’s Core Product, Bioheart®, to funding the research and development of DCB, which is one of the Group’s newly developed product candidate and is expected to become the first sirolimus drug-coated balloon approved in Japan.

For details of the above reallocation of unutilized net proceeds from the Global Offering, please refer to the announcement of the Company dated February 8, 2024.

Save as disclosed above, there is no material subsequent event undertaken by the Company or by the Group after the Reporting Period and up to the date of this annual report.

# Directors, Supervisors and Senior Management

## DIRECTORS

### Executive Directors

**Mr. Philip Li WANG (汪立)**, aged 55, was appointed as a Director on December 8, 2014, and redesignated as an executive Director on November 24, 2020. Mr. Wang is the founder of our Company and has been serving as the chairperson of the Board and the general manager of our Company since its inception. Mr. Wang is primarily responsible for the overall strategic planning, business direction and operational management of our Group.

Mr. Wang is the founder of AngioCare and has served as a director since September 2011. Mr. Wang has also served as the director of HK Bio-heart since April 2021.

Mr. Wang has over 25 years of experience in the interventional cardiovascular medical device industry. From 2002 to 2012, he had successively served as the chief marketing officer and the chief operating officer of MicroPort Scientific Corporation, a medical device company which manufactures, markets and distributes high-end medical devices globally and is listed on the Stock Exchange (stock code: 0853). From April 2013 to April 2019, he was a director at Shanghai Kinetic Medical Co., Ltd. (上海凱利泰醫療科技股份有限公司), a medical device company principally engaged in the research, development, manufacture and sale of minimally invasive surgical systems and is listed on the Shenzhen Stock Exchange (stock code: 300326). From 2013 to December 2020, he served as the Chairperson and CEO of Essen Technology (Beijing) Co., Ltd. (易生科技(北京)有限公司), an interventional cardiovascular device company in China with a current focus on the research and development of DES products. In September 2020, he was appointed by Fudan University (復旦大學) as an industry mentor for the doctorate program in biology and medicine.

He is also the sole executive partner with a 34% partnership interest in Shanghai Baixinantong, responsible for its management, and a limited partner of Shanghai Baihate, holding 62.19% of its partnership interest, both being our employee incentive platforms.

Mr. Wang received his bachelor of arts in international relations and his master's degree in business administration from the University of California at Davis in the United States in June 1993 and June 1996 respectively.

**Mr. Yunqing WANG (王雲馨)**, aged 39, was appointed as a Director on September 4, 2020, and redesignated as an executive Director on November 24, 2020. He was also appointed as the chief financial officer and board secretary on November 24, 2020, and joint company secretary on December 9, 2020. Since joining our Group, Mr. Yunqing Wang has participated in the daily operations of our Group and is primarily responsible for the overall financial management of our Group. Mr. Yunqing Wang has also served as the executive director of Shanghai Xianjianyi Trading Co., Ltd., one of our subsidiaries, and a director of AngioCare.

From September 2006 to December 2011, Mr. Yunqing Wang had served as an audit manager at Ernst & Young Hua Ming LLP (安永華明會計師事務所上海分所). From December 2011 to October 2015, he had served as a senior manager at PricewaterhouseCoopers Consultants (Shenzhen) Limited. From October 2015 to September 2020, Mr. Yunqing Wang had successively served as an executive director and a deputy general manager at Shanghai Qianji Xinghe Venture Capital Management Co., Ltd. (上海千驥星鶴創業投管理有限公司).

He is also a limited partner of Shanghai Baixinantong, holding 5.0% of its partnership interest, and a limited partner of Shanghai Baihate, holding 8.10% of its partnership interest, both being our employee incentive platforms.

## Directors, Supervisors and Senior Management

Mr. Yunqing Wang obtained his bachelor's degree in financial management from Zhejiang University (浙江大學) in June 2006 and his master's degree in business administration from the China Europe International Business School (中歐國際工商學院) in August 2019. Mr. Yunqing Wang is a member of the Shanghai Institute of Certified Public Accountants since April 2012.

**Ms. Peili WANG (王佩麗)**, aged 40, was appointed as an executive Director on November 10, 2022. Ms. Wang is also a former Supervisor of the Company (She has resigned as the Supervisor of the Company on November 10, 2022.). As an executive Director, Ms. Wang is primarily responsible for the overall accounting and human resource management of our Group. Ms. Wang has also been the financial manager of the Company since July 1, 2014 and the financial manager of AngioCare. Ms. Wang has over 10 years of experience in financial management. From September 2004 to June 2005, she was an accountant at the Korman Shipping Company Limited (上海和明航運服務有限公司). From July 2005 to May 2006, she was an accountant at the Shanghai Heming International Freight Company Limited (和明國際貨運有限公司). From June 2006 to July 2010, she was the financial manager of Shanghai Xiyuan International Trading Company (上海曦原國際貿易有限公司). From August 2010 to December 2013, she was the financial manager of Forerunner Medical (Shanghai) Company Limited (方潤醫療器械科技(上海)有限公司).

She is also the sole executive partner with a 1.62% partnership interest in Shanghai Baihate, responsible for its management, and a limited partner of Shanghai Baixinantong, holding 3.5% of its partnership interest, both being our employee incentive platforms.

Ms. Wang obtained her part-time bachelor's degree in accountancy from the Shanghai University of Finance and Economic (上海財經大學) in January 2009. She was admitted as Certified Public Accountant in China in May 2010.

### Independent Non-executive Directors

**Mr. Charles Sheung Wai CHAN (陳尚偉)**, aged 70, as an independent non-executive Director, is responsible for supervising and providing independent judgment to our Board. Mr. Chan has more than 40 years of experience in corporate finance, financial regulations and risk management. Mr. Chan started his career as an auditor at the Canadian office of Arthur Andersen in 1977 and was promoted to partnership in 1988. He subsequently joined the China & Hong Kong office of Arthur Andersen as an audit partner in 1994. From July 2002 to June 2012, Mr. Chan was a partner of the China & Hong Kong office of PricewaterhouseCoopers. Mr. Chan served as a member of the Election Committee for the first Legislative Council of Hong Kong in 1998 and a member of the Listing Committee of the Hong Kong Stock Exchange. Mr. Chan was a council member of the Hong Kong Institute of Certified Public Accountants.

Mr. Chan has been serving as an independent non-executive director of companies listed on the Stock Exchange, including Maoyan Entertainment (stock code: 1896), Hansoh Pharmaceutical Group Company Limited (stock code: 3692) and Sun Art Retail Group Limited (stock code: 6808) since February 2019, June 2019 and January 2021 respectively. Mr. Chan has also been serving as an independent director of S.F. Holding Co., Ltd., which is a company listed on the Shenzhen Stock Exchange (stock code: 002352) since December 2022. From May 2016 to May 2019, he was an independent non-executive director of CITIC Securities Company Limited, a company listed on the Stock Exchange (stock code: 6030). From September 2013 to April 2020, he was an independent non-executive director of Changyou.com, which was listed on the NASDAQ until privatization in April 2020. From July 2012 to October 2022, he was an independent non-executive director of SRE Group Limited, a company listed on the Stock Exchange (stock code: 1207).

Mr. Chan obtained his bachelor's degree in commerce from the University of Manitoba in May 1977. He is a member of both the Chartered Accountants of Canada and the Hong Kong Institute of Certified Public Accountants.

## Directors, Supervisors and Senior Management

**Mr. Xubo LU (魯旭波)**, aged 44, as an independent non-executive Director, is primarily responsible for supervising and providing independent judgment to our Board.

From May 2012 to June 2016, he had successively served as the board secretary and director of Zhejiang Kangsheng Company Ltd (浙江康盛股份有限公司), which is listed on the Shenzhen Stock Exchange (stock code: 002418). From August 2014 to August 2020, he was an independent director of Shanghai Kinetic Medical Co., Ltd. (上海凱利泰醫療科技股份有限公司), which is listed on the Shenzhen Stock Exchange (stock code: 300326). From June 2020 to September 2020, he was the executive director and the legal representative of Hangzhou Quality Point Network Technology Company Ltd (杭州質點網絡科技有限公司).

Outside our Group, Mr. Lu has also been serving as an independent director of Shanghai Kinetic Medical Co., Ltd. (上海凱利泰醫療科技股份有限公司), which is listed on the Shenzhen Stock Exchange (stock code: 300326) since June 2022. He also currently holds directorships or senior positions in the companies below:

Name of company	Position	Period
FV Asset Management Hangzhou Co., Ltd (杭州安益資產管理有限公司)	Founding partner, head of risk control and compliance	July 2016 to present
Zhangjiakou Xiangyin Biological Technology Company Limited (張家口祥音生物科技有限公司)	Director	April 2017 to present
Zhejiang Anyi Think Tank Education Foundation (浙江安逸智庫教育基金會)	Secretary general	January 2018 to present

Mr. Lu obtained his bachelor's degree in law from the Zhejiang University of Finance & Economics (浙江財經大學) in June 2003. He obtained his PRC legal professional qualification in February 2008.

**Mr. Wing Yiu DJEN (鄭榮曜)**, aged 53, graduated from Georgetown University, the U.S., in May 1994 with a Bachelor's Degree in International Economics. From January 1995 to June 1996, Mr. Djen worked as an Analyst at Barclays de Zoete Wedd, primarily responsible for convertible bond trading. From June 1996 to March 1998, he worked as an Associate at J.P. Morgan, where he was primarily responsible for convertible bond trading. From June 1998 to September 1999, he worked as an Associate at Société Générale, primarily responsible for origination of convertible bonds. From September 1999 to January 2002, he worked as a Vice President at Deutsche Bank, primarily responsible for origination of convertible bonds. Since February 2002 up to now, he founded Longitude Asia Limited and served as a Managing Director and Chief Investment Officer, primarily responsible for investment consulting and asset management business. In June 2002, Mr. Djen registered as an Investment Adviser with the Securities and Futures Commission of Hong Kong.

# Directors, Supervisors and Senior Management

## SUPERVISORS

**Mr. Tao CAI (蔡濤)**, aged 39, was appointed as a Supervisor on December 8, 2020. Since July 2014, he has been serving as our Group's head of technology (BRS). As the head of technology (BRS), Mr. Cai is primarily responsible for directing and overseeing the research and development of our Group.

From March 2011 to March 2012, Mr. Cai was the research and development engineer at Midea Soymilk Maker Company (美的豆漿機公司). From March 2012 to March 2013, he was the research and development engineer at the Beijing Taijie Weiye Technology Company Limited (北京泰傑偉業科技有限公司), where he was primarily responsible for the development of neuro-interventional medical devices and intracranial stent products. From April 2013 to July 2014, he was a research and development engineer at Beijing Advanced Medical Technology Limited (北京阿邁特醫療器械有限公司), where he was primarily responsible for the development of absorbable coronary stents through three dimensional printing technology.

Mr. Cai obtained his bachelor's degree in material engineering from the Changchun University of Science and Technology (長春理工大學) in July 2008, and his master's degree in inorganic chemistry from the same university in April 2011.

He is also a limited partner with a 3.00% limited partnership interest in Shanghai Baixinantong and a limited partner with a 7.56% in Shanghai Baihate, both being our employee incentive platforms.

**Mr. Lei ZHU (朱磊)**, aged 37, was appointed as a Supervisor on November 10, 2022. He has been serving as our quality compliance director since September 2020. He is also a limited partner of Shanghai Baixinantong Enterprise Management Consulting L.P. (Limited Partnership) (上海百心安通企業管理諮詢合夥企業(有限合夥)), being one of our employee incentive platforms, holding 1.5% of its partnership interest. Mr. Zhu is responsible for the quality compliance affairs and directing and overseeing the research and development of our Group. Mr. ZHU is a supervisor of Shanghai Xianjianyi Trading Co. Ltd., one of our subsidiaries, and AngioCare.

Mr. Zhu has over 10 years of experience in the medical industry. From August 2009 to September 2020, he served as the manager of quality and regulation at Shanghai Microport Medical (Group) Co., Ltd (上海微創醫療器械(集團)有限公司). In his role as the manager of quality and regulation, he supervised the quality management work in the storage, maintenance and transport of medical devices, the collection of quality management information, and led the training of quality management for employees.

Mr. Zhu obtained his bachelor's degree in engineering from Nanjing Technology University (南京工業大學) in June 2009. He then obtained his bachelor's degree in law from Xi'an Political College (西安政治學院) in December 2013. He obtained his master's degree in engineering from Tongji University (同濟大學) in December 2019. In June 2014, Mr. Zhu became a qualified national intermediate engineer holds General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China.



## Directors, Supervisors and Senior Management

**Mr. Junyi Wang (王君毅)**, aged 35, has been the technical manager of the Group since July 27, 2016 and has served as the employee representative supervisor of the Company since August 31, 2023. Mr. Wang is primarily responsible for developing and promoting the research and development of the Group. He is also a limited partner of an employee incentive platform of the Group, Shanghai Baixiantong Enterprise Management Consulting L.P. (Limited Partnership)\* (上海百心安通企業管理諮詢合夥企業(有限合夥)), holding 0.5% of its partnership interest.

From June 2011 to January 2012, Mr. Wang worked as an experimental technician in Shanghai Construction Materials Co., Ltd.\* (上海建工材料有限公司). From March 2012 to March 2013, he worked as a test engineer at Shanghai Lelai Automobile Analysis and Testing Co., Ltd.\* (上海樂來汽車分析測試有限公司). From March 2013 to June 2016, he worked as a process engineer at Shanghai MicroPort Medical Devices (Group) Co., Ltd.\* (上海微創醫療器械(集團)有限公司), a subsidiary of MicroPort Scientific Corporation (a company listed on the Stock Exchange with stock code: 0853), and was mainly responsible for the development of stents, guidewires and catheter products.

Mr. Wang graduated from Shanghai University of Technology (上海應用技術大學) in June 2011. He is currently studying MBA at Glyndwr University in the United Kingdom.

### SENIOR MANAGEMENT

**Mr. Philip Li WANG (汪立)**, aged 55, has been our general manager since July 18, 2014. For further details, please see the paragraphs headed “Directors, Supervisors and Senior Management – Directors – Executive Directors” in this section.

**Mr. Yunqing WANG (王雲馨)**, aged 39, has been our chief financial officer and board secretary since November 24, 2020. For further details, please see the paragraphs headed “Directors, Supervisors and Senior Management – Directors – Executive Directors” in this section.

**Mr. Tao CAI (蔡濤)**, aged 39, has been our head of technology (BRS) since July 18, 2014. For further details, please see the paragraphs headed “Directors, Supervisors and Senior Management – Directors – Supervisors” in this section.

**Ms. Peili WANG (王佩麗)**, aged 41, has been our financial manager since July 1, 2014. For further details, please see the paragraphs headed “Directors, Supervisors and Senior Management – Directors – Supervisors” in this section.

**Dr. Bradley Stewart HUBBARD**, aged 66, has been the chief medical officer of the Company since March 1, 2021 and is responsible for supporting research and development and trials leading to regulatory approval.

## Directors, Supervisors and Senior Management

Dr. Hubbard has more than 20 years of experience in clinical research and development in the medical device sector. From July 1994 to October 2001, he was the manager of preclinical research for all the business units of the vascular intervention division at Guidant Corporation. From October 2001 to December 2009, he was the general manager of Surpass-Silicon Valley, LLC (previously known as LyChron, LLC), a company specializing in preclinical CRO, where he oversaw all the operations of the preclinical laboratory located in Silicon Valley. From January 2009 to January 2018, he was the managing director at Gateway Medical Innovation Center (匯智贏華醫療科技研發(上海)有限公司), and was primarily responsible for managing the operation of facilities. From May 2018 to February 2019, he assisted in the founding of West Point Technology (Chengdu) Biotechnology Co., Ltd. (西點科創(成都)生物科技有限公司), and had served as the chief executive officer until February 2021.

Dr. Hubbard obtained his bachelor's degree in animal sciences in December 1980 and his doctoral degree in veterinary medicine from the University of Missouri in May 1984. He obtained his veterinary license for Texas in June 1984, and California in June 2003.

### JOINT COMPANY SECRETARIES

**Mr. Yunqing WANG (王雲馨)**, aged 39, was appointed as a joint company secretary of our Company on December 9, 2020. Mr. Yunqing Wang is also an executive Director, chief financial officer, and board secretary of our Company. For further details, please see the paragraphs headed "Directors, Supervisors and Senior Management – Directors – Executive Directors" in this section.

**Ms. Sarah Siu Ying KWOK (郭兆瑩)**, aged 40, was appointed as a joint company secretary of our Company on December 9, 2020. Ms. Kwok joined Vistra Corporate Services (HK) Limited since July 2014 and now serves as a manager of corporate services of Vistra Corporate Services (HK) Limited. She has over eight years of experience in the corporate services industry.

Ms. Kwok obtained a bachelor's degree in Business Studies from University College Dublin, National University of Ireland in June 2012 and a master's degree in Corporate Governance from Hong Kong Metropolitan University (香港都會大學) (formerly known as The Open University of Hong Kong) in November 2017. She has been an associate member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and an associate member of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom since 2018. She is also an affiliate member of The Society of Trust and Estate Practitioners.

Ms. Kwok is currently the company secretary of NVC International Holdings Limited, a Main Board listed company in Hong Kong (stock code: 2222) and the joint company secretary of Shanghai HeartCare Medical Technology Corporation Limited, a Main Board listed company in Hong Kong (stock code: 6609) and Beauty Farm Medical and Health Industry Inc., a Main Board listed company in Hong Kong (stock code: 2373).

### CHANGES IN DIRECTORS' INFORMATION

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

# Corporate Governance Report

The Board is pleased to present the corporate governance report for the Company for the year ended December 31, 2023.

## CORPORATE CULTURE

The Board believes that corporate culture underpins the long-term business, economic success and sustainable growth of the Group. A strong culture enables the Company to deliver long-term sustainable performance and fulfil its role as a responsible corporate citizen. The Company is committed to developing a positive and progressive culture that is built on its Vision, Mission and Aspiration.

During 2023, the Company continued to strengthen its cultural framework by focusing on the following:

- Vision: To build a leading medical group company in China in the fields of cardiovascular and hypertension
- Mission: Turning innovation into quality care
- Aspiration: Dedicated to bringing health and wellness to patients all over the world

The Board sets and promotes corporate culture and expects and requires all employees to reinforce. All of our new employees are required to attend orientation and training programs so that they may better understand our corporate culture, structure and policies, learn relevant laws and regulations, and raise their quality awareness. In addition, from time to time, the Company will invite external experts to provide training to our management personnel to improve their relevant knowledge and management skills.

The Board considers that the corporate culture and the purpose, values and strategy of the Group are aligned.

More information about the Company's vision, mission and aspiration is available in the sections headed "Management Discussion and Analysis", "Corporate Governance Report" and "Environmental, Social and Governance Report" of this annual report.

## CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders of the Company as a whole. The Company has adopted the code provisions of the Corporate Governance Code as its own code of corporate governance.

Except for code provision C.2.1 set out below, in the opinion of the Directors, the Company has complied with all the code provisions as set out in Part 2 of the CG Code during the Reporting Period.

# Corporate Governance Report

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision C.2.1 of Part 2 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Wang is our chairperson of the Board and the general manager of our Company. Mr. Wang has extensive experience in the pharmaceutical industry and has served in the Company since its establishment. Mr. Wang is in charge of overall management, business, strategic development and scientific R&D of the Group. Despite the fact that the roles of our chairman of the Board and our general manager are both performed by Mr. Wang which constitutes a deviation from code provision C.2.1 of Part 2 of the CG Code, the Board considers that vesting the roles of the chairman of the Board and the chief executive officer in the same person is beneficial to the management of the Group. The Board also believes that the combined role of the chairperson of the Board and the chief executive officer of the Company can promote the effective execution of strategic initiatives and facilitate the flow of information between management and the Board.

The balance of power and authority is ensured by the operation of the Board, which comprises experienced and diverse individuals. The Board currently comprises three executive Directors (including Mr. Wang) and three independent non-executive Directors, and therefore has a strong independent element in its composition. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman and the chief executive officer is necessary.

## BOARD INDEPENDENCE

The Company recognizes that Board independence is key to good corporate governance. The Company has in place effective mechanisms that underpin an independent Board and that independent views. The current composition of the Board, comprising more than one third of the independent non-executive Directors and the members of the Audit Committee and the Remuneration Committee are all independent non-executive Directors, which exceed the independence requirements under the Listing Rules. The Remuneration Committee and Audit Committee are both chaired by independent non-executive Directors. The remuneration of independent non-executive Directors are subject to a regular review to maintain competitiveness and commensurate with their responsibilities and workload. The independence of each independent non-executive Director is assessed upon his/her appointment and annually.

Directors are requested to declare their direct or indirect interests, if any, in proposals or transactions to be considered by the Board at the Board meetings and abstain from voting, where appropriate. External independent professional advice is available to all Directors, including independent non-executive Directors, whenever deemed necessary. The independent non-executive Directors have consistently demonstrated strong commitment and the ability to devote sufficient time to discharge their responsibilities at the Board.

The Company has also established channels through formal and informal means whereby independent non-executive Directors can express their views in an open manner, and in a confidential manner, should circumstances require.

On the basis of the above measures that have been put into place, the Board is of the view that the above mechanisms were effective in ensuring that independent views and input were available to the Board throughout the Reporting Period.

# Corporate Governance Report

## DIRECTORS' AND SUPERVISORS' SECURITIES TRANSACTIONS

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

Having made specific enquiries with all Directors and Supervisors, each of them has confirmed that he/she has complied with the Model Code during the Reporting Period. No incident of non-compliance of the Model Code by the employees who are likely to be in possession of inside information of the Company was noted by the Company.

## BOARD OF DIRECTORS

As of the date of this annual report, the Board comprises three executive Directors and three independent non-executive Directors. The list below sets out our Directors during the Reporting Period:

### Executive Directors

Mr. Philip Li WANG (汪立) (*Chairperson, chief executive officer and general manager*)

Mr. Yunqing WANG (王雲馨) (*Chief financial officer, board secretary and joint company secretary*)

Ms. Peili WANG (王佩麗)

### Non-executive Directors

Mr. Quan ZHOU (周琮) <sup>(Note 1)</sup>

Mr. Ji CHEN (陳紀) <sup>(Note 2)</sup>

### Independent Non-executive Directors

Mr. Charles Sheung Wai CHAN (陳尚偉)

Mr. Xubo LU (魯旭波)

Mr. Wing Yiu DJEN (鄭榮曜) <sup>(Note 3)</sup>

Mr. George Chien Cheng LIN (林潔誠) <sup>(Note 4)</sup>

Notes:

1. Mr. Quan ZHOU retired as a non-executive Director on June 26, 2023.
2. Mr. Ji CHEN retired as a non-executive Director on June 26, 2023.
3. Mr. Wing Yiu DJEN was appointed as an independent non-executive Director on June 26, 2023. In compliance with Rule 3.09D of the revised Listing Rules which took effect on December 31, 2023, Mr. DJEN obtained legal advice from the legal advisers of the Company as to Hong Kong law on June 26, 2023 and has confirmed that he understood his obligations as a Director.
4. Ms. George Chien Cheng LIN retired as an independent non-executive Director on June 26, 2023.

The biographical details of the current Directors are set out in the section headed "Directors, Supervisors and Senior Management" on pages 16 to 21 of this annual report.

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

# Corporate Governance Report

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

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

During the Reporting period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing over one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

## APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

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

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

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

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

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

The Nomination Committee considers candidates with individual skills, experience and professional knowledge that can best assist and facilitate the effectiveness of the Board. The Nomination Committee takes the policy on Board diversity of the Company into consideration when it considers the balance of composition of the Board as a whole.

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



# Corporate Governance Report

## RESPONSIBILITIES OF THE DIRECTORS

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

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

## DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S LIABILITY INSURANCE

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

## CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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

During the Reporting Period, all Directors, namely Mr. Philip Li WANG, Mr. Yunqing WANG, Ms. Peili WANG, Mr. Charles Sheung Wai CHAN, Mr. Xubo LU and Mr. Wing Yiu DJEN were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. All Directors have been updated with the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary. All Directors are encouraged to attend relevant training courses at the Company's expenses and required to submit a signed training records to the Company on an annual basis.

# Corporate Governance Report

## BOARD COMMITTEES

We have established an Audit Committee, a Remuneration Committee, and a Nomination Committee on our Board. The committees operate in accordance with the terms of reference established by our Board. The terms of reference of each of these committees are available on the websites of the Company and the Stock Exchange.

### Audit Committee

Our Company has established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph A.2 and paragraph D.3 of the CG Code. The Audit Committee comprises three independent non-executive Directors, namely Mr. Charles Sheung Wai CHAN, Mr. Xubo LU and Mr. Wing Yiu DJEN. The chairman of the Audit Committee is Mr. Charles Sheung Wai CHAN who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The written terms of reference of the Audit Committee are available on the respective websites of the Stock Exchange and the Company

The primary function of the Audit Committee is to assist our Board in providing an independent view of our financial reporting process, internal control and risk management system, overseeing the audit process and performing other duties and responsibilities as assigned by our Board which includes, amongst other things: (i) proposing to the Board of Directors the appointment and replacement of external audit firms; (ii) supervising the implementation of our internal audit system; (iii) liaising between our internal audit department and external auditors; (iv) reviewing our financial information and related disclosures; and (v) other duties conferred by the Board of Directors.

During the Reporting Period, two Audit Committee meetings were held. The attendance record of the committee members is set out in the paragraphs headed “Board Meetings, Committee Meetings And General Meetings” in this section. The following is a summary of work performed by the Audit Committee during the Reporting Period:

- reviewed the annual and interim results and reports, the Group’s financial and accounting policies and practices and the scope of audit and appointment of auditors;
- reviewed the risk management, internal control and compliance systems and the effectiveness of internal audit function and discussed with the management and internal audit on their findings; and
- discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

The Audit Committee also met twice with Ernst & Young, the external auditors of the Company during the Reporting Period. There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, internal control and other matters.

# Corporate Governance Report

## Remuneration Committee

Our Company has established a Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the CG Code. The Remuneration Committee comprises three independent non-executive Directors, namely Mr. Xubo LU, Mr. Charles Sheung Wai CHAN, and Mr. Wing Yiu DJEN. Mr. Xubo LU is the chairperson of the Remuneration Committee. The written terms of reference of the Remuneration Committee are available on the respective websites of the Stock Exchange and the Company.

The primary function of the Remuneration Committee is to develop remuneration policies of our Directors, evaluate the performance, make recommendations on the remuneration packages of our Directors and senior management and evaluate and make recommendations on employee benefit arrangements which includes, amongst other things: (i) establishing, reviewing and making recommendations to our Directors on our policy and structure concerning remuneration of our Directors and senior management; (ii) determining and making recommendations to the Board on the terms of the specific remuneration package of each Director and members of senior management; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time; (iv) to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules; and (v) other duties conferred by the Board of Directors.

The Remuneration Committee adopted the model set out in item (ii) under code provision E.1.2(c) of the CG Code, i.e., making recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

During the Reporting Period, one Remuneration Committee meeting was held. The attendance record of the committee members is set out in the paragraphs headed "Board Meetings, Committee Meetings And General Meetings" in this section. The following is a summary of work performed by the Remuneration Committee during the Reporting Period:

- reviewed and made recommendations to the Board on the remuneration package of the Directors and senior management;
- reviewed and made recommendations to the Board on the Company's policy and structure for the remuneration of the Directors and senior management;
- reviewed the performance of duties of Directors and senior management of the Company and conduct annual performance appraisals on them; and
- reviewed and approved matters relating to share schemes under Chapter 17 of Listing Rules.

Details of the Directors' and Supervisors' remuneration for the Reporting Period are set out in Note 9 to the financial statements.

# Corporate Governance Report

The remuneration (including equity-settled share award expense) of the members of senior management (other than Directors and Supervisors)/(including three Directors) of the Group by band for the Reporting Period is set out below:

Remuneration bands (RMB)	Number of Senior Management
30,000,001-30,500,000	1
5,000,001-5,500,000	1
3,500,001-4,000,000	1
2,000,001-2,500,000	1
1,000,001-1,500,000	1
<b>Total</b>	<b>5</b>

## Nomination Committee

Our Company has established a Nomination Committee with written terms of reference in compliance with Rule 3.27 of the Listing Rules and paragraph B.3 of the CG Code. The nomination committee comprises one executive Director, two independent non-executive Directors, namely Mr. Philip Li WANG, Mr. Charles Sheung Wai CHAN and Mr. Xubo LU. Mr. Philip Li WANG is the chairperson of the Nomination Committee. The written terms of reference of the Nomination Committee are available on the respective websites of the Stock Exchange and the Company.

The primary function of the Nomination Committee is to make recommendations to our Board in relation to the appointment and removal of Directors which includes, amongst other things: (i) reviewing the structure, size and composition of our Board on a regular basis and making recommendations to the Board regarding any proposed changes; (ii) identifying, selecting or making recommendations to our Board on the selection of individuals nominated for directorships; (iii) assessing the independence of our independent non-executive Directors; (iv) making recommendations to the Board on relevant matters relating to the appointment, re-appointment and removal of our Directors; and (v) other duties conferred by the Board of Directors.

During the Reporting Period, two Nomination Committee meetings were held. The attendance record of the committee members is set out in the paragraphs headed "Board Meetings, Committee Meetings And General Meetings" in this section. The following is a summary of work performed by the Nomination Committee during the Reporting Period:

- assess the independence of the independent non-executive Directors;
- considered and/or made recommendations to the Board on the election of a director, select and recommend candidates for directorship; and
- reviewed the structure, size and composition of the Board.

# Corporate Governance Report

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

## NOMINATION POLICY

The Company has adopted a director nomination policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors.

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

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

The Nomination Committee reviews the Director Nomination Policy, annually, to ensure its effectiveness.

## BOARD DIVERSITY POLICY

Pursuant to Rule 13.92 of the Listing Rules, the Nomination Committee (or the Board) shall have a policy concerning diversity of board members, and shall disclose the policy on diversity or a summary of the policy in the corporate governance report.

The Board has adopted a board diversity policy in order to enhance the effectiveness of our Board and to maintain high standard of corporate governance. The Board Diversity Policy sets out the criteria in selecting candidates to our Board, including but not limited to gender, age, cultural and educational background and professional experience that the Nomination Committee may consider relevant from time to time towards achieving a diversified Board. The board diversity policy is reviewed by the Nomination Committee annually.

As at the date of this annual report, our Board consists of five male members and one female member with two Directors of age 31 to 40 years old, one Director of age 41 to 50 years old, two Directors of age 51 to 60 years old and one Director of over 60 years old.

The Board targets to maintain at least the current level of female representation and will continue to take steps to promote gender diversity at the Board of our Company. Going forward, we will strive to achieve gender balance of the Board in the long run through certain measures to be implemented by our Nomination Committee in accordance with our board diversity policy and nomination policy. In particular, we will actively identify female individuals suitably qualified to become our Board members and we aim to achieve a target of 20% female representation in our Board within a two-year time frame. To further ensure gender diversity of our Board in a long run, our Group will also identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become our Board members, which is reviewed by our Nomination Committee periodically in order to develop a pipeline of potential successors to our Board to promote gender diversity of our Board.

# Corporate Governance Report

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

## WORKFORCE DIVERSITY

As at 31 December 2023, the Group had a relatively balanced workforce overall in terms of gender distribution. The gender ratio in the workforce (including senior management) for the Reporting Period is approximately 18:14 (female:male). The Group supports diversity across a variety of perspectives, the key areas of which are similar to those for the board diversity. The total gender diversity of the Group is balanced, and the Group will continue to maintain the gender diversity in workforce. For further details of gender ratio, please refer to the disclosure in the ESG report.

## KEY TERMS OF EMPLOYMENT CONTRACTS

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

### Confidentiality

- *Confidentiality obligations.* The employee shall, during the course of employment with our Group and thereafter, keep in confidence all proprietary information including, among others, trade secrets, know-how and other non-public information belonging to our Group or other third parties to whom our Group owes confidentiality obligations. Without our Group's written consent, the employee shall not leak, disclose, use or otherwise make available to any third party proprietary information belonging to our Group or other third parties to whom our Group owes confidentiality obligations in any manner and shall not utilize such information beyond his or her scope of work

### Ownership of intellectual work products

- *Acknowledgement.* The employee acknowledges and agrees that our Group shall own all intellectual work products he or she produces during the course of employment with our Group and within one year after his or her departure from our Group, provided that the work products relate to any task assigned to the employee or are otherwise related to the business of our Group or are produced using the resources or information of our Group.

### Non-competition

- *Non-competition obligation.* During the term of his/her employment with our Group and within one or two years (as the case may be) following termination of his/her employment, the employee shall not (i) engage in any businesses which are in competition with or in conflict with our Group, (ii) directly or indirectly solicit or induce our employees to leave our Group or its associated companies, or (iii) directly or indirectly induce or require our Group's or its associated companies' suppliers or customers to terminate their current businesses or negotiations with our Group or its associated companies.



# Corporate Governance Report

## Compensation for breach of covenants

- If the employee breaches the obligations under the confidentiality and intellectual property agreement or non-competition agreement, our Group shall be entitled to recover from the employee any losses incurred as a result of such breach by the employee.

## RISK MANAGEMENT AND INTERNAL CONTROL

It is the responsibility of the Board to ensure that the Group maintains sound and effective risk management and internal control systems, and make annual review on the effectiveness of such systems in order to safeguard the Shareholders' investment and the Group's assets at all times. The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

We have adopted a series of internal control policies and procedures designed to achieve effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. The Group has also established an internal audit department, which is responsible for the construction, operation, and maintenance of the Group's risk prevention and control system. The Board, as supported by the Audit Committee as well as the management, annually reviewed the effectiveness of the risk management and internal control systems, including the financial, operational and compliance controls, for the Reporting Period, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

### Risk Management

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Company has adopted a consolidated set of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an on-going basis. The audit committee, and ultimately the Board supervises the implementation of our risk management policies. Risks identified by senior management will be analyzed on the basis of likelihood and impact, and will be properly followed up and mitigated and rectified by the Company and reported to the Board. Senior management implements the risk management policies, strategies and plans set by the Board.

Senior management is responsible for (i) formulating our risk management policy and reviewing major risk management issues of our Company; (ii) providing guidance on our risk management approach to the relevant teams in our Company and supervising the implementation of our risk management policy by the relevant departments; and (iii) reporting to our audit committee on our material risks.

# Corporate Governance Report

Each functional team, including the finance and investment team, monitors and evaluates the implementation of risk management and internal control policies and procedures on a regular basis. The Board will meet in-person every quarter, and more often as necessary. In order to formalize risk management across our Company and set a common level of transparency and risk management performance, the relevant teams will (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, prioritization, measurement and categorization of all key risks that could potentially affect their objectives; (iii) prepare a risk management report bi-annually for our chief executive officer's review; (iv) continuously monitor the key risks relating to their operation or function; (v) implement appropriate risk responses where necessary; and (vi) develop and maintain an appropriate mechanism to facilitate the application of our risk management framework.

Before each Board meeting, an agenda is prepared with input from Directors, as well as from senior management and other vice presidents. At Board meetings, depending on the agenda, different team heads will gather information relating to their functions and report to the Board on the relevant agenda items, as necessary. The Board secretary will attend all Board meetings to ensure that there is no gap in communication between the two bodies. During Board meetings, the Board will on occasion instruct management to further review and/or analyze particular issue and report their findings at the next Board meeting. The Board believe that the corporate structure provides an appropriate system of checks and balances to improve the risk management procedures.

The Audit Committee also reviews and approves our risk management policy to ensure that it is consistent with our corporate objectives, reviews and approves our corporate risk tolerance, monitors the most significant risks associated with our business operation and our management's handling of such risks, reviews the corporate risk in light of the corporate risk tolerance, and monitors and ensures the appropriate application of the risk management framework across the Company.

## Internal Control

The Board is responsible for establishing internal control system and reviewing its effectiveness. To monitor the ongoing implementation of our risk management policies and corporate governance measures, the Company has adopted, among other things, the following risk management and internal control measures:

- the establishment of an audit committee responsible for overseeing our financial records, internal control procedures and risk management systems;
- the appointment of Mr. Yunqing WANG as the chief financial officer and joint company secretary, and Ms. Sarah Siu Ying KWOK as the joint company secretary to ensure the compliance of our operation with relevant laws and regulations;
- the engagement of external legal advisors to advise us on compliance with the Listing Rules and to ensure our compliance with relevant regulatory requirements and applicable laws, where necessary; and
- the adoption of various measures and procedures regarding each aspect of our business operation, such as related party transaction, risk management, patient data and privacy, environmental protection and occupational health and safety. We provide training about these measures and procedures to our employees across different departments as part of our employee training program. Our audit department conducts audit field work to monitor the implementation of our internal control policies and the compliance status, reports the weakness identified to our management and audit committee and follows up on the rectification actions.

## Corporate Governance Report

In addition, the Company has adopted internal control measures to ensure our compliance with the applicable laws and regulations with respect to the handling of scientific data involving state secrets, national security, social public interests, commercial secrets or personal privacy ("Sensitive Scientific Data"), which measures primarily include:

- adopting strict requirements for desensitizing, collecting, using, reproducing, storing, and transferring scientific data;
- providing trainings periodically to the senior management and employees to enhance their knowledge of the applicable laws and regulations regarding the protection of Sensitive Scientific Data;
- forbidding any transfer of Sensitive Scientific Data, and requiring any transfer of scientific data (including but not limited to those in relation to clinical trial results) abroad or to foreign parties to be submitted to the Board for pre-approval; and
- desensitizing all scientific data before transferring them to any third parties.

Finally, the Company has adopted various internal regulations against corrupt and fraudulent activities, which include measures against receiving bribes and kickbacks, and misuse of company assets. Major measures and procedures to implement such regulations include:

- authorizing our audit and supervision department to assume responsibility for daily execution of our anti-corruption and anti-fraud measures, including handling complaints, ensuring protection for the whistleblower and conducting internal investigations;
- providing anti-corruption compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations, and including relevant policies and express prohibitions against non-compliance in staff handbooks;
- undertaking rectification measures with respect to any identified corrupt or fraudulent activities, evaluating the identified corrupt or fraudulent activities and proposing and establishing preventative measures to avoid future non-compliance;
- requiring our employees, especially those involved in procurement and other business functions which are more susceptible to bribery and corruptions, to abide by our compliance requirements, and make necessary representations and warranties to our Company;
- communicating our anti-bribery and anti-corruption principles to the CROs and SMOs we engaged for our clinical trials and require them to comply with our anti-bribery and anti-corruption principles; and
- establishing a supervision system that allows complaints and reports regarding non-compliant behavior of our employees and external customers and suppliers to be submitted to our management.

# Corporate Governance Report

The Directors are of the view that such controls and measures are sufficient and effective to avoid the occurrence of corruption, bribery, or other improper conduct of our employees. For the year ended December 31, 2023, the Company was not subject to any government investigation or litigation with respect to claims or allegations of monetary and non-monetary bribery activities, and to the best knowledge of the Directors, none of our employees were involved in any bribery or kickback arrangements. The Company has designated responsible personnel to monitor our ongoing compliance with relevant laws and regulations that govern our business operations, and to oversee the implementation of any necessary measures. Meanwhile, we plan to provide our Directors, senior management and relevant employees with continuing training programs and updates regarding the relevant laws and regulations on a regular basis, with a view to proactively identifying any concerns or issues relating to any potential non-compliance. We believe that we have established adequate internal procedures, systems and controls in relation to anti-corruption and anti-bribery law compliance.

## Anti-corruption Policy

The Company does not tolerate any form of bribery, whether direct or indirect, by, or of, its Directors, officers, employees, agents or consultants or any persons or companies acting for it or on its behalf. The Company adopts the anti-corruption policy in assisting the employees in recognising circumstances which may lead to or give the appearance of being involved in corruption or unethical business conduct, so as to avoid such conduct which is clearly prohibited, and to promptly seek guidance if necessary.

The anti-corruption policy is reviewed on a regular basis, any convicted cases are reported to the Audit Committee.

## Whistleblowing Policy

The Company expects and encourages employees of the Group and those who deal with the Group (e.g. suppliers, customers, creditors and debtors) to report to the Company, in confidence, any suspected impropriety, misconduct or malpractice concerning the Group. The Company adopts the whistleblowing policy to provide reporting channels and guidance on reporting possible improprieties and reassurance to whistleblowers of the protection that the Group will extend to them in the formal system.

The whistleblowing policy is reviewed on a regular basis, any suspected cases will be reported to the Audit Committee.

## Dissemination of Inside Information

The Group regulates the handling and dissemination of inside information according to internal procedures and policy so as to ensure inside information remains confidential until the disclosure and publication of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

The Board is responsible for approving the policy on disclosure of inside information which aims at providing guiding principles, practices and procedures to assist employees and officers of the Group in (i) relaying inside information to the Board to enable it to make timely decisions on disclosure, if necessary; and (ii) communicating with the Group's stakeholders, in ways which are in compliance with the SFO and the Listing Rules.

An employee who becomes aware of a matter or event that he/she considers to be material or inside information shall report to his division/department head who will assess the sensitivity of the relevant information and, if considered appropriate, escalate and report to the Board and/or the company secretary of the Company.

# Corporate Governance Report

## CORPORATE GOVERNANCE FUNCTION

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

The Board had reviewed:

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

## BOARD MEETINGS, COMMITTEE MEETINGS AND GENERAL MEETINGS

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

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

During the Reporting Period, four Board meetings, two Audit Committee meetings, one Remuneration Committee meeting, and two Nomination Committees were held. The Company expects to continue to convene at least four regular Board meetings in each financial year at approximately quarterly intervals in accordance with code provision C.5.1 of the CG Code.

# Corporate Governance Report

A summary of the attendance record of the Directors at Board meetings, committee meetings and general meetings during the Reporting Period is set out in the following table below:

Name of Director	Number of meeting(s) attended/number of meeting(s) held during the year ended December 31, 2023				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	General
<b>Executive Directors:</b>					
Mr. Philip Li WANG	4/4	N/A	N/A	2/2	1/1
Mr. Yunqing WANG	4/4	N/A	N/A	N/A	1/1
Ms. Peili	4/4	N/A	N/A	N/A	1/1
<b>Non-executive Directors:</b>					
Mr. Quan ZHOU <sup>(Note 1)</sup>	2/2	N/A	N/A	N/A	1/1
Mr. Ji CHEN <sup>(Note 2)</sup>	2/2	N/A	N/A	N/A	1/1
<b>Independent non-executive Directors:</b>					
Mr. Charles Sheung Wai CHAN	4/4	2/2	1/1	2/2	1/1
Mr. Xubo LU	4/4	2/2	1/1	2/2	1/1
Mr. Wing Yiu DJEN <sup>(Note 3)</sup>	2/2	1/1	N/A	N/A	N/A
Mr. George Chien Cheng LIN <sup>(Note 4)</sup>	2/2	1/1	1/1	N/A	1/1

Notes:

1. Mr. Quan ZHOU retired as a non-executive Director on June 26, 2023.
2. Mr. Ji CHEN retired as a non-executive Director on June 26, 2023.
3. Mr. Wing Yiu DJEN was appointed as an independent non-executive Director on June 26, 2023.
4. Ms. George Chien Cheng LIN retired as an independent non-executive Director on June 26, 2023.

During the Reporting Period, the Company convened one annual general meeting on June 26, 2023. For details, please refer to the Company's prior announcement.

During the Reporting Period, the Chairman held one meeting with independent non-executive directors without presence of other directors.



# Corporate Governance Report

## DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the Reporting Period in accordance with statutory requirements and applicable accounting standards.

The Directors also acknowledge their responsibilities to ensure that the financial statements of the Company are published in a timely manner. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

## AUDITORS' RESPONSIBILITY AND REMUNERATION

The Company appointed Ernst & Young, Certified Public Accountants and Registered Public Interest Entity Auditor as the auditors for the Reporting Period. A statement by Ernst & Young about their reporting responsibilities for the financial statements is included in the Independent Auditors' Report on pages 104 to 108 of this annual report.

Audit fees of the Group for the Reporting Period payable to the external auditors were approximately RMB1.5 million and the Group incurred approximately RMB0.5 million in 2023 for non-audit services.

Details of the fees paid or payable to the Company's auditors, in respect of the audit and non-audit services for the Reporting Period are set out in the table below:

<b>Services rendered for the Company</b>	<b>RMB'000</b>
Audit services:	
Annual audit services	1,530
Non-audit services:	
Interim review services	420
Taxation	50
<b>Total</b>	<b>2,000</b>

# Corporate Governance Report

## JOINT COMPANY SECRETARIES

The Company engaged Ms. Sarah Siu Ying KWOK, the manager of Corporate Services of Vistra Corporate Services (HK) Limited (a company secretarial service provider), as a joint company secretary of the Company. Mr. Yunqing WANG is another joint company secretary of the Company, and is the primary contact of Ms. Sarah Siu Ying KWOK at the Company.

In compliance with Rule 3.29 of the Listing Rules, Mr. Yunqing WANG and Ms. Sarah Siu Ying KWOK both undertook not less than 15 hours of relevant professional training to update their skills and knowledge during the Reporting Period.

## SHAREHOLDERS' RIGHTS

### Rights to Convene Extraordinary General Meeting

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

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

Pursuant to Article 87 of the Articles of Association, the general meeting shall be convened by the Board. If the Board is unable or fails to fulfill the obligation of convening the meetings of the general meeting, the Board of Supervisors shall convene such meetings. If the Board of Supervisors does not convene such meetings, the Shareholders individually or jointly holding no less than 10% of the Company's shares for no less than 90 consecutive days may convene such meetings on their own.

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

Pursuant to Article 59 of the Articles of Association, shareholders who individually or collectively hold more than 3% of the Company's shares shall have the rights to propose interim resolutions and submit them in writing to the Board 10 days prior to the general meeting. Pursuant to Article 68 of the Articles of Association, at the general meeting held by the Company, shareholders severally 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. The Company shall place such resolutions on the agenda for such meeting if they are matters falling within the scope of duties of the shareholders' general meeting.

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

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

Article 102 of the Articles of Association provides that written notice concerning proposed nomination of a director candidate and indication of the candidate's intention to accept the nomination shall be sent to the Company at least seven (7) days before the shareholders' general meeting is convened. When calculating the time limit of the notice, the date of the meeting and the day on which the notice is given shall be excluded.

# Corporate Governance Report

## Right to Put Enquiries to the Board

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

Address: Room 302, 3/F, Building 4, No.590 Ruiqing Road, East Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC  
Attention: Mr. Yunqing WANG  
Email: info@bio-heart.com

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

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

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

The Company adopted the shareholders communication policy, which set out the framework the Company has put in place to promote effective communication with shareholders so as to enable them to engage actively with the Company and exercise their rights as shareholders in an informed manner. The shareholders communication policy will be reviewed on a regular basis by the Board.

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

The Company held its annual general meeting on June 26, 2023. Shareholders (including proxies) representing 123,390,910 Shares (including 115,677,232 H Shares and 7,713,678 Unlisted Foreign Shares) or approximately 50.58% of the total issued Shares of the Company attended the above annual general meeting. All resolutions proposed at the above annual general meeting were passed.

Having considered the multiple channels of communication and shareholders engagement in the general meetings held during the year, the Board is satisfied that the shareholders communication policy has been properly implemented during 2023 and is effective.

# Corporate Governance Report

## DIVIDEND POLICY

We currently expect to retain all future earnings for use in the operation and expansion of our business, and do not have any dividend policy to declare or pay any dividends in the near future. Any declaration and payment as well as the amount of dividends will be subject to our Articles of Association and the PRC Company Law. The declaration and payment of any dividends in the future will be determined by our Board, in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial conditions and contractual restrictions. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. As confirmed by our PRC Legal Adviser, according to the PRC law, any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. We will therefore only be able to declare dividends after (i) all our historically accumulated losses have been made up for, and (ii) we have allocated sufficient net profit to our statutory common reserve fund as described above.

## CONSTITUTIONAL DOCUMENTS

The amended and restated Articles of Association took effect from June 26, 2023, and is available on the respective websites of the Stock Exchange and the Company. Save as disclosed above, there is no other change in constitutional documents of the Company during the Reporting Period.

# Environmental, Social and Governance Report

## INTRODUCTION

Shanghai Bio-heart Biological Technology Co., Ltd. (the “Company”, and collectively with its subsidiaries referred as the “Group” or “we”) is a leading innovative interventional cardiovascular device company in China with a current focus on two therapies: (i) bioresorbable scaffolds (BRS) addressing the unmet medical needs of Chinese patients for the treatment of coronary or peripheral artery diseases, and (ii) renal denervation (RDN) addressing the unmet medical needs of patients for the treatment of uncontrolled hypertension and resistant hypertension.

Following the corporate mission of “Turning innovation into quality care”, we are committed to:

1. Be the domestic leader in the fields of cardiovascular and hypertension.
2. Use our best endeavours on bringing health and wellness to patients all over the world.

We strive to achieve sustainable development through technological innovation. We have integrated ESG management concepts into our daily operation processes such as product quality, employee management, business ethics, and compliance operations. We proactively listen to key stakeholders to deliver sustainable impact and use every endeavour to create values, to create value for all stakeholders including shareholders, investors, customers, suppliers, employees, government, and the community.

## ABOUT THIS REPORT

The Group is pleased to release its third Environmental, Social and Governance (“ESG”) Report (the “Report”). The Report aims to disclose the sustainability strategies and management approaches of the Group, and to highlight the performance of various ESG aspects to its stakeholders, thereby promoting its sustainable development and planning. The Report has been uploaded to the Group’s website ([www.bio-heart.com](http://www.bio-heart.com)) and the website of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for public inspection. The Report is in both Chinese and English. If there is any inconsistency, please refer to the English version.

## REPORTING SCOPE AND PERIOD

The Report sets out the Group’s policies, measures, and performance in the environmental, social and governance (collectively, “ESG”) aspects during the period from January 1, 2023 to December 31, 2023 (hereinafter, the “Reporting Period”) in detail.

Unless otherwise stated, this report covers the major subsidiaries of Bio-heart. Key Performance Indicators (“KPIs”) in the environmental area cover the offices and factories of the Group in China during the period from January 1, 2023 to December 31, 2023 (hereinafter, the “Reporting Period”). Through reporting to our stakeholders, the Group discloses its measures and performance on sustainable development issues in a transparent and open manner. We believe that summarizing and disclosing the Group’s performance to stakeholders can enhance our transparency and further improve our sustainable development performance. Overall, there are no material changes to the reporting scope of the Reporting Period compared to 2022’s ESG Report.

# Environmental, Social and Governance Report

## REPORTING GUIDELINES AND PRINCIPLES

The Report has been prepared in compliance with the disclosure requirements of the “ESG Reporting Guide” (the “Guide”) set out in Appendix C2 of the Rules Governing the Listing of Securities (the “Listing Rules”) issued by the Stock Exchange of Hong Kong Limited (the “HKEx”) and has fully adhered to the reporting principles in the Guide, which materiality, quantitative, balance and consistency are the basic principles for report preparation. The application of relevant reporting principles is as follows:

Materiality	The Group communicates with major stakeholders on a regular basis, and has conducted an annual materiality assessment survey to identify and evaluate ESG issues that are important to the Group and relevant stakeholders, so as to determine the reporting content and make focused disclosure.
Quantitative	In accordance with the Guide, the Group has recorded and collected data of various ESG key performance indicators (“KPIs”) where feasible, and disclosed relevant quantitative information and historical data in the Report for comparison and evaluation. In addition, the standards, methods, assumptions, calculation tools and references adopted by each KPI have been properly indicated in the Report.
Balance	Following the principle of impartiality, the Report has disclosed both achievements and challenges of the Group in aspects of environment, society and governance in a truthful and comprehensive manner, for readers to objectively and fairly evaluate relevant performance.
Consistency	The Report has been prepared according to consistent standards, and the reporting scope, data statistics and reporting methods are basically the same as the 2022 ESG Report, so as to ensure the comparability of the reports. Meanwhile, the Group has included corresponding explanations for any inconsistencies (if any) with previous reports.

The Report has complied with the “Mandatory Disclosure Requirements” and the “Comply or explain” provisions set out in the Guide. Except for provisions that the Group considers not applicable to its business operations or provide partial disclosure, relevant explanations have been set out in the corresponding sections. The data and information contained in the Report are mainly from internal documents and statistical data of the Group, and the content of the Report has been reviewed and confirmed by the Board of Directors.

## ASSURANCE ON THE RELIABILITY OF DATA

The data and cases cited herein mainly come from statistical reports and relevant documents of the Group. The Board of Directors of the Company (the “Board”) pledges that the report does not contain any false records or misleading statements, and is liable for the truthfulness, accuracy, and completeness of the report.

## REPORT CONFIRMATION AND APPROVAL

This report was approved by the Board of Directors upon confirmation from the management on 25 March 2024.

## STAKEHOLDERS’ FEEDBACK

The Group attaches great importance to stakeholders’ opinions and aims to further improve its sustainability performance in the future. The Group therefore welcomes all parties to provide comments or suggestions on the Report and its sustainability performance. Please share your views with us via email: [info@bio-heart.com](mailto:info@bio-heart.com).



# Environmental, Social and Governance Report

## THE STATEMENT OF THE BOARD OF DIRECTORS

The Group understands that the leadership and participation of the Board are crucial to the implementation of sustainable development strategies. Therefore, the Board shoulders the responsibility of leading and supervising ESG-related matters and is responsible for leading the Group to seize the opportunities and respond to the risks brought by sustainable development. The Board regularly decides on and monitors ESG policies and strategies, including the approval and consideration of ESG-related goals, progress review of the goals, evaluation, prioritization of the materiality, etc. At the same time, the Board has approved the establishment of an ESG task force for the Group and authorized it to monitor and implement various ESG-related matters, to further improve the effectiveness of sustainable development governance. We have been striving to integrate the concept of sustainable development with the Group's overall strategy, policies, and business plans, to further guide the Group in its pursuit of value chain excellence while achieving its sustainability vision.

## THE GROUP'S FUTURE DEVELOPMENT AND COMMITMENTS

We regard our commitment to the environment, employees, customers and communities as the four strategic pillars of the Group's sustainable development, and formulate corresponding ESG management policies and work plans. The Group insists on communicating and cooperating closely with all stakeholders including our employees shareholders and investors, suppliers, customers government departments and communities in a candid, open and responsible manner. At the same time, we continue to pay attention to the market development trends and the expectations of all sectors of society, and constantly review and adjust our ESG strategies, policies and measures so that we can quickly respond to various new opportunities and risks and further promote our sustainable development process.



# Environmental, Social and Governance Report

## SUSTAINABILITY GOVERNANCE STRUCTURE

In order to realize its sustainable development vision, the Group is committed to integrating sustainability concepts into our daily business operation through a comprehensive sustainability governance structure. The Group has a three-level sustainability governance structure, which is composed of the Board of Directors, the ESG working group and the internal working group to improve communication between the decision-making and execution level, allowing thorough integration of corporate governance, environmental management and social responsibility concepts into its daily operations. In order to enhance its corporate governance standard, the Group has also actively promoted Board diversity and adopted the "Board Diversity Policy". When selecting members of the Board of Directors, the balance of different gender, ages, background, and professional knowledge, etc., will be fully considered. With the diverse skills, experience and perspectives of members, its decision-making capabilities for sustainable development can be advanced. Please refer to the "Corporate Governance Report" of the Group for more details.

## BOARD OF DIRECTORS

As the major governance body of the Group, the Board of Directors assumes overall responsibility for ESG and climate-related matters. Their roles and responsibilities include:

- Regularly review and renew sustainable development strategies, ESG management and performance to ensure the effective implementation of relevant policies
- Monitor and manage ESG-related risks and opportunities
- Review the progress of ESG-related work and goals
- Supervise and approve the Group's ESG matters and reports

## ESG WORKING GROUP

The ESG Working Group is authorized by the board of directors and composed of the Group's senior management, department heads and employee representatives. It assists in coordinating and supervising ESG work, and reports to the board of directors regularly. Their roles and responsibilities include:

- Set and implement relevant policies and measures in accordance with the Board's guidelines on ESG matters in each department
- Assist the board of directors in identifying, assessing and managing ESG-related risks, and provide advice on formulating policies, goals and work plans
- Regularly report ESG work performance to the Board of Directors to help review and improve the Group's sustainable development strategy and management
- Collect and manage ESG-related data and information, assist in the preparation of annual ESG reports and disclosure of related information.

# Environmental, Social and Governance Report

## RISK MANAGEMENT

The Group understands the importance of risk management to sustainable development. Efficient ESG management helps us respond to various sustainable development risks and opportunities in a timely and effective manner. The Group has established a comprehensive ESG management system, which is divided into three levels and adopts a top-down management method, to consistently identify and evaluate the risks associated with its business operations.

At Group level, the Board is responsible for maintaining and reviewing the effectiveness of the Group's risk management and internal control systems. Corresponding management and control measures are implemented based on severity of these risks. The Group has taken steps to mitigate the impacts of these risks in timely manner, demonstrating its commitment to sustainable and responsible operations. Moreover, the Group has set up the Audit Committee, Remuneration Committee and Nomination Committee under the supervision of the Board to conduct annual assessment on the existing and potential risks faced by the Group as a whole, review the effectiveness and suitability of the Company's internal control system, and give full play to the supporting role of laws, auditing, and discipline supervision, so as to ensure legal and compliant operations of the Company. In addition, the Company has also established an internal audit department, which is responsible for the construction, operation and maintenance of the Company's risk prevention and control system.

We have incorporated ESG risks into the Company's risk assessment and management system, including risks related to ESG matters. The response measures are set out in the corresponding sections of this report.

The Board has also engaged an external advisor in relation to ESG matters. These measures shall ensure the sustainable and responsible growth and operation of the Group.

## COMPLIANCE MANAGEMENT

Complying with all applicable laws and regulations is the basic requirement of the Group in its operations and is also a reflection of its social responsibility. We understand that violations of laws and regulations will have various impacts on the Group. Impacts may include damage to the ability to operate a business, damage to public image and credibility, as well as legal penalties and litigation. Therefore, we have developed and implemented a series of policies and systems to strengthen compliance management and ensure that business activities comply with all relevant legal and regulatory requirements. The Board of Directors and the Audit Committee are responsible for reviewing and evaluating the internal control system. During the Reporting Period, the Group had no cases of violations of laws and regulations related to various ESG aspects, and there were no corruption lawsuits filed against the Group or its employees. For details on the Group's corporate governance practices including risk and compliance management, please refer to the section headed "Corporate Governance Report" of the Company's annual report.

# Environmental, Social and Governance Report

## STAKEHOLDER ENGAGEMENT AND MATERIALITY

The Group attaches great importance to establishing and maintaining two-way communication with stakeholders, and strives to understand and respond to the concerns and expectations of various stakeholders in order to maintain close cooperation. Through a diversified and highly transparent communication platform, we regularly collect valuable opinions and suggestions from different stakeholders so that we can make corresponding improvements and adjustments in business management and sustainable development strategies to enhance ESG governance levels and performance.

Major Stakeholder	Communication Channels	Focus on issues	The Group's response and measures
Shareholders/Investors	<ul style="list-style-type: none"> <li>- Annual general meetings and other general meetings</li> <li>- Annual Reports and interim reports</li> <li>- Corporate communications (such as letters/circulars and meeting notice)</li> <li>- Results announcements</li> <li>- Investor meetings</li> <li>- Interviews</li> <li>- Investor relations emails</li> </ul>	<ul style="list-style-type: none"> <li>- Protect shareholders' rights and interests</li> <li>- Disclosing information accurately and timely</li> <li>- Improving corporate governance</li> <li>- Risk management and control</li> <li>- Group business and prospects</li> <li>- Business and financial strategies</li> </ul>	<ul style="list-style-type: none"> <li>- Convene annual general meetings and special general meetings</li> <li>- Improve transparency of information disclosure</li> <li>- Strengthen risk management and control</li> <li>- Promote sustainable development of the group</li> </ul>
Frontline Employees	<ul style="list-style-type: none"> <li>- Performance appraisals</li> <li>- Interviews</li> <li>- Seminars/workshops/speeches</li> <li>- Staff intranet</li> <li>- Regular training</li> </ul>	<ul style="list-style-type: none"> <li>- Employee benefits and rights</li> <li>- Competitive salary and welfare</li> <li>- Labour protection at the workplace</li> <li>- Employee development and training</li> <li>- Employee involvement and policy democracy</li> <li>- Corporate culture</li> <li>- Personal physical and mental health</li> </ul>	<ul style="list-style-type: none"> <li>- Follow labor standards</li> <li>- Provide competitive salary and benefits</li> <li>- Implement health and safety management system</li> <li>- Improve career development and training system</li> <li>- Host employee events</li> <li>- Establish a smooth and transparent communication mechanism to understand employees' opinions</li> </ul>

# Environmental, Social and Governance Report

Major Stakeholder	Communication Channels	Focus on issues	The Group's response and measures
Customers	<ul style="list-style-type: none"> <li>- Visits by customer relationship manager</li> <li>- Daily operations/communications</li> <li>- Telephone</li> <li>- Mailbox</li> <li>- Mobile communication applications</li> </ul>	<ul style="list-style-type: none"> <li>- Customer service</li> <li>- Product quality</li> <li>- Data security and customer privacy management</li> <li>- Customer service and complaint handling</li> </ul>	<ul style="list-style-type: none"> <li>- Respond quickly to customer needs</li> <li>- Strengthen quality management</li> <li>- Upgrade information and network security systems</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>- Management procedures for suppliers</li> <li>- Assessment system for suppliers</li> <li>- Video conferences</li> <li>- Site inspections</li> <li>- Mobile communication applications (such as WeChat)</li> </ul>	<ul style="list-style-type: none"> <li>- Supply chain management and sustainable development</li> <li>- Safeguarding suppliers' rights and interests</li> <li>- the Code of Business Conduct</li> <li>- Anti-corruption and anti-fraud</li> </ul>	<ul style="list-style-type: none"> <li>- Implement supplier admission and delisting mechanism</li> <li>- Conduct supplier training</li> <li>- Strengthen cooperation and communication</li> <li>- Commitment to operate with integrity</li> </ul>
Government and Community	<ul style="list-style-type: none"> <li>- News report</li> <li>- Regulatory information submission</li> <li>- Community activity</li> <li>- Forum exchange activities</li> </ul>	<ul style="list-style-type: none"> <li>- Comply with laws and regulations</li> <li>- Workplace safety and health</li> <li>- Creating economic benefits, promoting employment</li> <li>- Creating welfare for the community</li> <li>- Protect environment</li> <li>- Responding to national policies</li> </ul>	<ul style="list-style-type: none"> <li>- Implement compliance operations</li> <li>- Participate in community construction and services</li> <li>- Organize volunteer activities and encourage employees to actively participate</li> </ul>

# Environmental, Social and Governance Report

## MATERIALITY ASSESSMENT

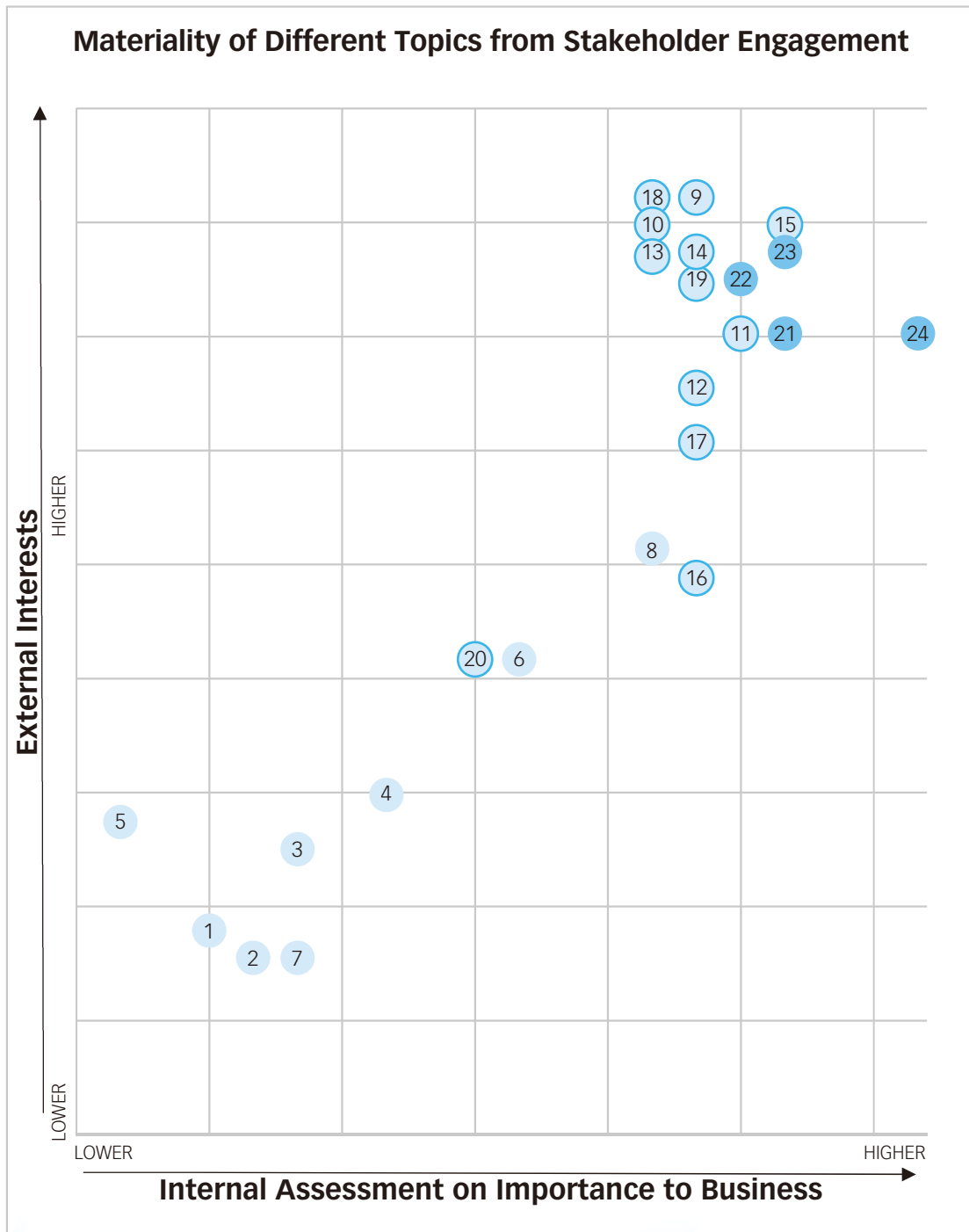
In order to promote its sustainable development, the Group regularly understands stakeholders' opinions and concerns on ESG matters through materiality assessment. During the Reporting Period, it has continued to entrust an independent sustainability consultant to carry out the materiality assessment. By inviting internal and external stakeholders to participate in the questionnaire survey, the assessment was conducted following the 3 steps of identification, prioritization and verification. Based on the survey result, the Group has confirmed the materiality and impact of each sustainability issue on its sustainable development, and determined the disclosure focus of the Report. Moreover, it will give priority to enhancing the ESG management work of related issues, and incorporate into the consideration of its future adjustment in strategic planning and risk management.

- 1 Identification
  - Referring to the "Guidelines", reporting trends and industry practices, and screening based on the group's internal situation, 24 ESG issues closely related to the group's business were identified.
  
- 2 Prioritization
  - Invite internal and external stakeholders to participate in an online survey to rate the importance of ESG issues.
  
  - Collect scores on two dimensions of each ESG issue, including the impact on the Group's corporate value (financial importance) and the Group's impact on the economy, environment and society (impact importance), to determine the overall importance of each ESG issue.
  
  - Develop a materiality matrix and priority list of ESG issues.
  
- 3 Verification
  - After the assessment results are reviewed and confirmed by the board of directors and senior management, the Group will make targeted responses and focused reports.

The stakeholder questionnaire survey of the Year was conducted online. Combining the impact of the issues on the Group's corporate value and the Group's impact on the economy, environment and society, the following matrix shows the overall importance level of the 24 ESG issues, covering 3 aspects of "Environment", "Society", and "Governance" to compile the questionnaire. We identified 5 ESG issues after analysing the importance of the issues to the Group's operations and stakeholders, considering the industry background, development status, and strategic planning. The 5 ESG issues, including "Innovation and Technology", "Quality and Safety of Products and Services", "Intellectual Property Protection", "Business Ethics and Integrity" and "Risk Management", located on the upper right side of the materiality matrix curve are regarded as "important issues" and the Group will make targeted responses on relevant issues. At the same time, we will prioritize strengthening ESG management work on these issues and incorporate them into the Group's future strategic planning and risk management considerations.



# Environmental, Social and Governance Report



# Environmental, Social and Governance Report

Environment	Society	Governance
1 Air Emission	9 Employment Practices	21 Business Ethics and Integrity
2 Greenhouse Gas Emissions	10 Employee Participation	22 Risk Management
4 Energy Consumption	12 Development and Training	24 Innovation and Technology
5 Water Usage	13 Occupational Health and Safety	16 Anti-corruption
6 Raw Materials Consumption	14 Labour Management	17 Community Participation
7 Climate Change and Resilience	15 Quality and Safety of Products and Services	
8 Product Lifecycle Management	16 Customer Engagement	
	17 Data Security and Customer Privacy Management	
	18 Responsible Marketing and Labelling	
	19 Responsible Supply Chain Management	
	20 Community Engagement and Investment	

We firmly believe that the opinions of stakeholders have an important impact on the Group's achievement of sustainable development goals. Further understanding and respecting the views and needs of stakeholders will enable the Group to make better decisions and plans. In the future, the Group will continue to strive to establish and maintain positive interactions with stakeholders through diversified, transparent and effective communication channels, optimize sustainable development strategies, and make us more successful in the pursuit of sustainable development.

## A. COMMITMENT TO THE ENVIRONMENT

The Group attaches great importance to sustainable development and regards environmental protection as one of its core responsibilities.

The Group carries out its business primarily in offices and laboratories, which is not an energy-intensive industry and has limited impacts on the environment and natural resources. We strictly abide by the Environmental Protection Law of the People's Republic of China 《中華人民共和國環境保護法》, the Law on the Prevention and Control of Environmental Pollution by Solid Wastes of the People's Republic of China 《中華人民共和國固體廢物污染環境防治法》 and other relevant environmental laws and regulations in our daily operation. We advocate the concept of "green and sustainability" and are committed to making progress towards a sustainable future by proactively addressing carbon emissions, waste management, energy, and water use. We formulate internal environmental policies to reduce the impacts on the environment arising from our operations.

# Environmental, Social and Governance Report

While developing our business, the Group thoroughly implements the concept of energy conservation and environmental protection through adopting a variety of measures, and continue to pursue clean, efficient and green development. We have formulated internal policies, aiming to save energy, water, paper and other resources, reduce greenhouse gas (“GHG”) emissions and air pollutants from vehicles, as well as promote and support environmental policies including mitigation of climate change, while raising employees’ awareness toward environmental protection. We will review and examine the implementation progress of various environmental protection measures, monitor each emission source, identify more opportunities for energy conservation and emission reduction, and establish relevant policies to effectively ensure that resources are used properly, aiming to reduce the environmental footprint.

The following are some of the initiatives related to environmental protection.

## A1. Emissions

As the Group is principally engaged in research and development of medical devices for the treatment of coronary and peripheral diseases, as well as uncontrolled and resistant hypertension. The operations do not have significant air emissions nor discharges into water or land, such as nitrogen oxides, sulphur oxides, and respiratory suspended particles. Our carbon footprints mainly come from the use of electricity and water in offices and factories operations, the use of office materials, the wastes generated from daily operations and business trips. We have implemented environmental protection measures in relation to energy management, water resource management and waste reduction, so as to minimise the impact on the environment and natural resources. The Group has established the Working Environment Control Procedure 《工作環境控制程序》 and Hazardous Chemical Management System 《危險化學品管理制度》 and enhance employees’ awareness to reduce emissions in our daily operational processes, consistently improve production methods and efficiency, and ensure that wastes are properly handled and treated.

### A1.1. Air emissions

During the Reporting Period, the Group consumed natural gas, petrol and diesel from our business operations. The following table presents details of air emissions figures in 2023:

The type of emissions	2023	
	Emission (kg)	Intensity (g/staff)
Total NO <sub>x</sub> emissions	3.25	101.69
Total SO <sub>x</sub> emissions	0.10	3.20
Total PM emissions	0.24	7.49

# Environmental, Social and Governance Report

## A1.2. Greenhouse gas emissions

During the Reporting Period, 635.72 tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e) greenhouse gases ("GHG", mainly carbon dioxide, methane and nitrous oxide) (2022: 818.53 tonnes) were emitted from the Group's operations. The Company's GHG emissions are generated from fuel consumption by the vehicles, electricity and water consumption during operation, landfill, paper consumption, emissions from air travel of employees for business trips, etc.

Bio-heart's types of GHG emissions and waste production during the Reporting Period are as follows:

Scope of GHG	Emission Sources	Emission (in tCO <sub>2</sub> e)		Total Emission (in %)	
		2023	2022	2023	2022
<b>Scope 1 Direct Emissions</b>	Combustion of Fuel in Stationary Sources	18.54	63.24	2.92	7.73
	Release of refrigerants from the operation of equipment and systems	0.00			
<b>Scope 2 Energy Indirect Emission</b>	Purchased Electricity	553.25	755.29	87.03	92.27
<b>Scope 3 Other Indirect Emissions</b>	Paper Waste Disposal	3.77	N/A	10.06	N/A
	Electricity Used for Processing Fresh Water and Sewage by Third Party Handler	0.98			
	Business Air Travels	59.18			
<b>Total</b>		<b>635.72</b>	818.53	<b>100.00</b>	100.00

Note: Emission factors were made reference to Appendix C2 of the Listing Rules and their referred documentation as set out by The Stock Exchange of Hong Kong Limited, unless stated otherwise.

Note: Scope 1 reclassification and Scope 3 calculation is added in 2023

The overall intensity was 19.87 tonnes CO<sub>2</sub>e per staff (2022: 15.16 tonnes CO<sub>2</sub>e per staff).

0.24 tonnes of hazardous waste were generated from daily business operations (2022: 0.18 tonnes). The intensity was 7.56 kg of hazardous waste per staff (2022: 3.33 kg/staff).

# Environmental, Social and Governance Report

## A1.4. Non-hazardous waste

Non-hazardous waste includes domestic wastes from typical offices as well as production scrap from manufacturing workshop.

During the Reporting Period, the Group's operations generated approximately 0.70 tonnes of non-hazardous waste (2022: 1.00 tonnes). The decrease is mainly because the reduction of the operation scale and closure of manufacturing plant during the year.

### Non-hazardous waste generated during the Reporting Period

Types of Non-Hazardous Wastes	Waste Generated (tonnes) 2023
Daily Non-Hazardous Waste	0.20
Food Waste	0.30
Other Paper Waste (e.g., newspaper, card paper)	0.20

The intensity was 0.02 tonnes of non-hazardous waste per staff (2022: 0.02).

## A1.5. Measures to mitigate emissions

The Group always advocates low-carbon operations and attempts to minimize resource consumption in daily operations. Currently, the Group has set long-term targets for air emissions, which were mainly focused on reducing sulphur and GHG emissions. During the Reporting Period, the Group has taken the following resources-saving measures during its operations:

- The air-conditioning system adopted an intelligent control module. When the temperature and humidity of a particular area met certain requirements, only the air-conditioner of that unit would be activated, while other units remained inactivated. This reduced unnecessary power consumption.
- Automatically turned on and off the purification system of the office and clean workshop to reduce unnecessary power consumption.
- Minimized the use of packaging materials without sacrificing the product quality by tailor-made the packaging design with the supplier.
- Regularly replaced the consumables of the exhaust gas purification devices, such as the filter cotton and activated carbon, and actively implemented the equipment maintenance plans to ensure legal and compliant emission of exhaust.
- Encouraged employees to take public and shared transportation.
- Regularly evaluated the number and cost of business trips and encouraged employees to replace business travel and long-distance face-to-face meetings with telephone or video conferences.

# Environmental, Social and Governance Report

- Conducted monthly electricity statistics to analyse electricity efficiency and usage distribution to monitor the company's electricity consumption in the long term.
- Kept track of the water consumption pattern through regular monitoring of water meters and monthly reports on consumption, to spot unusual water usage. Cases of water leakage in factories, water supply systems, and other facilities are swiftly addressed.
- All electric lamps in the work area are energy-saving LED lamps.
- The company's sterilization revolving cartons and other packaging materials are used repeatedly.
- Encouraged electric vehicles over fuel-driven vehicles when introducing new official vehicles.
- Evaluate the feasibility of installing rooftop solar systems and gradually implement to the manufacturing plant.

## A1.6. Waste reduction and initiatives

The Group understands the importance of good waste management practices and strictly complies with the Law of the PRC on the Prevention and Control of Solid Waste Pollution, the Law of the PRC on Prevention and Control of Atmospheric Pollution, the Law of the PRC on Prevention and Control of Water Pollution, the Integrated Wastewater Discharge Standard, and other relevant environmental laws and regulations.

The Group's operations involve the generation of general garbage, paper, plastic, and other non-hazardous waste. Through the specification of the management system, we reasonably classify, collect, store, and process all non-hazardous waste. To achieve the waste reduction goals of recycling, reducing waste and saving costs, the Group advocates waste reduction at the source, strengthens the management and control of production units based on the principle of waste minimization, and reduces unnecessary waste generation.

Non-hazardous waste is collected and handled by the administration department. Paper is used for daily office operations such as documents printing and deliverables packaging. Paper saving initiatives are encouraged among employees, such as adopting double-sided printing and printing with single-sided used paper. We also encourage using electronic document for document issuance and notification, and promoting paperless office. The Group tries to recycle paper used whenever possible in attempt to reduce waste disposed of at landfills. Food waste also properly classified and is handed to third-party organisations to be converted into fertilizer or fodder.

The Group generated most of its hazardous waste from the laboratory. We established a hazardous waste ledger to record the generation, disposal and storage hazardous waste. These wastes were collected by professional third-party waste-handlers for recycling, reuse, or further processing. We ensure that hazardous waste is disposed through legal and compliant channels, and regularly inspect the management of hazardous waste.



# Environmental, Social and Governance Report

In the Reporting Period, the Group has set annual targets for the solid waste discharge of the Group, which were mainly focused on reducing waste discharge, and has shown significant improvement already. The Group will continue to refine and improve waste discharge strategies, in order to sustainably balance business growth and environment protection. The Group aims to achieve a general reduction of 1% in overall hazardous waste and non-hazardous waste intensity in upcoming three years.

## A2. Use of resources

The Group has established administration policies on the efficient use of resources and minimise the consumption of energy, water, and paper. The Group also plans to minimise its use of business travel.

### A2.1. Energy consumption

A total of 968.60 MWh of energy (2022: 1,309.531 MWh) was consumed by the Group for its operations during the Reporting Period. Electricity was the major source of energy for the Group, consuming 906.83 MWh for lighting, air-conditioning and other equipment of the Group necessary for its daily operations. The rest of the Group's energy source was petrol used for fuelling its vehicle fleet 6,970.00 litres of petrol were consumed, which is equivalent to 61,769.12 kWh of energy.

The following table presents details of energy consumption figures in 2023:

Energy Consumption	2023	
	Consumption (kWh)	Intensity (kWh/staff)
Electricity	906,826.07	28,338.31
Petrol	61,769.12	1,930.28

### A2.2. Water consumption

The Group consumed 1,577.00 m<sup>3</sup> (2022: 2,217.37 m<sup>3</sup>) of water during the Reporting Period. The water intensity was 49.28 tonnes per staff (2022: 41.06 tonnes per staff).

### A2.3. Energy use efficiency initiatives

We advocate the principles of green energy conservation and making good use of resources, and are committed to optimizing the use of resources and minimizing carbon emissions throughout our business. We formulate relevant energy-saving policies and measures to reflect our emphasis on energy efficiency. Power consumption of the Group is primarily generated from the lighting, air conditioning and other equipment in the Group's offices and day-to-day operations. In terms of electricity consumption, we designate personnel to turn off lighting and ensure the reasonable use of air conditioning, and administrative departments to check electricity consumption from

# Environmental, Social and Governance Report

time to time. Through conducting monthly electricity statistics, we analyse electricity efficiency and usage distribution to monitor the company's electricity consumption in the long term. For electronic devices, we use products with high energy efficiency certification and power-saving modes, such as computers and printers that can automatically enter the standby or sleep mode when idling. We also procure electronic devices that can accommodate multiple servers, such as printing facilities with multi-functional printing and copying devices, and avoid using a single server with higher capacity to save electricity. During the Reporting Period, the Group has set annual targets and taken the various measures to reduce its electricity and energy consumption during operation. In the future, the Group will strive to keep on improving consumption efficiency, to balance business growth and environment protection.

The Group aims to achieve a general reduction of 1% in overall energy use intensity in upcoming three years.

## **A2.4. Water use efficiency initiatives**

The Company strictly abides by the rules and regulations in relation to water pollution control. The domestic water we use is supplied by our property buildings, and we have no problem in sourcing water that is fit for purpose. All car wash services were outsourced to third party vendors. We encourage the vendors to develop and apply new technology and equipment with high water consumption to improve our water-saving efficiency. We have also promoted reasonable water use among employees in workshops of various dealerships in the Group to increase the utilisation rate of water resources.

During the Reporting Period, the Group has set annual targets for the use of water resources of the Group, which were mainly focused on reducing water waste and improving the use efficiency of water resources. To achieve the targets, the Group has taken the following measures:

- Recycled water resources under suitable conditions.
- Purchase of an energy-efficient model when there is replacement of equipment.
- Arose awareness of water saving.

Through these measures, the Group aims to achieve a general reduction of 1% in overall water use intensity in the upcoming three years.

## **A2.5. Packaging materials**

The Group used 110.00 kg of packaging materials during the Reporting Period. The packaging materials are mainly used for products transportations.

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## A3. The environment and natural resources

The Group is committed to conducting its business responsibly, ensuring that its business does not contribute to significant adverse impacts on the environment and society while bringing sustainable growth and profit.

### A3.1. Significant impacts of activities on the environment

The Group's operations do not have significant impacts on the environment and natural resources. The Group has established internal policies to reduce its consumption of resources to minimise business travel and encourage online meetings. The Group is also committed to purchasing from qualified suppliers who follow national environmental rules and regulations. To further cooperate with the Carbon Neutrality measures in mainland China, the Group encourages the replacement of company cars from gasoline vehicles and hybrid vehicles to electric vehicles. The Group has taken the above resource-saving measures during the Reporting Period and has shown improvement. During the period, the Group consolidated its operation facilities and closed the factory with a low utilisation rate. In the future, the Group will continue to refine and improve resource-saving strategies, in order to balance business growth and environment protection. Through these measures, the Group aims to achieve a general reduction of 1% in overall emission intensity in upcoming three years.

## A4. Climate change

Climate change is a pressing global issue with far-reaching impacts on the economy and society. The Company recognizes the escalating threat posed by climate change, which affects businesses worldwide, including our Group. In response, we are committed to implementing environmentally sound practices and complying with relevant regulations and guidelines from local and national authorities. We have laid down the Emergency Plan Management Procedures 《應急預案管理制度》 and Management Rules of Emergency Plan for Enterprise Production Safety 《企業生產安全應急預案管理規程》 to improve the handling of all kinds of accidents, disasters and health events. The Group has set up the emergency rescue organisation which comprises of emergency rescue headquarter and four professional emergency action groups, namely Accident rescue action group, Logistic Support Action Group, Information Liaison Action Group and Rehabilitation Action Group. We ensure the corresponding rescue work can be conducted quickly and effectively in any kind of safety emergencies to minimize casualties and property losses. We have also incorporated the safety emergency knowledge into our training plan, and hold at least one safety emergency drill per year to increase the capacity of emergency rescue and handling.

We are actively pursuing a green transformation aligned with China's goals to reduce energy intensity and achieve "carbon peaking" and "carbon neutrality". By prioritizing low-carbon operations, we aim to make meaningful contributions towards these ambitious targets. Our ongoing efforts include the development of internal policies and regulatory systems focusing on managing emissions, resource utilization, and enhancing our ability to identify and address climate risks and opportunities.

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The Group deeply understands the importance of identifying and effectively managing climate risks and opportunities for achieving stable and sustainable business development. We plan to gradually identify industry-specific climate risks relevant to our own operations and further analyse the connections and impacts between these risks and our business. As climate change intensifies, extreme weather events such as floods and heavy rainfall, are becoming more frequent and severe. This results in delays in the delivery of products and spare parts, and affect operational efficiency and punctuality rate of automotive delivery, thereby affecting market sales performance. In order to fully cope with the opportunities and challenges brought about by climate change, the ESG task force has carefully assessed related risks and developed corresponding strategies and targets for climate change. The Group will also keep abreast of the trends of new environmental laws and regulations, formulate contingency strategies and policies in a timely manner to ensure compliance with environmental protection laws and regulations.

With the intensification of climate change, extreme weather events are becoming more frequent and severe. In response to adverse weather conditions, the Group has developed emergency situation action plan:

- Strengthening the risk-awareness and emergency management

  - Enhance risk awareness, improve prevention and control capabilities, and focus on preventing and mitigating major risks.
  - Strengthen emergency management training for leaders at all levels in collaboration with relevant departments to increase awareness of extreme weather events and improve emergency response capabilities.
- Strengthening forecast and warning

  - Prioritize prevention and increase the frequency of monitoring and forecasting extreme weather events.
  - Establish a point-to-point warning and response mechanism to promptly alert relevant departments to undertake preventive measures.
  - Issue meteorological warning information to company employees to enable them to prepare for disaster prevention and mitigation in advance.
- Strengthening the operability of contingency plans

  - Establish a sound linkage mechanism between meteorological warnings and emergency response, quantify relevant activation standards, and formulate specific measures to prevent and respond to extreme weather events.
  - Continuously monitor and review the effectiveness of the contingency plan and update with the changes in the business environment.

## Environmental, Social and Governance Report

- |  |   |
|--|---|
| Enhancing the coordination in disaster prevention and relief | <ul style="list-style-type: none"><li>• Strengthen the leadership in disaster prevention, reduction, and relief work, and strictly implement the responsibilities of various departments.</li><li>• Promote the responsibilities of the emergency management department and other relevant departments, establish emergency contacts and duty personnel, and fully leverage leadership, command, and coordination roles.</li></ul>  |
| Strengthen resource repositioning                            | <ul style="list-style-type: none"><li>• Select the office locations that are relatively prosperous or have better infrastructure, typically less prompt to the drainage and transportation issues.</li><li>• Based on risk assessment, guide and urge relevant departments to reposition response resources for high-risk areas.</li><li>• In terms of infrastructure, in addition to basic fire and flood prevention measures, special treatments are carried out based on regional geological characteristics.</li><li>• Various measures have also been taken for system maintenance in response to natural disasters, such as off-site data backup. Local core system data (OA, etc.) are backed up daily and synchronized in an off-site data backup center on Alibaba Cloud, ensuring data availability in extreme situations. Rapid application recovery can be achieved using Alibaba Cloud's resources to quickly restore the business application environment in the event of a loss at the local data center, combined with off-site data backup to ensure business system availability.</li></ul> |
| Strengthening publicity and education                        | <ul style="list-style-type: none"><li>• Widely carry out disaster prevention and reduction publicity and education to enhance employee risk awareness and disaster prevention capabilities.</li></ul>   |

In the future, the Group will continue to proactively assume corporate social responsibilities for responding to climate change, and take effective measures to cope with the challenges brought by climate change, so as to achieve its own sustainable development. The Group will actively respond to and implement relevant government policies and requirements in response to climate change, and actively engage in society-wide common actions to mitigate its negative impacts.

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## B. COMMITMENT TO THE EMPLOYEE

The Group upholds the core value of “people-oriented” and is committed to building an excellent and diverse team.

Upholding the “people first” policy, the Group is of the view personnel management is an important key to achieving sustainable business development. Our innovative solutions to address the unmet needs of patients are supported by our dedicated and talented employees. The Group values the opinions of employees and believes good employee relations are crucial to the long-term development of its business. Therefore, effective communication channels have been set up for employees in different age groups and assistance appropriate to their needs is offered, with the aim of maintaining a harmonious workplace, and ultimately enhancing work efficiency and productivity as a whole.

### B1. Employment

#### B1.1. Employment figures

We regard employees as the key driving force for our sustainable growth. Adhering to the people-oriented principle, we respect and protect the legitimate rights and interests of every employee, regulates employment management, protects employees’ occupational health and safety, and creates a working environment of health, safety and inclusiveness, so as to consolidate the close and long-term cooperation between our employees and us.

The Group acts in strict compliance with the Labour Law of the PRC, the Labour Contract Law of the PRC, the Law of the PRC on the Protection of Women’s Rights and Interests, the Law on the Protection of Minors, and the Provisions on Prohibiting the Use of Child Labour. In addition, we have formulated a staff handbook to facilitate the building of talent teams and strive to create an equal, inclusive, healthy and safe working environment. Our staff handbook mandates human resource management policies, including equal employment, attendance management, remuneration and benefits, recruitment and promotion, training and development, health and safety, performance assessment, code of conduct, etc., so as to keep employees aware of the Company’s management basis and their own interests. The Group did not note any cases of material non-compliance in relation to employment, including the provision of a safe working environment and protecting employees from occupational hazard during the Reporting Period.



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As of 31 December 2022, we had a total of 32 (2022: 54) employees. We strictly follow relevant laws and regulations to implement the dismissal process. See below for a detailed breakdown of the workforce and turnover rate:

Total Workforce as of 31 December	2023	2022
<b>By Employment Type</b>		
Full-time	100.00%	100.00%
Part-time	0.00%	0.00%
<b>By Gender</b>		
Female	56.25%	38.89%
Male	43.75%	61.11%
<b>By employee category</b>		
Senior Management	15.63%	20.37%
Middle Management	6.25%	1.85%
Frontline and Other Employees	78.12%	77.78%
<b>By Age Group</b>		
18-25	3.13%	12.96%
26-35	46.87%	44.44%
36-45	31.24%	25.93%
46-55	15.63%	14.81%
56 or above	3.13%	1.85%
<b>By Geographical Location</b>		
Mainland China	96.87%	96.30%
Foreign countries	3.13%	3.70%

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## B1.2. Turnover figures

A total of 47 (2022: 4) employees left the Group during the Reporting Period, which gave a turnover rate of 146.88% (2022: 7.41%). The significant decrease in number of employees during the Reporting Period due to the thorough consideration of the status of our product candidates under development and future competitive landscape which led to the adjustments in organization structure and operations. The Group regularly reviews salary remuneration and benefits to retain talents and stay attractive and competitive in the market. See below for the detail breakdown of turnover rate by employee group.

Turnover Rate as of 31 December	2023	2022
<b>By Employment Type</b>		
Full-time	146.88%	7.41%
Part-time	0.00%	0.00%
<b>By Gender</b>		
Female	188.89%	6.06%
Male	92.86%	9.52%
<b>By Employee Category</b>		
Senior Management	20.00%	0.00%
Middle Management	0.00%	0.00%
Frontline and Other Employees	184.00%	9.52%
<b>By Age Group</b>		
18-25	400.00%	0.00%
26-35	126.67%	12.50%
36-45	200.00%	7.14%
46-55	80.00%	0.00%
56 or above	0.00%	0.00%
<b>By Geographical Location</b>		
Mainland China	151.61%	7.69%
Foreign countries	0.00%	0.00%

## B1.3. Employee recruitment, compensation, and benefits

The Group encourages and advocates equal opportunities and diversity. We comply strictly with all applicable laws and regulations about recruitment, under which the Group is to select, recruit, and promote its employees at all levels in a fair, just, and open manner based on their knowledge, integrity, ability, and experience in either public recruitment or internal promotion, to ensure meritocracy and attract the best professional elites in the industry. We recruit talents through the talent market, online platforms, on-campus job fairs, internal referrals, and other channels to build our employer brand that can meet our business needs. The recruitment process is arranged by the human resources department, with interviews arranged for the selected candidates. Qualified applicants shall provide their identity documents, academic certificates, and resumes. The applicants shall pass the prescribed recruitment process, and become officially employed after signing the employment contracts. The Group ensures to carefully go over the identities and birth certificates of the qualified applicants to eliminate child labour at the source.

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We do not tolerate forced labour through violence, threats, coercion, or unlawful restraint. The Group does not tolerate any physical, sexual, psychological, or verbal harassment or abuse of employees. We have procedures in place to ensure relevant policies are properly implemented throughout the Group. These include giving relevant training, employee interviews and surveys, and conducting onsite visits and audits regularly. Issues or inquiries raised by employees via different channels will be handled and investigated by the Group carefully and in strict confidence.

During the Reporting Period, the Group was not aware of any instance of child labour and forced labour.

The Group highly appreciates the continued services of its employees. When an employee presents his/her resignation, the human resources department will arrange an interview with him/her to understand his/her motives and identify issues about management and employee turnover rates, to make timely improvements, and retain talents. The Group attaches great importance to the ethical conduct of its employees. If any employee is found to be in violation of the laws, the Group's disciplines and code of conduct, or neglect their duties, or be involved in material misconduct that results in damage to the Group's interests, the Group will terminate employment contracts with them immediately, to ensure proper discipline.

The Group has also formulated a human resources management system, to regulate the professional hierarchy of the Group and clearly define its remuneration system, performance appraisal system, and salary adjustment plan, thereby providing an open and transparent environment that encourages its employees to exploit their greatest potential and render brilliant performance. The remunerations of employees are determined based on their work performance, workability, work attitude, competitiveness, experience, skills, and qualifications for their positions.

We have set up different career paths for the management, general, and technical personnel with corresponding different promotion channels. We assess each talent according to the performance appraisal result and skill sets, combined with measures such as talent review, and various training programs to provide equal and consistent opportunities for them to achieve career ambitions.

We have a performance appraisal system and regularly conduct comprehensive appraisal assessments on the staff's work performance, workability, and work attitude. Through a set of closed-loop performance management systems, employees can continuously improve their work performance, workability, and professional skills. The assessment results will affect the promotion, salary adjustment, and dismissal arrangements of employees. We regularly conduct comprehensive talent reviews, from dimensions of "Performance" and "Ability", to understand the current situation of talents, identify high potential talents in enterprises, and establish a perfect talent development system, which provides sufficient decision-making basis for the selection, recruitment, education, and retention of talents. Remuneration adjustments and annual performance-related bonus distribution are planned in accordance with the market conditions and operating results of the Group, so as to encourage employees to strive for greater contribution to

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the Group. In addition, the Group makes contributions to five national statutory social insurances (including basic pension insurance, basic medical insurance, work-related injury insurance, maternity insurance, and unemployment insurance) as well as commercial and accident insurance under the statutory Employment Ordinance of the PRC. In addition to local statutory holidays such as basic paid annual leave and maternity leave, female employees are also entitled to prenatal leave.

The Group complies with all working hours, rest, and vacation regulations of the Chinese labour Law to ensure the physical and mental health of all employees. The Group does not force employees to work overtime. Employees who need to work overtime should fill in the overtime application form, which will take effect after being reviewed by the department head and countersigned by the Human Resources Department. Employees are entitled to public holidays recognised by PRC, as well as paid time off from the Group, which include but not limited to annual leave, marriage leave, maternity leave, sick leave, etc.

There were no major changes in policies relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity and anti-discrimination during the Reporting Period. In additions, during the Reporting Period, the Company was not aware of any violation cases relating to compensation, recruitment and promotion, working hours, holidays, equal opportunity, diversity, anti-discrimination, and other benefits and welfare that have a significant impact on the operations of the Company.

## **B1.4. Employee communication**

Through induction training for new employees, the Group promotes a culture of belonging and career development planning to create a cohesive and competitive working environment that encourages self-development.

The Group attaches great importance to the opinions of employees. We understand that employees are our close and long-term partners. Maintaining effective and positive mutual communication can not only promote smooth operations, but also enhance mutual understanding and trust, and contribute to the stable development of the Company. The Group fully protects the two-way communication channels with its employees, these include corporate messages from the Group to employees, channels for employees to report information to the Group, opinion surveys, etc. The Group mainly releases information and key issues to employees through internal office platforms, which include but not limited to emails, announcements, and corporate micro-channels. The Group carefully reviews and considers all opinion from its employees and makes corresponding improvement to ensure their rights and interests.

We are committed to providing our employees with a warm and safe working environment and take a holistic approach to employee well-being. We offer programs that support healthy work-life harmony, as well as an annual body check program, provide a green working environment with ergonomic office chairs. We also promote employee communication and encourage employees to make suggestions for the improvement of the Group.

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## **B1.5. Equal opportunity and anti-discrimination**

The Group attaches particular importance to equal employment opportunities and comply strictly with anti-discrimination laws. The Group has also formulated internal policy on equal employment opportunities, aiming to treat both employees and job applicants fairly and ensure they are not discriminated for their gender, marital status, pregnancy, age, family status, disability, ethnicity, nationality or religion. The Group treats each of its employees fairly and justly and offer equal opportunities to them in recruitment, promotion, rewards, training, etc., and promise that no discrimination will be tolerated. The Group shall consider disciplinary punishments on anyone who violates this policy. In compliance with the law, the Group organises face-to-face lectures and provides online training courses from time to time to prevent employees from being discriminated, harassed, and harmed during work.

## **B.2. Employee health and safety**

The health and safety of our employees are a priority for us. We strictly follow relevant laws and regulations on occupational health and safety, including the Work Safety Law of the People's Republic of China 《中華人民共和國安全生產法》 and the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases 《中華人民共和國職業病防治法》, and have established the Rules for the Administration of Safe Production 《安全生產管理規程》 to manage work safety and occupational health of our employees.

We conduct the fire drill every year to enhance the staff's awareness of fire prevention and safety accident response-ability. We also regularly provide safety education training programs to the employees. The training content covers safety production requirements, hazard sources, identification of safety hidden dangers, safety protection, safe operation, etc.

The company attaches great importance to the occupational safety of all colleagues and has devoted effort in protecting the health of its staff. During the Reporting Period, the Company did not receive any complaints or lawsuits regarding violations of health and safety-related laws, and there was no work-related injuries and death occurred in each of the past three years including 2023.

## **B.3. Development and training**

Talents are one of the most important assets of the Group, the Group has staff development and training policies designed to help employees realize their potential. The Group continuously monitors employees' job performance in order to identify training needs. Employees are encouraged to participate in work-related and personal development training through on-the-job training and external training to understand market trends and increase their competence. Training provided was mostly duty-related courses or seminars delivered by both related experts in the Company or external service providers.

Developing our people professionally is one of the most important things to us. We have standardized employee training in the Employee Handbook 《員工手冊》 and developed the learning platform for employees in accordance with the Employee Training Control Procedure 《員工培訓控制程序》 and business needs.

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During the Reporting Period, 234.38% of all employees, received training as arranged by the Group, and the average training hours that each employee received was approximately 6.97 hours. The percentage and average training hours per gender and employee category during the Reporting Period are as follows:

	2023*		2022	
<b>By Gender</b>				
Female	311.11%	8.78 hrs	100.00%	2.00 hrs
Male	135.71%	4.64 hrs	100.00%	2.00 hrs
<b>By Employee Category</b>				
Senior Management	140.00%	3.80 hrs	100.00%	2.00 hrs
Middle Management	100.00%	5.00 hrs	100.00%	2.00 hrs
Frontline and Other Employees	264.00%	7.76 hrs	100.00%	2.00 hrs

\* Employee training statistics in 2023 include the current employees and retired employees of the Group during the year. Trained employee ratio (percentage) = Number of trained employees in this category/Total number of employees in this category at the end of the reporting period x 100%.

We have developed diversified training programs to help our employees improve their working abilities and experience:

- New employee training: carried out by the Human Resource Department during the process of new employee onboarding, to provide employees basic knowledge such as company culture, post responsibility, company business, etc. necessary to start their work.
- Management skills training: designed for management-level employees, to deepen the management's understanding of corporate culture, and improve leadership, promoting sustainable development of the Group.
- Professional skills training: cover areas including special operations, procurement, marketing, finance, etc. to build employees' professional capacities.
- General skills training: intended to improve general knowledge, such as time management, communication skills, office skills, etc.
- Management system training: cover areas including on-the-job training, job transfer, SOP, internal policies, legal training, etc.



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## B4. Labour standards

The Group has established policies to ensure compliance with all applicable laws and regulations. Child and forced labour is strictly prohibited. The Group shall consider disciplinary punishments on anyone who violates this policy. Pursuant to the Prohibition of the Use of Child Administration of the PRC, there was no child nor forced labour in the Group's operation during the Reporting Period. All original identification cards of job candidates are first checked by the Group to confirm their age is above 16 years old. In addition, the Group conducts regular checking to ensure that there is no child labour nor forced labour in its operations. If any violation is identified, the Group will terminate such employments according to applicable laws and regulations immediately, so as to ensure proper compliance and to eliminate any child labour and forced labour problem in the operations.

## C. COMMITMENT TO PATIENT

We are committed to providing high-quality innovative products to patients. We have embedded a lifecycle quality monitoring system in our operations.

### C1. Supply chain management

We focus on the sustainable development of the supply chain, strictly abide by the Law of the People's Republic of China on Tenders and Bids 《中華人民共和國招投標法》, and other laws and regulations. We have established internal documents and procedures such as Procurement Control Procedure 《採購控制程序》, Procurement Implementation Management System 《採購實施管理制度》 and Qualify Supplier Management System 《合格供方管理制度》 so as to standardize the processes of supplier selection, evaluation, and elimination to ensure the quality of our products and services. We search for suitable suppliers according to the demand for products and services in different channels. The Group pays close attention to the performance of suppliers who are required to comply strictly with laws and regulations in relation to anti-bribery, anti-corruption and product health safety. Only compliant companies are qualified to become suppliers of the Group. In evaluating suppliers, the Group takes into account such criteria as disclosure of their major ESG and regulatory risks, employees' remuneration and benefits, and working environment, and follow principles of openness, fairness, justice and credibility. We put great emphasis to ensure suppliers meet admission standards and align with our ESG targets. If any suppliers fail to act in line with the policies of the Group, the Group will terminate cooperation until they are satisfied with their correction efforts and improvement. The Group continuously evaluates the qualification, service quality, prices and delivery periods of each supplier on a regular basis, so as to encourage them to provide high-quality products and services.

The Group attaches great importance to the environmental and social risks within its supply chain. The Group regularly reviews the updates of policies and laws related to the supply chain, and communicates with internal and external stakeholders to understand and identify potential environmental and social risks within its supply chain. In view of this, under the Group's supplier supervision mechanism. Through document audit, sample approval, on-site audit, and other methods, we review suppliers from perspectives of business qualification, quality management, registration documents, production environment, production process, etc. Suppliers that successfully pass the review will be added to the Approved Supplier List (ASL) 《合格供方清單》. To further ensure the quality of suppliers, even after they passed the assessment, they have to go through trial process and if they fail to meet the requirement, they will be removed from the "Qualified Supplier List".

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Embracing the green partner management concept, the Group takes into account criteria such as the involvement of suppliers in fulfilling the ESG responsibilities, disclosure of their major ESG and regulatory risks, employees' remuneration and benefits, and working environment, and follow principles of openness, fairness, justice and credibility. Our procurement is carried out under the ISO13485 quality management system. If any suppliers fail to act in line with the policies of the Group, the Group will terminate cooperation until they are satisfied with their correction efforts and improvement. The Group continuously evaluates the qualification, service quality, prices and delivery periods of each supplier on a regular basis, so as to encourage them to provide high-quality products and services.

The Group attaches great importance to the environmental and social risks within its supply chain. The Group regularly reviews the updates of policies and laws related to the supply chain, and communicates with internal and external stakeholders to understand and identify potential environmental and social risks within its supply chain. In view of this, under the Group's supplier supervision mechanism, the Group also requires suppliers to meet compliant standards in their environmental and social performance to the extent that the quality and reasonable pricing of the purchased materials and services from the suppliers can be ensured. For instance, we choose qualified suppliers such as those certified by ISO14001 or for products with environmental protection labels. Regarding environmentally hazardous substances, the Group requires suppliers to provide content test reports to ensure the products meet the latest environmental requirements.

During the Reporting Period, the Group had engaged with 147 (2022: 142) approved suppliers. Among the suppliers, 138 (2022: 125) located in China (including Hong Kong), 7 (2022: 15) located in the United States and 2 (2022: 2) located in Europe. We conduct the comprehensive evaluation for suppliers under ASL annually and manage the suppliers by categories (A to C) according to the evaluation results. We also require our category A suppliers to provide ISO13485 system certification certificates, and some require clean room certificates. Suppliers with low scores are required to take measures to make rectifications and get re-evaluated within a specified period. We terminate the cooperation relationship for the suppliers who fail to pass the re-evaluation and those who cannot meet our minimum score requirements. We attach great importance to communication with suppliers and maintain interaction with them through the hotline, business negotiations, irregular field visits, etc.

## C2. Product responsibility

### C2.1 Quality management

As a leading provider of innovative medical products and solutions, we strictly abide by the Product Quality Law of the People's Republic of China 《中華人民共和國產品質量法》, Measures for the Supervision and Administration of Medical Device Production 《醫療器械生產督管理辦法》, Good Manufacturing Practices for Medical Devices 《醫療器械生產質量管理規範》 and other laws and regulations. We take a holistic view of quality across our organization and beyond, and consistently improve our quality management system striving for excellent quality for our products and services. Our quality management system is established in accordance with GMP standards and the ISO 13485:2016 Medical devices – Quality management systems and has received certifications in China.

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We have established a quality management system, including field audit records, procedure documents, quality control documents, forms, and records. A dedicated team was established to be responsible for quality assurance. In order to verify the compliance and effectiveness of the Group's quality management system, we hold internal and external audits annually to find out the weaknesses of the system and urge us for continuous improvement. In 2023, we held 2 (2022: 2) external audits and 2 (2022: 2) internal audits meetings.

We provide internal and external education and training, covering key post skills, current regulatory requirements, product knowledge, etc., to all our employees who have responsibilities for product quality.

## **C2.2 Product quality control**

The Group is committed to continuously improving the quality and safety of products. Therefore, the Group implements different measures to optimise product quality, fully perform product safety obligations, and avoid risks relating to product health and safety. The Group has complied with relevant laws and regulations in relation to product and service liabilities. Our quality control and regulatory team is involved in every aspect of our daily operations to ensure the quality control of our products. We implement quality control measures throughout our manufacturing phases, including the procurement phase, the design phase, the production phase, and the product launch phase.

The Group is at the stage of developing its product during the Reporting Period, therefore no complaints have been received. We will formulate a "Customer Complaint Handling Control Procedure" for the handling of product complaints to ensure timely and effective handling of customer complaints and to maintain meaningful communication with customers in the future.

In terms of regulating product promotion and responsible sales, the Group strictly abides by the relevant laws and regulations. The Group always conducts compliance review on marketing slogans and advertising content on our promotion and marketing materials, thereby ensuring the validity and accuracy of the information.

In terms of the health and safety, advertising, labelling and privacy matters and remedies of the products and services provided, there was no material non-compliance with relevant laws and regulations that would have a significant impact on the Company during the Reporting Period. In the event that the products sold needed to be recalled due to quality or other problems, the Group will strictly execute the recall procedures as instructed by the manufacturers. During the Reporting Period, there had been no products sold or shipped subject to recalls for safety and health reasons.

# Environmental, Social and Governance Report

## C2.3 Intellectual property rights

Intellectual property is crucial to the success of the Group. Our strong R&D and innovation efforts build the strong foundation of our business success. Protecting our IPs is essential for us to maintain competitiveness in the market. Thus, while being committed to technological innovation, we also regard intellectual property protection such as patent application and trademark registration as vital and conducive to the Group's healthy and sustainable long-term development.

We strictly abide by the Patent Law of the People's Republic of China 《中華人民共和國專利法》, the Trademark Law of the People's Republic of China 《中華人民共和國商標法》 and other laws and regulations. We formulated the Intellectual Property Management Policy 《知識產權管理制度》 with the intent to develop a culture that protects our IPs from growing external threats and organize IP protection training for the staff. As of 31 December 2023, we had 80 (2022: 79) registered patents and 25 (2022: 25) registered trademarks, as well as 41 (2022: 53) pending patent applications and 15 (2022: 15) pending trademark applications.

In order to effectively carry out the works relating to the management and protection of intellectual property rights, the Group has established internal control procedures, which systematically manages work involving intellectual property rights:

- the Company's application, maintenance and transfer of intellectual property rights will be handled by a dedicated department;
- title certificates such as trademarks and patents will be kept by a designated department which puts records of intellectual property rights under special management;
- when the Group's intellectual property rights are infringed by third parties or may be subject to other infringement disputes, the Group will preserve relevant evidence in a timely manner and take measures to protect our intellectual property rights as soon as possible; and
- the Group is not only serious about the protection of intellectual property rights relating to its own business, but also respects the copyright protection efforts of other products. Genuine software has been installed and used on all of the Company's terminal equipment, and installation and use of unauthorised software on its terminal equipment is strictly prohibited. Additionally, the software and database used in our information system must be authenticated and are allowed to be used for commercial purposes.

We are committed to protecting the intellectual properties of the Group as well as other parties, including patents, trademarks, and copyrights. During the Reporting Period, there was no reported incident of violation of intellectual property rights, patents, or trademarks.

# Environmental, Social and Governance Report

## C2.4 Data security and privacy protection

The Group pays close attention to risk management relating to its information technology systems. We undertake serious measures for protecting the IT resources and data privacy of the Group and its stakeholders, including employees, business partners, and customers. The Group has adopted a set of security safeguard measures to protect the data it has accumulated and stored, including, but not limited to, encryption technology for data transmission and storage, conducting data classification management and applying strict user data access and usage management policies.

Our privacy policy and IT policy stipulate the principles and responsibilities of personal data protection, as well as preventive mechanisms for checking information leakage. Employees in high-risk positions are required to sign confidentiality agreements. The Group takes the responsibility to ensure that no unauthorized person is able to access confidential information.

Under such mechanisms and procedures, any operation violating information security regulations will result in internal disciplinary action. The Group's staffs are expected to undertake periodical training on data protection. The Group also has a comprehensive data backup system to encrypt and store data on servers in different locations in order to minimize the risk of data loss. Furthermore, the Group has designated personnel to be responsible for inspecting and reporting any suspicious data deriving and transmitting activities, as well as enhancing its data protection system pursuant to the changes of laws and regulations and technology development. Meanwhile, such personnel has been designated to take charge of reviewing, discussing and improving technologies in managing information security and internal control system to ensure adequate protection is given to the Group's database.

We also respect the privacy of patients, customers, and employees and ensure that individual information will not be leaked and abused. We sign a confidentiality agreement with our business partners to avoid leakage of privacy. The Group keeps an eye on the updates and revisions of information security laws and regulations, we communicate with relevant departments in a timely manner when updates in laws and regulations occurs to ensure compliant operations.

The Group strictly adheres to laws and regulations such as the Cybersecurity Law of the People's Republic of China 《中華人民共和國網絡安全法》, the Data Security Law of the PRC (《中華人民共和國數據安全法》), Regulations on Protecting the Security of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), Personal Information Protection Law (《個人信息保護法》) as well as the Regulations on the Management of Information Security 《信息安全管理制度》. During the Reporting Period, the Company received no complaints or litigations relating to data protection and privacy protection.

## C2.5 Fair marketing

Fair dealing and truthful advertising are essential for preserving the reputation of the Group. We use trademarks, images, labels, and other information properly, and strictly manage the authenticity, accuracy, and compliance of the marketing information applied in the whole marketing process. During the Reporting Period, the Group was not aware of any incidents of non-compliance with laws and regulations having a significant impact on the Group relating to marketing.



# Environmental, Social and Governance Report

## C3. Anti-corruption

The Company regards knowledge of and compliance with laws as the foundation of our business. The Group always adheres to its core values and establish an honest, trustworthy, standardised and transparent business environment. In order to ensure the compliance of the Company's business operations and the suitability of relevant regulations in the industry, the Group has formulated internal policies which cover management system in different scopes, including board governance, business operations, financial management, personnel management, general management and information security. The Group will regularly review the prevailing laws and regulations, industry norms and its business development, so as to update and revise the compiled articles in due course. During the Reporting Period, the Group was not aware of any incompliance with relevant laws and regulations relating to bribery, extortion, fraud and money laundering.

In addition, the Company attaches great importance to the corporate culture of integrity and anti-corruption, adheres to the highest standards of ethics and business integrity at all times, and abides by the laws and regulations to prevent bribery, corruption, money laundering and fraud in its business operation. The Group has formulated the anti-corruption and anti-bribery policies which are required to be strictly followed by all employees.

In order to enhance the anti-corruption awareness and level of employees, during the Reporting Period, the directors and employees of the Company received anti-corruption training, with an average training hour of 1 hour per director. Topics of anti-corruption training included the situations of corruption reporting, anti-corruption laws and cases, roles of directors and employees in combating corruption, job embezzlement, fraud, and misappropriation of funds, etc.

The Group has also formulated sound whistle-blowing policies to encourage all directors, employees and third parties (including customers and suppliers of the Company) to report any misconduct, dereliction of duty or violations. The whistle-blower can report any suspected illegal acts or dereliction of duty to the Company in the form of writing such as mails, suggestion box or e-mails. The identity of the whistle-blower will be kept strictly confidential. The whistle-blowing mechanism is coordinated by the Group's internal audit department. Upon receiving whistle-blowing incidents, the department will analyse and sort out the whistle-blowing information. After preliminary review and verification, if it is believed that the reported person does have the facts of disciplinary violations, the investigation shall be formally filed. Our anti-fraud office will conduct investigations on relevant reports and submits investigation results to the Board. Any discrimination or retaliation against reporters will not be tolerated, and the reporters will be protected in assisting the investigation. If fraud cases are identified, we will take remedial measures to rectify the internal control of the affected business units. For the employees who are confirmed to have fraud, we will punish them according to our internal regulations; for those who violate the law, we will transfer them to the judicial organs for further handling. We carried out anti-fraud training for our staff aiming to eliminate phenomena harmful to our business such as abusing power for personal gain, dereliction of duty, and taking bribes.

During the Reporting Period, the Company did not have any reported violations or lawsuits related to corruption, nor violated relevant laws and regulations that have a significant impact on the operations of the Company. And there were no concluded legal cases regarding corrupt practices brought against its employees during the Reporting Period.



# Environmental, Social and Governance Report

## D. COMMITMENT TO THE COMMUNITY

Through various means of community participation and contribution, the Company is committed to spreading the spirit of service in the community and building a sustainable and inclusive society. While actively developing its business, the Group never forgets to support various community engagements in order to give back to the society. We believe that the well-being of the community is an important factor in the long-term development of our Group.

In addition, the Group attaches great importance to social public welfare activities and hopes to spread the love and warmth from the Group to the society. It has contributed to activities and organisations that are beneficial to the community. During the Reporting Period, the Group continues to contribute to the community through increasing investment while organising cultural and recreational activities for employees to relieve work pressure and help them to achieve work-life balance, and to enhance employees' sense of social responsibility and dedication to society.

In the future, the Company will continue to proactively cooperate with charitable organizations and participate in various community investment and charitable activities especially in culture and sports area. The Group will continue to devote more resources to the society and environmental protection areas and take up corporate social responsibility to contribute to the creation of a harmonious and healthy society.

## Report of Directors

The board of directors is pleased to submit this annual report together with the audited financial statements of the Group for the Reporting Period.

### PRINCIPAL ACTIVITIES

The Company and its subsidiaries are principally engaged in the research and development of two therapies: (i) BRS therapy addressing the unmet medical needs of Chinese patients for the treatment of coronary artery diseases, and (ii) RDN therapy addressing the unmet medical needs of patients for the treatment of uncontrolled hypertension and resistant hypertension. The activities of the Company's subsidiaries are set out in Note 1 to the financial statements.

An analysis of the Company's net results for the year by principal activities is set out in the section headed "Management's Discussion and Analysis" in this annual report.

### BUSINESS REVIEW

A fair review of the business of the Group as required under Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), comprising a discussion and analysis of the Group's performance during the year, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year, and an indication of likely future development in the business of the Group are provided in the section headed "Chairperson's Statement", "Management Discussion and Analysis" and "Report of Directors" of this annual report. All such discussions form part of this report.

### ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to the community and achieving sustainable growth. The Group endeavours to comply with the relevant laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, waste reduction and energy saving. The Group is subject to environmental protection and occupational health and safety laws and regulations in China. During the Reporting Period, the Group complied with the relevant environmental and occupational health and safety laws and regulations in China. The Group did not have any incidents or complaints, which had a material and adverse effect on its business, financial condition or results of operations. Discussions on the Group's environmental policies and performance, the Group's compliance with the relevant laws and regulations that have a significant impact on the Group, and an account of the Group's key relationships with its stakeholders that have a significant impact on the Group and on which the Group's success depends, are provided in the sections headed "Environmental, Social and Governance Report", "Report of Directors" and "Corporate Governance Report" of this annual report. All such discussions form part of this report.

### RESULTS

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 109 of this annual report.

# Report of Directors

## FINAL DIVIDENDS

The Board does not recommend the payment of any final dividend for the year ended December 31, 2023 (2022: nil).

There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

Pursuant to the Notice of the State Administration of Taxation on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348), individuals who are resident outside the PRC and who hold shares issued in Hong Kong by domestic non-foreign invested enterprises enjoy preferential tax rate in accordance with the tax conventions between Mainland China and the country where the residents reside and the tax arrangements between the Mainland China and Hong Kong (Macao). Individual shareholders will be generally subject to a withholding tax rate of 10% when domestic non-foreign invested enterprises which issue shares in Hong Kong distribute dividends to their shareholders, unless otherwise required by the regulations of relevant tax laws and tax conventions. Pursuant to the Notice on the Issues Concerning Withholding the Enterprises Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Who Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) of the State Administration of Taxation, we are obliged to withhold and pay enterprise income tax at the rate of 10% from dividends paid or payable for H Shares when distributing dividends to non-resident enterprise shareholders of H Shares. No tax is payable in Hong Kong in respect of dividends paid by us according to the current practice of the Hong Kong Inland Revenue Department. 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 of the Company.

## SHARE CAPITAL

Details of the shares issued in the year ended December 31, 2023 are set out in Note 26 to the financial statements.

## DONATIONS

The Group did not make any charitable or other donations during the Reporting Period (2022: nil).

## DEBENTURES ISSUED

The Company did not have any debentures in issue for the year ended December 31, 2023. (2022: nil)

## DISTRIBUTABLE RESERVES

As of December 31, 2023, the Company did not have any distributable reserves. (2022: nil)

## BANK LOANS AND OTHER BORROWINGS

The Group did not have any bank loans or other borrowings as at December 31, 2023 (2022: nil).

# Report of Directors

## EQUITY LINKED AGREEMENTS

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

## PRE-EMPTIVE RIGHTS

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

## FINANCIAL SUMMARY

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

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

For information on the Company's issue of shares pursuant to the Listing please refer to the paragraph headed "Use of Proceeds" in Management Discussion and Analysis of this annual report.

Except the Shares purchased pursuant to the H Share Incentive Scheme as disclosed in the section headed "Share Incentive Scheme" in this annual report, the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

## SHARE OPTIONS

Neither the Company nor its subsidiaries had any share option scheme during the year ended December 31, 2023.

## PRE-IPO EMPLOYEE INCENTIVE SCHEME

The paragraphs below set out certain details of the employee incentive scheme that was set up prior to the Listing (i.e. the 2020 Plan), which holds shares in our Company through two employee incentive platforms, namely Shanghai Baixinantong and Shanghai Baihate which are limited partnerships established in the PRC (the "LLPs").

- The 2020 Plan was established for the benefit of our employee (including Directors) and consultants as remuneration for their services provided to us to incentivize and reward the eligible persons who have contributed to the success of our Company.
- The number of shares that are available for issue under the 2020 Plan is not applicable, as the participants hold their interests in the Shares through their respective equity interests under the relevant LLPs.

## Report of Directors

- The grants under the LLPs were made during the period between September 18, 2020 and September 28, 2020. The number of restricted shares granted were 14,509,413 Shares in the aggregate immediately after the completion of the grants, which was subsequently increased as a result of the Joint Stock Reform. For further details, please refer to the prospectus of the Company dated December 13, 2021 under the section headed “History, Development and Corporate Structure – Joint Stock Reform”. The maximum entitlement of each participant under the 2020 Plan is not applicable as the 2020 Plan was set up prior to the Listing, with the respective equity interests in the LLPs having been pre-determined.
- One of the participants has 50% and 50% of the total interests held by him under the LLPs vesting within the first and second anniversary of the grant date, with all of his interests vesting within 24 months from the grant date; for the other participants, 33.33%, 33.33% and 33.34% of the interested granted to each of them vesting within the first, second and third anniversary of the grant date, with all of their respective interests vesting within 36 months from the grant date. One of the participants, a former technology consultant of AngioCare with no service periods or performance target requirements, as reward of the surrender of his rights on the intellectual property rights pertaining to renal denervation developed during his tenure as a consultant of AngioCare, has all of his interest vested upon grant. After vesting, the disposal of the equity interests by the participants may be subject to further restrictions as may be prescribed under the terms of the 2020 Plan, the PRC Company Law and the PRC Securities Law and the Articles of Association of the Company.
- The participants under the 2020 Plan subscribed for their respective portion of interests under the LLP paid RMB1.0 per share of the Company at the time of grant, such amount being determined by reference by the nominal price per Share of the Company as at the relevant dates. No price shall be payable upon the vesting of the participants’ respective interests.
- As the LLPs are limited liability partnership under PRC laws, and no further shares of the Company will be granted to the LLPs under the terms of the 2020 Plan, the remaining life of the 2020 Plan would not be applicable.

## Report of Directors

The table below shows the details of movements of the restricted shares granted under the 2020 Plan during the Reporting Period:

Name of grantee/ category of grantees	Date of grant	Outstanding as of January 1, 2023	Granted during the Reporting Period	Number of restricted shares			Outstanding as of December 31, 2023	Vesting Period
				Vested during the Reporting Period (Note 2)	Lapsed during the Reporting Period	Cancelled during the Reporting Period		
<b>Directors</b>								
Mr. Wang	September 23, 2020	8,434,820	-	8,434,820	-	-	-	33.33%, 33.33% and 33.34% on the first, second and third anniversary of the grant date, respectively
Mr. Yunqing Wang	September 18, 2020	466,034	-	466,034	-	-	-	33.33%, 33.33% and 33.34% on the first, second and third anniversary of the grant date, respectively
	September 24, 2020	686,079	-	686,079	-	-	-	
Ms. Peili Wang	September 18, 2020	326,224	-	326,224	-	-	-	33.33%, 33.33% and 33.34% on the first, second and third anniversary of the grant date, respectively
	September 24, 2020	137,215	-	137,215	-	-	-	
<b>Top paid individuals (excluding Directors) (Note 1)</b>	September 18, 2020	838,860	-	838,860	-	-	-	33.33%, 33.33% and 33.34% on the first, second and third anniversary of the grant date, respectively
	September 24, 2020	640,338	-	640,338	-	-	-	
	September 25, 2020	1,280,675	-	1,280,675	-	-	-	
<b>Other grantees</b>	September 18, 2020	107,188	-	107,188	-	-	-	50% on each of the first and second of anniversary of the grant date for one grantee. 33.33%, 33.33% and 33.34% on the first, second and third anniversary of the grant date, respectively, for the other grantees
	September 19, 2020	139,810	-	139,810	-	-	-	
	September 25, 2020	457,386	-	457,386	-	-	-	
<b>Total</b>		<b>13,514,629</b>	<b>-</b>	<b>13,514,629</b>	<b>-</b>	<b>-</b>	<b>-</b>	

Notes:

- Two of the five highest paid individuals during the Reporting Period have been individually identified as Directors in the table.
- The weighted average closing price of the shares immediately before the dates on which the awards were vested was RMB3.38.



# Report of Directors

## SHARE INCENTIVE SCHEME

On June 27, 2022, the annual general meeting approved the proposed adoption of the 2022 Scheme, a summary of which is set out below. For further details, please refer to the Company's announcement dated May 11, 2022 and circular dated May 20, 2022.

### Purpose of the 2022 Scheme

The 2022 Scheme aims to attract, motivate and retain highly skilled and experienced personnel to strive for the future development and expansion of the Group. The 2022 Scheme can also help the Company to modernize the remuneration practices and to improve the interests balancing mechanism among Shareholders, the operational and executive management by aligning their interests as a whole.

### Duration

Subject to any early termination of the 2022 Scheme pursuant to the Scheme Rules, the 2022 Scheme shall be valid and effective for 10 years commencing from the date on which the 2022 Scheme is approved by the Shareholders at the annual general meeting of the Company on June 27, 2022, and thereafter for so long as there are non-vested RSUs granted under the 2022 Scheme prior to the expiration of the 2022 Scheme, in order to give effect to the vesting of such RSUs. As such, the remaining life of the 2022 Scheme is approximately eight years as at the date of this annual report.

### Administration

The 2022 Scheme shall be subject to the administration of the Board in accordance with the Scheme Rules and the terms of the Trust Deed. Pursuant to the Scheme Rules, the authority to administer the 2022 Scheme may be delegated by the Board to the Delegatee as deemed appropriate at the sole discretion of the Board.

### Eligible participants and Selected Persons under the 2022 Scheme

Eligible Participant who may participate in the 2022 Scheme include any full-time PRC or non-PRC employee of any members of the Group, who is a Director, senior management, key operating team member, employee, or, a consultant of the Group. The Board or the Delegatee may, from time to time, select any Eligible Participant to be a Selected Person of the respective plans in accordance with the Scheme Rules.

The Selected Persons are determined in accordance with the Company Law of the PRC, the Securities Law of the PRC and other applicable laws, regulations and regulatory documents and the relevant provisions of the Articles of Association, together with the Company's actual circumstances and matters including the present and expected contribution of the relevant Selected Person to the Group.

### Operation

The Board may, at any time and from time to time, cause to be paid by the Group an amount of cash to the Trustee for the purchase of H Shares through on-market transactions at the prevailing market price accordance with the instructions of the Company and the relevant provisions of the Scheme Rules.

## Report of Directors

Since the adoption of the 2022 Scheme, the Company has purchased an aggregate of 519,900 H Shares representing approximately 0.21% of the total share capital of the Company as at the end of the Reporting Period and the date of this annual report. Since the adoption of the 2022 Scheme and up to the end of the Reporting Period, no Awards had been granted, and as a result there was no unvested, cancelled or lapsed Award as at the date on which the 2022 Scheme was approved (the "Adoption Date") and up to the end of the Reporting Period. As no Award was granted since the Adoption Date up to the end of the Reporting Period, therefore the fair value of Awards granted during the financial year is not applicable.

As at December 31, 2022, no new H Shares may be issued in respect of the Awards that may be granted under the 2022 Scheme, and subject to the matters discussed in the sub-paragraph "Scheme limit" below, 1,500,000 H Shares (being the scheme limit of the 2022 Scheme) remain available for future grant, which represents 0.61% of the Company's total share capital as at the date of this annual report.

The number of H Shares that may be issued in respect of Awards granted under the 2022 Scheme during Reporting Period divided by the weighted average number of Shares in issue during the Reporting Period is not applicable since there was no grant of Awards during the Reporting Period.

### **Scheme limit**

Subject to the Scheme Rules, the Scheme Limit shall be the maximum number of H Shares that will be acquired by the Trustee through on-market transactions from time to time at the prevailing market price, and in any case being 1,500,000 H Shares. The Company proposed to set the Scheme Limit in terms of the number of H Shares in order to (i) regulate the costs of the Company in setting up the 2022 Scheme; and (ii) provide Shareholders with clarity on the financial outlay on the 2022 Scheme.

The maximum number of H Shares that can be purchased accounts for approximately 0.61% of the Company's total share capital as at the date of this report. The ultimate number of H Shares underlying the 2022 Scheme is uncertain as it depends on the actual implementation of the acquisition of H Shares by the Trustee.

The Company shall not make any further grant of Award which will result in the aggregate number of H Shares underlying all grants made pursuant to the 2022 Scheme (excluding Awards that have been forfeited in accordance with the 2022 Scheme) to exceed the Scheme Limit without Shareholders' approval. The Scheme Limit shall not be subject to any refreshment.

At no time shall the Trustee be holding more than 10% of the total number of H Shares in issue. The H Shares held by the Trustee will be regarded as public float unless the Trustee becomes a core connected person of the Company or would otherwise cease to be regarded as member of the public under the Listing Rules.

The maximum number of H Shares which may be subject to an Award or Awards to a Selected Person in a 12-month period up to and including the date of the grant of such Award shall not in aggregate exceed 1% of the total number of issued H Shares of the Company from time to time.

# Report of Directors

## Grant of Awards

The Board or the Delegatee may grant Awards to Selected Persons during the Award period conditional upon fulfilment of terms and conditions of the Awards and performance targets as the Board or the Delegatee determines from time to time. Each grant of an Award to any connected person of the Group will constitute a connected transaction which will be subject to the applicable requirements under Chapter 14A of the Listing Rules.

No grant of any Awards to any Selected Person may be made and no directions or recommendations shall be given to the Trustee with respect to a grant of an Award or the acquisition of H Shares through on-market transactions under certain circumstances.

## Vesting of the Awards

The Board or the Delegatee may determine the vesting criteria and conditions or periods for the Awards to be vested. The Vesting Date(s) and number of RSUs granted shall be specified in the grant letter approved by the Board or the Delegatee.

For the purposes of vesting of the RSU(s), the Board or the Delegatee may direct and procure the Trustee to release from the Trust the RSU(s) or the Actual Selling Price in cash to the Selected Person by transferring the number of the RSUs or the Actual Selling Price in cash to the Selected Person in such manner as determined by it from time to time.

The Vesting Date(s) of the Awards granted under the 2022 Scheme or the Awards to be satisfied by the application of any Returned Shares shall be determined by the Board or the Delegatee in its sole and absolute discretion, and shall in any event not extend beyond the then remaining term of the Award Period at the time of grant.

## Vesting Conditions

Vesting of the Award granted under the 2022 Scheme is subject to the conditions of the performance indicators of the Company and any other applicable vesting conditions as set out in the grant letter.

The details of the performance indicators of the Company shall be determined by the Board or the Delegatee from time to time with reference to the business performance and financial condition of the Company and the then market conditions and shall be set out in the grant letter.

If the Selected Person fails to fulfil the vesting conditions applicable to the relevant Awards, all the RSUs underlying the relevant Awards which may otherwise be vested on the Vesting Date(s) shall not be vested and become immediately forfeited with respect to such Selected Person.

## Interest in the RSUs

Any Award granted under the 2022 Scheme but not yet vested shall be personal to the Selected Person to whom it is made and shall not be assignable or transferable and no Selected Person shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any other person over or in relation to any Award, or enter any agreement to do so.

Neither the Selected Person nor the Trustee may exercise any voting rights attached to any H Shares held by the Trustee under the Trust (including any RSUs that have not yet vested).

## Amendment of the 2022 Scheme

Subject to the Scheme Limit, the 2022 Scheme may be altered or supplemented in any respect by resolution of the Board.

# Report of Directors

## Termination of the 2022 Scheme

The 2022 Scheme shall terminate on the earlier of (i) the end of the Award period except in respect of any non-vested RSUs granted hereunder prior to the expiration of the 2022 Scheme, for the purpose of giving effect to the vesting of such RSUs or otherwise as may be required in accordance with the provisions of the 2022 Scheme; or (ii) such date of early termination as determined by the Board.

## DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the year ended December 31, 2023 and up to the date of this annual report were:

### Executive Directors

Mr. Philip Li WANG (汪立) (*Chairperson, chief executive officer and general manager*)

Mr. Yunqing WANG (王雲馨) (*Chief financial officer, board secretary and joint company secretary*)

Ms. Peili WANG (王佩麗)

### Non-executive Directors

Mr. Quan ZHOU (周琮) (*retired on June 26, 2023*)

Mr. Ji CHEN (陳紀) (*retired on June 26, 2023*)

### Independent Non-executive Directors

Mr. Charles Sheung Wai CHAN (陳尚偉)

Mr. Xubo LU (魯旭波)

Mr. Wing Yiu DJEN (鄭榮曜) (*appointed on June 26, 2023*)

Mr. George Chien Cheng LIN (林潔誠) (*retired on June 26, 2023*)

### Supervisors

Mr. Tao CAI (蔡濤) (*Chairperson*)

Mr. Lei ZHU (朱磊)

Mr. Junyi WANG (王君毅) (*appointed on August 31, 2023*)

Mr. Chenzhao ZHANG (張晨朝) (*resigned on August 31, 2023*)

The Company has received written confirmation from all Independent Non-Executive Directors regarding their independence. The Company considers all the Independent non-executive Directors to be independent.

## CHANGES IN DIRECTORS' INFORMATION

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

## DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

## Report of Directors

The principal particulars of these service agreements are: (a) each of the agreements is for a term of three years following his/her respective appointment date; and (b) each of the agreements is subject to termination in accordance with their respective terms. The service agreements may be renewed in accordance with our Articles of Association and the applicable rules.

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

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

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

### **CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS**

Save as disclosed in this annual report, no contract of significance was entered into between the Company or any of its subsidiaries and the controlling shareholder of the Company during the Reporting Period or subsisted at the end of the year, and no contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder of the Company was entered into during the Reporting Period or subsisted at the end of the year.

### **BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

The biographical details of Directors, Supervisors and senior management are set out from page 16 to 21 of this annual report.

### **DEED OF NON-COMPETITION**

The controlling shareholder of the Company, Mr. Wang, entered into the Deed of Non-competition in favour of the Company, pursuant to which he has irrevocably given certain non-competition undertakings to the Company. Details of the Deed of Non-competition are set out in the section headed "Relationship with our Controlling Shareholder – Non-competition Undertaking" in the Prospectus

During the Reporting Period, no written notice of any New Business Opportunity (as defined in the Deed of Non-competition) had been received by the Company. Mr. Wang confirmed that he has complied with the Deed of Non-competition for the Reporting Period (the "Confirmation"). Upon receiving the Confirmation, the independent non-executive Directors of the Company have reviewed the same as part of the annual review process. In view of the above, the independent non-executive Directors have confirmed that, as far as they can ascertain, there is no breach of the non-competition undertakings in the Deed of Non-competition given by Mr. Wang.

# Report of Directors

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

As of December 31, 2023, the interests and short positions of the Directors, the Supervisors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

### Interests of directors, supervisors and chief executives in the Company

Name of Director/ Supervisor/ Chief Executive	Class of Shares	Nature of interest	Number of Shares <sup>(1)</sup>	Approximate Percentage of shareholding in total issued share capital of the Company	Approximate Percentage of shareholding in relevant class of Shares
Mr. Wang <sup>(2)</sup>	H Shares	Interest in controlled corporation	99,010,085	40.59%	41.91%
	Unlisted Foreign Shares	Beneficial interest	7,713,678	3.16%	100%
Peili WANG <sup>(3)</sup>	H Shares	Interest in controlled corporation	25,402,420	10.41%	10.75%

Notes:

- (1) All interests stated are long position.
- (2) Winning Powerful Limited is wholly owned by Mr. Wang. In addition, Mr. Wang is the sole executive partner of Shanghai Baixinantong and a limited partner who contributed more than one-third of the capital of Shanghai Baihate, each of which is a limited partnership established in the PRC and serves as an employee incentive platform. Accordingly, under the SFO, Mr. Wang is deemed to be interested in the equity interests held by Winning Powerful Limited, Shanghai Baixinantong and Shanghai Baihate, in addition to the equity interests he directly owns.
- (3) Ms. Peili Wang is the sole executive partner of Shanghai Baihate, which is a limited partnership established in the PRC and serves as an employee incentive platform. Accordingly, under the SFO, Ms. Peili Wang is deemed to be interested in the equity interests held by Shanghai Baihate.

## Report of Directors

Save as disclosed above and to the best knowledge of the Directors, the Supervisors and chief executive of the Company, as of December 31, 2023, none of the Directors, the Supervisors or chief executive of the Company has any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As of December 31, 2023, to the best knowledge of the Directors, the following persons (not being a Director, a Supervisor, or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which are to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Class of Shares	Nature of interest	Number of Shares <sup>(1)</sup>	Approximate Percentage of shareholding in total issued share capital of the Company	Approximate Percentage of shareholding in relevant class of Shares
Winning Powerful Limited <sup>(2)</sup>	H Shares	Beneficial interest	45,645,584 (L)	18.71%	19.32%
Shanghai Baihate <sup>(2)</sup>	H Shares	Beneficial interest	25,402,420 (L)	10.41%	10.75%
Shanghai Baixinantong <sup>(3)</sup>	H Shares	Beneficial interest	27,962,081 (L)	11.46%	11.84%
Jay QIN <sup>(3)</sup>	H Shares	Interest in controlled corporation	27,962,081 (L)	11.46%	11.84%
Tibet Zhenshan Venture Capital Investment L.P. (Limited Partnership) <sup>(4)</sup>	H Shares	Beneficial interest	16,717,998 (L)	6.85%	7.08%
Xu YANG <sup>(4)</sup>	H Shares	Interest in controlled corporation	16,717,998 (L)	6.85%	7.08%
Suzhou Meimingyang Investment Management Co., Ltd. <sup>(4)</sup>	H Shares	Interest in controlled corporation	16,717,998 (L)	6.85%	7.08%
Kun YANG <sup>(4)</sup>	H Shares	Interest in controlled corporation	16,717,998 (L)	6.85%	7.08%



# Report of Directors

Name	Class of Shares	Nature of interest	Number of Shares <sup>(1)</sup>	Approximate Percentage of shareholding in total issued share capital of the Company	Approximate Percentage of shareholding in relevant class of Shares
Shulan ZHONG <sup>(4)</sup>	H Shares	Interest in controlled corporation	16,717,998 (L)	6.85%	7.08%
TPG ASIA VII SF PTE. LTD. <sup>(5)</sup>	H Shares	Beneficial interest	20,753,025 (L)	8.51%	8.79%
TPG Asia VII Finance, Limited Partnership <sup>(5)</sup>	H Shares	Interest in controlled corporation	20,753,025 (L)	8.51%	8.79%
TPG Asia GenPar VII, L.P. <sup>(5)</sup>	H Shares	Interest in controlled corporation	20,753,025(L)	8.51%	8.79%
TPG Asia GenPar VII Advisors, Inc. <sup>(5)</sup>	H Shares	Interest in controlled corporation	20,753,025 (L)	8.51%	8.79%
TPG Operating Group III, L.P. <sup>(5)</sup>	H Shares	Interest in controlled corporation	20,753,025(L)	8.51%	8.79%
TPG Holdings III-A, L.P. <sup>(5)</sup>	H Shares	Interest in controlled corporation	20,753,025 (L)	8.51%	8.79%
TPG Group Holdings (SBS), L.P. <sup>(5)</sup>	H Shares	Interest in controlled corporation	20,753,025 (L)	8.51%	8.79%
TPG Group Holdings (SBS) Advisors, LLC <sup>(5)</sup>	H Shares	Interest in controlled corporation	20,753,025 (L)	8.51%	8.79%
TPG GP A, LLC <sup>(5)</sup>	H Shares	Interest in controlled corporation	20,753,025 (L)	8.51%	8.79%
TPG Inc. <sup>(5)</sup>	H Shares	Interest in controlled corporation	20,753,025 (L)	8.51%	8.79%
DB CC, LLC <sup>(5)</sup>	H Shares	Interest in controlled corporation	20,753,025 (L)	8.51%	8.79%
JC GP, LLC <sup>(5)</sup>	H Shares	Interest in controlled corporation	20,753,025 (L)	8.51%	8.79%

# Report of Directors

Name	Class of Shares	Nature of interest	Number of Shares <sup>(1)</sup>	Approximate Percentage of shareholding in total issued share capital of the Company	Approximate Percentage of shareholding in relevant class of Shares
David Bonderman <sup>(5)</sup>	H Shares	Interest in controlled corporation	20,753,025 (L)	8.51%	8.79%
James George Coulter <sup>(5)</sup>	H Shares	Interest in controlled corporation	20,753,025 (L)	8.51%	8.79%
Magic Grace Limited <sup>(6)</sup>	H Shares	Beneficial interest	12,223,098 (L)	5.01%	5.17%
LC Healthcare Fund II, L.P. <sup>(6)</sup>	H Shares	Interest in controlled corporation	12,223,098 (L)	5.01%	5.17%
Great Unity Fund I, L.P. <sup>(6)</sup>	H Shares	Interest in controlled corporation	12,223,098 (L)	5.01%	5.17%
SK China Company Limited <sup>(6)</sup>	H Shares	Interest in controlled corporation	12,223,098 (L)	5.01%	5.17%
Proud Solar Limited <sup>(6)</sup>	H Shares	Interest in controlled corporation	12,223,098 (L)	5.01%	5.17%
Loft Success Investments Limited <sup>(6)</sup>	H Shares	Interest in controlled corporation	12,223,098 (L)	5.01%	5.17%
Right Lane Limited <sup>(6)</sup>	H Shares	Interest in controlled corporation	12,223,098 (L)	5.01%	5.17%
Legend Holdings Corporation <sup>(6)</sup>	H Shares	Interest in controlled corporation	12,223,098 (L)	5.01%	5.17%
LC Healthcare Fund II GP Limited <sup>(6)</sup>	H Shares	Interest in controlled corporation	12,223,098 (L)	5.01%	5.17%
LC Fund GP Limited <sup>(6)</sup>	H Shares	Interest in controlled corporation	12,223,098 (L)	5.01%	5.17%

# Report of Directors

Name	Class of Shares	Nature of interest	Number of Shares <sup>(1)</sup>	Approximate Percentage of shareholding in total issued share capital of the Company	Approximate Percentage of shareholding in relevant class of Shares
Union Season Holdings Limited <sup>(6)</sup>	H Shares	Interest in controlled corporation	12,223,098 (L)	5.01%	5.17%
Legend Capital Co., Ltd. <sup>(6)</sup>	H Shares	Interest in controlled corporation	12,223,098 (L)	5.01%	5.17%
Beijing Juncheng Hezhong Investment Management Partnership Enterprises (Limited Partnership) <sup>(6)</sup>	H Shares	Interest in controlled corporation	12,223,098 (L)	5.01%	5.17%
Beijing Junqi Jiarui Business Management Limited <sup>(6)</sup>	H Shares	Interest in controlled corporation	12,223,098 (L)	5.01%	5.17%
Tianjin Huizhi No.1 Investment Management Partnership Enterprises (Limited Partnership) <sup>(6)</sup>	H Shares	Interest in controlled corporation	12,223,098 (L)	5.01%	5.17%
Tianjian Junlian Jieyou Investment Management Partnership Enterprises (Limited Partnership) <sup>(6)</sup>	H Shares	Interest in controlled corporation	12,223,098 (L)	5.01%	5.17%
Linan ZHU <sup>(6)</sup>	H Shares	Interest in controlled corporation	12,223,098 (L)	5.01%	5.17%
Hao CHEN <sup>(6)</sup>	H Shares	Interest in controlled corporation	12,223,098 (L)	5.01%	5.17%
Nengguang WANG <sup>(6)</sup>	H Shares	Interest in controlled corporation	12,223,098 (L)	5.01%	5.17%
OrbiMed Capital LLC <sup>(7)</sup>	H Shares	Investment manager	12,904,992 (L)	5.29%	5.46%

# Report of Directors

## Notes:

- (1) (L) Long position; (S) Short position.
- (2) Winning Powerful Limited is wholly owned by Mr. Wang. In addition, Mr. Wang is the sole executive partner of Shanghai Baixinantong and a limited partner who contributed more than one-third of the capital of Shanghai Baihate, each of which is a limited partnership established in the PRC and serves as an employee incentive platform. Accordingly, under the SFO, Mr. Wang is deemed to be interested in the equity interests held by Winning Powerful Limited, Shanghai Baixinantong and Shanghai Baihate, in addition to the equity interests he directly owns. Ms. Peili Wang is the sole executive partner of Shanghai Baihate. Accordingly, under the SFO, Ms. Peili Wang is deemed to be interested in the equity interests held by Shanghai Baihate.
- (3) Mr. Qin is a limited partner who contributed more than one-third of the capital of Shanghai Baixinantong. Accordingly, under the SFO, Mr. Qin is deemed to be interested in the equity interests held by Shanghai Baixinantong.
- (4) Tibet Zhenshan Venture Capital Investment L.P. (Limited Partnership) is owned as to 99.9% by Xu YANG (楊旭) as limited partner and 0.1% by Suzhou Meimingyang Investment Management Co., Ltd. (蘇州美明陽投資管理有限公司) as general partner. Suzhou Meimingyang Investment Management Co., Ltd. is owned as to 50% by Kun YANG (楊坤) and 50% by Shulan ZHONG (鍾淑蘭). Accordingly, under the SFO, Xu YANG, Suzhou Meimingyang Investment Management Co., Ltd. and Shulan ZHONG are deemed to be interested in the equity interests held by Tibet Zhenshan Venture Capital Investment L.P. (Limited Partnership).
- (5) Each of TPG Asia VII Finance, Limited Partnership (as sole ordinary shareholder of TPG Asia VII SF Pte. Ltd.), TPG Asia GenPar VII, L.P. (as a general partner of TPG Asia VII Finance, Limited Partnership), TPG Asia GenPar VII Advisors, Inc. (as a general partner of TPG Asia GenPar VII, L.P.), TPG Operating Group III, L.P. (which controls TPG Asia GenPar VII Advisors, Inc.), TPG Holdings III-A, L.P. (which controls TPG Operating Group III, L.P.), TPG Holdings III-A, LLC. (as a general partner of TPG Holdings III-A, L.P.), TPG Group Holdings (SBS), L.P. (which controls TPG Inc., which in turn indirectly controls TPG Holdings III-A, LLC through TPG GPCo, LLC), TPG Group Holdings (SBS) Advisors, LLC (as a general partner of TPG Group Holdings (SBS), L.P.) and TPG GP A, LLC (which controls TPG Group Holdings (SBS) Advisors, LLC) is deemed to be interested in the Shares held by TPG Asia VII SF Pte. Ltd. under the SFO. TPG GP A, LLC is controlled by David BONDERMAN (through DB CC, LLC) and James G. COULTER (through JC GP, LLC), who disclaim beneficial ownership of the Shares held by TPG Asia VII SF Pte. Ltd. except to the extent of their pecuniary interest therein.
- (6) Magic Grace Limited is owned as to 79.63% by LC Healthcare Fund II, L.P., which is owned as to 54.22% by Great Unity Fund I, L.P. as limited partner and 1% by LC Healthcare Fund II GP Limited as general partner.

Great Unity Fund I, L.P. is owned as to 49.08% by SK China Company Limited as limited partner, 49.08% by Proud Solar Limited as limited partner and 1% by LC Fund GP Limited as general partner. Proud Solar Limited is wholly owned by Loft Success Investments Limited, a wholly-owned subsidiary of Right Lane Limited, which is in turn wholly owned by Legend Holdings Corporation, a company listed on the Stock Exchange (stock code: 3396).

LC Healthcare Fund II GP Limited is wholly owned by Union Season Holdings Limited, a wholly-owned subsidiary of Legend Capital Co., Ltd. (君聯資本管理股份有限公司), which is in turn owned as to 80% by Beijing Juncheng Hezhong Investment Management Partnership Enterprises (Limited Partnership) (北京君誠合眾投資管理合夥企業(有限合夥)), which is owned as to 58.12% by Tianjin Huizhi No.1 Investment Management Partnership Enterprises (Limited Partnership) (天津匯智一號企業管理諮詢合夥企業(有限合夥)) as limited partner, 41.87% by Tianjian Junlian Jieyou Investment Management Partnership Enterprises (Limited Partnership) (天津君聯傑佑企業管理諮詢合夥企業(有限合夥)) as limited partner and 0.01% by Beijing Junqi Jiarui Business Management Limited (北京君祺嘉睿企業管理有限公司) as general partner, which is held as to 20% by Nengguang WANG and 40% by Hao CHEN. Tianjin Huizhi No.1 Investment Management Partnership Enterprises (Limited Partnership) is owned as to 40.11% by Linan ZHU as limited partner and 1.39% by Beijing Junqi Jiarui Business Management Limited as general partner. Tianjian Junlian Jieyou Investment Management Partnership Enterprises (Limited Partnership) is owned as to 1.92% by Beijing Junqi Jiarui Business Management Limited as general partner.

As such, under the SFO, each of LC Healthcare Fund II, L.P., Great Unity Fund I, L.P., LC Healthcare Fund II GP Limited, SK China Company Limited, Proud Solar Limited, LC Fund GP Limited, Loft Success Investments Limited, Right Lane Limited, Legend Holdings Corporation, Union Season Holdings Limited, Legend Capital Co., Ltd., Beijing Juncheng Hezhong Investment Management Partnership Enterprises (Limited Partnership), Tianjin Huizhi No.1 Investment Management Partnership Enterprises (Limited Partnership), Beijing Junqi Jiarui Business Management Limited, Nengguang WANG, Hao CHEN, Linan ZHU and Tianjian Junlian Jieyou Investment Management Partnership Enterprises (Limited Partnership) is deemed to be interested in the equity interests held by Magic Grace Limited.
- (7) Worldwide Healthcare Trust Plc (“WWH”) is a publicly-listed investment trust organized under the laws of England. WWH is listed on the London Stock Exchange (LON: WWH). OrbiMed Capital LLC is the portfolio manager of WWH. As such, under the SFO, OrbiMed Capital LLC is deemed to be interested in the equity interests held by WWH.

Save as disclosed above, as of December 31, 2023, the Directors were not aware of any persons (other than the Directors, the Supervisors or chief executive of the Company) who had interests and/or short positions in the Shares or underlying Shares which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

# Report of Directors

## MAJOR CUSTOMERS AND SUPPLIERS

### Major Customers

During the Reporting Period, the Group had no commercialized product and therefore had no customers.

### Major Suppliers

For the year ended December 31, 2023, the Group's five largest suppliers accounted for 71.0% (2022: 72.0%) of the Group's total purchases and our single largest supplier accounted for 50.0% (2022: 35.0%) of the Group's total purchases.

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

During the year ended December 31, 2023, the Group did not experience any significant disputes with its customers or suppliers.

## CONNECTED TRANSACTIONS

### Non-exempt Continuing Connected Transaction

#### Collaboration Arrangements under the Strategic Alliance Agreements with Terumo

On November 5, 2012, AngioCare formed a strategic alliance with Terumo and entered into a series of agreements (namely a capital increase and subscription agreement, a joint venture cooperation agreement, a collaboration agreement and a sales agreement, all dated November 5, 2012, together, the "2012 Agreements") with Terumo, which are partially amended by another collaboration agreement dated September 10, 2014 (the "2014 Agreement", together with the 2012 Agreements, the "Terumo Agreements"). Terumo holds 24.31% of AngioCare and is a connected person of the Company.

Pursuant to the terms of the Terumo Agreements, by 2017, Terumo had paid AngioCare a total amount of approximately RMB88.8 million for the development of, and obtaining of regulatory approvals for, the 1st and 2nd generation (including type A and type B) RDN products (collectively, the "Products"), and acquired the exclusive distribution rights for the Products in the global market. The Terumo Agreements shall be effective for 30 years starting from the date when AngioCare obtained the Business License for Enterprises as Legal Persons (企業法人營業執照) from the relevant PRC regulatory authority, i.e., January 8, 2013. Our Group maintained the strategic alliance with Terumo after our Acquisition of AngioCare, and there have been no changes to the Terumo Agreements after our Acquisition of AngioCare.

## Report of Directors

Pursuant to the Terumo Agreements, Terumo (or any third party designated by it) (each a “Terumo Party”) has exclusive rights to distribute the Products in the global market, subject to the following conditions:

- (i) in China, AngioCare has the rights to distribute the Products to third parties if Terumo fails to achieve the sales target, being at least 30,000 units per year for five years after the Products are included in the medical device bidding list issued by the relevant regulatory authorities in China (excluding the sales of the 2nd generation Type B RDN product); and
- (ii) in any region other than China, Terumo should have exclusive distribution rights for the Products unless it (a) waives such rights in writing, (b) fails to assist AngioCare in obtaining the necessary approvals for selling the Products in an overseas market within three months after the directors of AngioCare have decided to enter the market, or (c) fails to enter into any sales agreement for the Products within six months after receiving the relevant approvals.

### Cap in relation to the supply of Products by AngioCare to Terumo

With respect to the Products to be distributed in China, the payment to be received from Terumo for the supply of the relevant Products by AngioCare pursuant to the Terumo Agreements will be determined in accordance with the following formula:

Selling price of the Products to Terumo = 30% x Public tender price of the Products in Beijing<sup>(1)</sup>, subject to a 10% adjustment as separately agreed between AngioCare and Terumo on a case-by-case basis, considering a number of factors

Note:

- (1) Such price is determined during public tender processes organized by government agencies or the relevant hospitals in Beijing.

With respect to the Products to be distributed in regions other than China, AngioCare shall sell them to a Terumo Party at a price separately agreed between AngioCare and Terumo.

During the Reporting Period, none of the Products of AngioCare have been commercialized in China and AngioCare has not sold any Products to Terumo or any third party designated by it. As such, AngioCare has not supplied any Products to Terumo, nor has any sales revenue been received by AngioCare from Terumo with respect to any Products. As there was no transaction taken place under the Terumo Agreements during the Reporting Period, no confirmation shall be provided by the auditors of the Company and the independent non-executive Directors with respect thereof for the Reporting Period pursuant to Rules 14A.55 and 14A.56 of the Listing Rules.

Save as disclosed above, during the Reporting Period, there was no connected transaction or other continuing connected transaction of the Group which has to be disclosed in accordance with Chapter 14A of the Listing Rules.

# Report of Directors

## RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the Reporting Period are set out in Note 32 to the financial statements. None of the related party transactions constitute a connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules.

## SUFFICIENCY OF PUBLIC FLOAT

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

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

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

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

## CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

## MANAGEMENT CONTRACTS

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Reporting Period.

## KEY RELATIONSHIP WITH STAKEHOLDERS

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

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



# Report of Directors

## PERMITTED INDEMNITY PROVISIONS

Directors liability insurance is in place for the directors and supervisor of the Company and its subsidiaries in respect of potential costs and liabilities arising from claims that may be brought against the directors during the Reporting Period.

## PRINCIPAL RISKS AND UNCERTAINTIES

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

### Risks relating to our Financial Position and Need for Additional Capital

- We have incurred significant operating losses since our inception, and may continue to incur operating losses for the foreseeable future. You may lose substantially all your investments in us given the high risks involved in the medical device business.
- We had net cash outflows from our operating activities in the past and may need to obtain additional financing to fund our operations. If we are unable to obtain such financing, we may be unable to complete the development and commercialization of our product candidates.
- If we determine our goodwill to be impaired, our results of operations and financial condition may be adversely affected.
- If we determine our intangible assets to be impaired, our results of operations and financial condition may be adversely affected.
- Raising additional capital may cause dilution to our Shareholders, restrict our operations or require us to relinquish rights to our technologies or product candidates.
- Share-based payments may cause shareholding dilution to our existing Shareholders and have a material and adverse effect on our financial performance.
- We have historically received government grants for our research and development activities and we may not receive such grants or subsidies in the future.

### Risks Relating to the Development of Our Product Candidates

- Our future growth depends substantially on the successful development of our product candidates to commercialization.
- Clinical product development involves a lengthy and expensive process with an uncertain outcome.
- If clinical trials of our product candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results in a timely manner or at all, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our product candidates.

## Report of Directors

- If we encounter difficulties or delays in enrolling patients in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected.
- We may not be able to develop new products that are competitive in the market, or in a timely manner or at all.
- We may not be successful in developing, enhancing or adapting to new technologies and methodologies.
- Our employees, collaborators, service providers, independent contractors, principal investigators, consultants, vendors and CROs may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements, which could result in delay or failure to develop our products.

### Risks Relating to the Commercialization of Our Products

- If physicians and hospitals are not receptive to our product candidates, our results of operations may be negatively affected.
- Failure to achieve broad market acceptance could have a material adverse impact on our business and results of operations.
- BRS and RDN are novel therapies with limited long-term safety and efficacy data, and a number of factors may negatively affect the market acceptance of BRS and RDN products.
- We have relatively limited experience in sales and marketing activities, and we may not be able to build, expand or integrate our in-house sales and marketing force successfully.
- Even if we are able to commercialize any product candidates, the pricing of such products may be subject to downward changes which may have a material adverse effect on our business and results of operations.
- Even if we are able to commercialize any product candidates, our sales may be affected by the level of medical insurance reimbursement patients receive for PCI and/or RDN procedures using our products.

### Risks Relating to Extensive Government Regulations

- The regulatory approval processes are lengthy, expensive and inherently unpredictable. If we are not able to obtain, or experience delays in obtaining, required regulatory approvals, we will not be able to commercialize our product candidates, and our ability to generate revenue will be materially impaired.
- Undesirable adverse events related to our products and product candidates could subject us to regulatory disciplines and other liabilities.
- We may not be able to comply with ongoing regulatory obligations which may result in withdrawal of approvals for our products.
- Changes in regulatory requirements may adversely affect our business.

# Report of Directors

## Risks Relating to Manufacture and Supply of Our Products

- The manufacture of our products is highly complex and subject to strict quality controls. Our business could suffer if our product candidates are not produced in compliance with all the applicable quality standards.
- We mainly rely on our production facilities in Shanghai for the manufacturing of our product candidates; any disruptions to the operation of our production facilities could materially adversely affect our business, financial condition and results of operations.
- We may be exposed to potential product liability claims, and our insurance coverage may be inadequate to protect us from all the liabilities we may incur.
- If we fail to establish our commercial manufacturing capacity after we launch our future approved product candidates in the market, or if our manufacture capacity fails to meet the market demand, our business prospects could be materially and adversely affected.
- We rely on a limited number of suppliers, and may not be able to secure a stable supply of qualified raw materials at all times or at all.
- An increase in the market price of our raw materials and components may adversely affect our financial position.
- Failure to manage our inventory effectively would materially and adversely affect our financial condition and results of operations.

## Risks Relating to Our Intellectual Property Rights

- Third parties may initiate legal proceedings alleging that we are infringing, misappropriating or otherwise violating their intellectual property rights, and the outcome of such legal proceedings would be uncertain. Such proceedings could be costly and time consuming to defend, and could prevent us from developing or commercializing our product candidates, or delay the development or commercialization process.
- If we are unable to obtain and maintain patent protection for our product candidates through intellectual property rights, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties may compete directly against us.
- If our trademarks and trade names are not adequately protected, then we may not be able to build name recognition in our markets of interest and our business may be adversely affected.
- Failure to adequately protect our intellectual property rights may adversely affect our reputation and disrupt our business.
- We may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time consuming and unsuccessful. Our patent rights relating to our product candidates could be found invalid or unenforceable if being challenged in court or before the CNIPA or courts or related intellectual property agencies in other jurisdictions.

## Report of Directors

- Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment, and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.
- Changes in patent law could diminish the value of patents in general, thereby impairing our ability to protect our product candidates.
- If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed. We may be subject to claims that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.

### Risks Relating to Our Operations:

- Our future success depends on our ability to retain key executives and to attract, hire, retain and motivate other qualified and highly skilled personnel.
- We have a limited operating history, which may make it difficult to evaluate our current business and predict our future performance.
- We may encounter difficulties in managing our growth and expanding our operations successfully.
- We face substantial competition and rapid market changes, and our competitors may discover, develop or commercialize competing products before or more successfully than we do, or respond and adapt to the market changes more quickly and effectively.
- We may be unable to develop and commercialize our product candidates as anticipated if the third parties with which we contract for clinical trials do not perform in an acceptable manner or if these third parties do not successfully carry out their contractual duties or meet expected deadlines.
- We have entered into collaborations, and may establish or seek collaborations or strategic alliances or enter into licensing arrangements in the future, and we may not realize the benefits of such collaborations, alliances or licensing arrangements.
- Acquisitions or strategic partnerships may increase our capital requirements, dilute our Shareholders, cause us to incur debt or assume contingent liabilities, and subject us to other risks.
- If we fail to maintain effective internal controls, we may not be able to accurately report our financial results or prevent fraud, and our business, financial condition, results of operation and reputation could be materially and adversely affected.
- If we fail to successfully integrate the business of AngioCare or any future targets into our operations, our post-acquisition performance and business prospects may be adversely affected.

## Report of Directors

- If we become subject to litigation, legal or contractual disputes, governmental investigations or administrative proceedings, our management's attention may be diverted and we may incur substantial costs and liabilities.
- We could be subject to criminal sanctions or civil and administrative penalties if we violate any applicable anti-kickback, false claims laws, physician payment transparency laws, fraud and abuse laws or similar healthcare and security laws and regulations in China and other jurisdictions.
- If we or our business partners fail to protect patient data and privacy, our reputation will be damaged and we might be subject to fines or other regulatory punishments.
- If our employees or distributors engage in bribery or corrupt practices or other improper conduct, we may be subject to liability and our reputation and business could be harmed.
- If we or our CROs or SMOs fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.
- Our internal computer systems may fail or suffer security breaches.
- Our and/or others' failure to obtain or renew certain approvals, licenses, permits and certificates required for our business may materially and adversely affect our business, financial condition and results of operations.
- Business disruptions could seriously harm our future revenue and financial condition and increase our costs and expenses.
- We have limited insurance coverage to adequately cover all the risks and hazards associated with our operations.
- Our business significantly depends on our reputation and, once any of our product candidates are commercialized, customer perception of us, and any negative publicity on us or failure to maintain and enhance our recognition and reputation may materially adversely affect our business, financial condition and results of operations.
- Fluctuations in exchange rates of the Renminbi could result in foreign currency exchange losses.
- Risks relating to our failure to complete property leasing registrations for our lease properties.

# Report of Directors

## Risks Relating to Doing Business in China

- The medical device industry in China is highly regulated and such regulations are subject to changes, which may adversely affect our business.
- Changes in the political and economic policies of the PRC government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.
- PRC legal system embodies inherent uncertainties that may affect the protection afforded to our business and our Shareholders.
- You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management based on Hong Kong or other foreign laws.
- Gains on the sales of H Shares and dividends on the H Shares may be subject to PRC income taxes.
- Our business benefits from certain financial incentives and discretionary policies granted by local governments. Expiration of, or changes to, these incentives or policies would have an adverse effect on our results of operations.
- Governmental control of currency conversion, and restrictions on the remittance of RMB into and out of the PRC, may adversely affect the value of your investment.
- Our operations are subject to and may be affected by changes in PRC tax laws and regulations.
- We may be restricted from transferring our scientific data abroad.
- The political relationships between China and other countries may affect our business operations.
- Any possible conversion of our Unlisted Shares into H Shares in the future could increase the supply of our H Shares in the market and negatively impact the market price of our H Shares.

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

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the Reporting Period are set out in Note 14 to the consolidated financial statements.

# Report of Directors

## REMUNERATION OF DIRECTORS

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 individual performance and comparable market statistics.

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

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

## RETIREMENT BENEFITS PLAN

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

## TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

## SUBSEQUENT EVENTS

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

## CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 22 to 41 of this annual report.



# Report of Directors

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

The annual general meeting of the Company will be held on Friday, June 21, 2024. A notice of convening the AGM and all other relevant documents will be published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.bio-heart.com](http://www.bio-heart.com), and dispatched to the Shareholders in the manner as required by the Listing Rules in due course.

The register of members of H Shares the Company will be closed from Wednesday, May 22, 2024 to Friday, June 21, 2024 (both days inclusive), during which period no transfer of H Shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, May 21, 2024.

## AUDIT COMMITTEE

The Audit Committee has reviewed together with the management and external auditor the accounting principles and policies adopted by the Company and the audited consolidated financial statements for the Reporting Period, and discussed internal control and financial reporting matters.

## AUDITORS

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

### **Mr. Philip Li Wang**

*Chairperson and executive Director*  
Shanghai, PRC

March 25, 2024

# Report of Supervisors

## REPORT OF SUPERVISORS FOR 2023

With the joint efforts of all Supervisors and in accordance with the laws and regulations such as the PRC Company Law, the provisions of the Articles of Association and the Rules of Procedures for Meeting of the Board of Supervisors, the Board of Supervisors, in the spirit of being responsible to all Shareholders, conscientiously performed the duties and powers bestowed upon it by relevant laws and regulations, actively and effectively carried out the work, supervised the compliance of the operation of the Company and the performance of duties by the Directors and senior management of the Company, and safeguarded the legitimate rights and interests of the Company as well as its Shareholders.

The work of the Board of Supervisors in 2023 and the work plan for 2024 are hereby reported as follows:

### I. WORK OF THE BOARD OF SUPERVISORS IN 2023

In 2023, the Board of Supervisors convened and held three meetings of the Board of Supervisors pursuant to the laws. The notifying, convening and voting procedures for the meetings were in compliance with the requirements of the PRC Company Law and other laws and regulations as well as the Articles of Association and the rules of procedures of the Board of Supervisors. The work of the Board of Supervisors mainly included:

1. attending general meetings to understand the operation of the general meetings;
2. attending the meetings of the Board of Directors to understand the operation of the Board of Directors;
3. reviewing the financial reports of the Company and the audit reports submitted by auditors of the Company; and
4. supervising the internal control of the Company.

### II. OPINIONS ON THE BOARD OF SUPERVISORS DURING THE REPORTING PERIOD

#### (i) Compliance of the Operation

The members of the Board of Directors and senior management of the Company operated in strict compliance with the relevant provisions of the PRC Company Law and the Articles of Association, diligently and responsibly performed their duties by following a scientific and reasonable decision-making process, and earnestly implemented each resolution of the general meetings, and they were not aware of any illegal act or actions against the interests of the Company.

#### (ii) Financial Position of the Company

The Board of Supervisors reviewed and agreed with the audited consolidated financial statements of the Group for the year ended December 31, 2023, and believed that the financial statements of the Group have given an objective and true view of the financial position and the operating results of the Group and is free of false representations, misleading statements and material omissions.

## Report of Supervisors

### (iii) Internal Control

Based on the relevant regulations of the PRC Company Law and the Articles of Association as well as the actual situation of the Company, the Company established a comprehensive internal management and internal control system, which ensures the normal operation of the Company. The Company has a complete internal control organization and an internal audit department with sufficient staff to ensure full and effective implementation and supervision of the Company.

### (iv) Integrity and Self-discipline

The Directors and senior management of the Company strictly regulated themselves to abide by the laws and regulations with honesty and self-discipline, and no illegal acts due to private interests were found.

## III. WORK PLAN FOR 2024

The Board of Supervisors will further regulate the work of the Board of Supervisors in accordance with the PRC Company Law, the Articles of Association as well as other applicable laws and regulations, reinforce its supervision duties and safeguard the interests of the Company and its Shareholders by:

- (1) attending general meetings of the Company and pay close attention to the operation of the general meetings as well as the Company's business decisions to ensure normal operation of the Company;
- (2) attending the meetings of Board of Directors of the Company and continue to actively participate in various work meetings organized and convened by the Company to keep abreast of the operation of the Board of Directors and the operation and development of the Company to ensure the standardized operation of the Company;
- (3) further reinforcing the supervision and inspection of the financial position of the Company;
- (4) supervising the compliance and due diligence of the Directors and senior management of the Company; and
- (5) further strengthening its supervision in internal control to make sure the Company's internal control system plays a critical role in risk prevention and control for its operation and management.

The Board of Supervisors

**Shanghai Bio-heart Biological Technology Co., Ltd.**

March 25, 2024

# Independent Auditor's Report



Ernst & Young  
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Quarry Bay, Hong Kong

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**To the shareholders of SHANGHAI BIO-HEART BIOLOGICAL TECHNOLOGY CO., LTD.**

*(Incorporated in the People's Republic of China with limited liability)*

## OPINION

We have audited the consolidated financial statements of SHANGHAI BIO-HEART BIOLOGICAL TECHNOLOGY CO., LTD. (the "Company") and its subsidiaries (the "Group") set out on pages 109 to 178, which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

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

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

# Independent Auditor's Report

## KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment assessment of goodwill and intangible assets not ready for use</i></p> <p>The Group had goodwill and intangible assets not ready for use, arising from the acquisition of Shanghai AngioCare Medical Technology Co., Ltd, amounting to RMB144,630,000 and RMB137,200,000, respectively, as at December 31, 2023.</p> <p>The Group is required to perform impairment test of goodwill and intangible assets not ready for use on an annual basis. The impairment tests are based on the recoverable amount of the cash-generating unit ("CGU") to which the goodwill is allocated, and the recoverable amount of intangible assets not ready for use. The recoverable amounts are based on the value in use or fair value less cost to sell using cash flow projections based on a financial budget.</p> <p>Management established the impairment assessment model with the involvement of an external independent valuer and prepared a recoverable amount calculation to estimate the future cash flows taking into account key assumptions, including estimated revenue growth rate, gross margin, terminal growth rate and discount rate, and management considered no provision for impairment loss was necessary as at December 31, 2023 based on the impairment assessment performed.</p> <p>We considered this a key audit matter given the significant management judgements and assumptions involved in the impairment assessment and because the estimation of the recoverable amounts is subject to a high degree of estimation uncertainty.</p> <p>The Group's disclosures about the impairment tests of goodwill and other intangible assets are included in note 2.4 Material accounting policies, note 3 Significant accounting judgements and estimates, note 16 Goodwill and note 18 Other intangible assets to the financial statements.</p>	<p>Our procedures included, among others:</p> <ol style="list-style-type: none"><li>1&gt; Obtaining an understanding of key internal controls related to impairment assessment of goodwill and intangible assets not ready for use;</li><li>2&gt; Evaluating the competence and objectivity of the independent valuer engaged by management;</li><li>3&gt; Evaluating management's identification of the CGU to which the goodwill is allocated;</li><li>4&gt; Assessing whether management's impairment assessment model is appropriate with the involvement of our internal valuation specialists by reference to industry practices and valuation techniques;</li><li>5&gt; Assessing the reasonableness of the key assumptions used in the future cash flow forecast, including the estimated revenue growth rate and gross margin, by comparing them with the historical financial performance and future forecast of the CGU; and</li><li>6&gt; Evaluating the appropriateness of the pre-tax discount rate and terminal growth rate adopted with the involvement of our internal valuation specialists by benchmarking market data and comparable companies.</li></ol> <p>We also focused on the adequacy of the disclosures in the consolidated financial statements.</p>

# Independent Auditor's Report

## OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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 above when it becomes available 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.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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

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

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

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



# Independent Auditor's Report

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

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

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

### **Ernst & Young**

*Certified Public Accountants*

Hong Kong

March 25, 2024

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

December 31, 2023

	Notes	2023 RMB'000	2022 RMB'000
Other income and gains	5	8,567	23,776
Research and development expenses		(111,743)	(157,830)
Administrative expenses		(52,881)	(94,370)
Other expenses	7	(30,552)	(55)
Finance costs	8	(578)	(959)
Share of loss of an associate	19	(1,633)	(1,430)
<b>LOSS BEFORE TAX</b>	6	<b>(188,820)</b>	(230,868)
Income tax expense	11	–	–
<b>LOSS FOR THE YEAR</b>		<b>(188,820)</b>	(230,868)
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(188,820)</b>	(230,868)
Attributable to:			
Owners of the parent		(175,893)	(204,236)
Non-controlling interests		(12,927)	(26,632)
		<b>(188,820)</b>	(230,868)
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted (RMB)	13	<b>(0.72)</b>	(0.84)

# Consolidated Statement of Financial Position

December 31, 2023

	Notes	2023 RMB'000	2022 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	29,588	59,561
Other intangible assets	18	137,710	137,542
Investment in an associate	19	36,595	23,228
Financial assets at fair value through profit or loss ("FVTPL")	20	50,469	50,000
Prepayments, other receivables and other assets	17	9,116	8,611
Right-of-use assets	15	1,318	16,419
Goodwill	16	144,630	144,630
Total non-current assets		409,426	439,991
<b>CURRENT ASSETS</b>			
Inventories	21	3,980	–
Prepayments, other receivables and other assets	17	35,055	90,210
Cash and cash equivalents	22	369,438	451,318
Total current assets		408,473	541,528
<b>CURRENT LIABILITIES</b>			
Lease liabilities	15	1,579	7,616
Other payables and accruals	23	14,627	19,795
Amounts due to related parties	32	472	472
Deferred income	24	3,391	963
Total current liabilities		20,069	28,846
<b>NET CURRENT ASSETS</b>		388,404	512,682
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		797,830	952,673

# Consolidated Statement of Financial Position

December 31, 2023

	Notes	2023 RMB'000	2022 RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	15	183	10,489
Deferred income	24	3,210	6,554
Deferred tax liabilities	25	20,580	20,580
Total non-current liabilities		23,973	37,623
<b>Net assets</b>		773,857	915,050
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital	26	243,937	243,937
Treasury shares	26	(29,438)	(29,438)
Reserves	27	533,913	668,715
<b>Non-controlling interests</b>		748,412	883,214
	28	25,445	31,836
<b>Total equity</b>		773,857	915,050

**Philip Li Wang**

Director

**Yunqing Wang**

Director

# Consolidated Statement of Changes in Equity

December 31, 2023

	Attributable to owners of the parent					Subtotal	Non-controlling interests	Total equity
	Share capital	Treasury shares	Share premium*	Share-based payment reserve*	Accumulated losses*			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 26)	(note 26)	(note 27)	(note 29)				
At January 1, 2023	243,937	(29,438)	662,420	679,738	(673,443)	883,214	31,836	915,050
Loss for the year	-	-	-	-	(175,893)	(175,893)	(12,927)	(188,820)
Total comprehensive loss for the year	-	-	-	-	(175,893)	(175,893)	(12,927)	(188,820)
Equity-settled share award (note 29)	-	-	-	41,091	-	41,091	6,536	47,627
At December 31, 2023	243,937	(29,438)	662,420	720,829	(849,336)	748,412	25,445	773,857

	Attributable to owners of the parent					Subtotal	Non-controlling interests	Total equity
	Share capital	Treasury shares	Share premium*	Share-based payment reserve*	Accumulated losses*			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 26)	(note 26)	(note 27)	(note 29)				
At January 1, 2022	243,937	-	662,420	558,537	(469,207)	995,687	39,188	1,034,875
Loss for the year	-	-	-	-	(204,236)	(204,236)	(26,632)	(230,868)
Total comprehensive loss for the year	-	-	-	-	(204,236)	(204,236)	(26,632)	(230,868)
Shares purchased under the 2022 Scheme (note 26)	-	(29,438)	-	-	-	(29,438)	-	(29,438)
Equity-settled share award (note 29)	-	-	-	121,201	-	121,201	19,280	140,481
At December 31, 2022	243,937	(29,438)	662,420	679,738	(673,443)	883,214	31,836	915,050

\* These reserve accounts comprise the consolidated reserves of RMB533,913,000 (2022: RMB668,715,000) in the consolidated statement of financial position.

# Consolidated Statement of Cash Flows

December 31, 2023

	Notes	2023 RMB'000	2022 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		(188,820)	(230,868)
Adjustments for:			
Share of loss of an associate	19	1,633	1,430
Finance costs	8	578	959
Bank interest income	5	(4,000)	(4,010)
Loss on disposal of items of property, plant and equipment	7	30,510	1
Gains on leases termination	5	(1,419)	–
Gains on financial assets at FVTPL	20	(469)	–
Covid-19-related rent concessions from lessors	15	–	(2,266)
Depreciation of property, plant and equipment	14	16,411	14,826
Depreciation of right-of-use assets	15	4,857	5,992
Amortisation of other intangible assets	18	87	39
Equity-settled share award expense	29	47,627	140,481
Foreign exchange differences, net	6	(1,731)	(18,676)
Operating cash flows before movements in working capital		(94,736)	(92,092)
Increase in inventories		(3,980)	–
Decrease/(Increase) in prepayments, other receivables and other assets		50,931	(43,762)
Increase in amounts due to related parties		–	472
Decrease in trade payables		–	(10)
Decrease in other payables and accruals		(327)	(4,243)
Decrease in deferred income		(916)	(981)
Cash used in operations		(49,028)	(140,616)
Net cash flows used in operating activities		(49,028)	(140,616)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of financial assets at FVTPL	20	–	(50,000)
Purchases of items of property, plant and equipment		(17,715)	(30,038)
Payment for investment in an associate	19	(15,000)	(24,658)
Bank interest income	5	4,000	4,010
Payments for other intangible assets		(255)	–
Proceeds from disposal of items of property, plant and equipment		114	–
Net cash flows used in investing activities		(28,856)	(100,686)

# Consolidated Statement of Cash Flows

December 31, 2023

	Notes	2023 RMB'000	2022 RMB'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment for purchase of shares under the 2022 Scheme	26	–	(29,438)
Lease payments	15	(5,258)	(3,594)
Payment of listing expenses		(561)	(2,146)
Net cash flows used in financing activities		(5,819)	(35,178)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year	22	451,318	708,531
Effect of foreign exchange rate changes		1,823	19,267
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>369,438</b>	<b>451,318</b>



# Notes to Financial Statements

December 31, 2023

## 1. CORPORATE AND GROUP INFORMATION

SHANGHAI BIO-HEART BIOLOGICAL TECHNOLOGY CO., LTD. is a joint stock company with limited liability incorporated in the People's Republic of China ("PRC"). The registered office of the Company is located at Room 302, 3/F, Building 4, No. 590 Ruiqing Road, East Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC.

During the year, the Company and its subsidiaries (together, the "Group") are principally engaged in the research and development of bioresorbable scaffold ("BRS") products and the renal denervation ("RDN") system.

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on December 23, 2021.

### Information about subsidiaries

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

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Shanghai AngioCare Medical Technology Co., Ltd.* ("AngioCare") 上海安通醫療科技有限公司	PRC/Chinese Mainland September 28, 2011	RMB6,088,900	65.69% (direct)	Research and development
Hong Kong Bio-heart Biological Technology Co., Limited 香港百心安生物技術有限公司	Hong Kong April 7, 2021	RMB10,000,000	100.00% (direct)	Local administration
Shanghai Xianjianyi Trading Co., Ltd. 上海先建易貿易有限公司	PRC/Chinese Mainland February 11, 2022	RMB50,000,000	100.00% (direct)	No operation

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

\* The Company's subsidiaries registered in the PRC are limited liability companies under PRC law.

# Notes to Financial Statements

December 31, 2023

## 2. ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which include all standards and interpretations approved by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in RMB and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended December 31, 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

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

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

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

# Notes to Financial Statements

December 31, 2023

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

IFRS 17	<i>Insurance Contracts</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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

- a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.
- b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Prior to the initial application of these amendments, the Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The Group has applied the amendments on temporary differences related to leases as at January 1, 2022. Upon initial application of these amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under IAS 12.

# Notes to Financial Statements

December 31, 2023

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

- d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

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

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i> <sup>1</sup>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i> <sup>1</sup>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i> <sup>1</sup>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i> <sup>1</sup>
Amendments to IAS 21	<i>Lack of Exchangeability</i> <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after January 1, 2024

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2025

<sup>3</sup> No mandatory effective date yet determined but available for adoption

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

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

# Notes to Financial Statements

December 31, 2023

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

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

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

# Notes to Financial Statements

December 31, 2023

## 2.4 MATERIAL ACCOUNTING POLICIES

### Investments in associates

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

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

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

### Business combinations and goodwill

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

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

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

# Notes to Financial Statements

December 31, 2023

## 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

### **Business combinations and goodwill (continued)**

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

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

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

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

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

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



# Notes to Financial Statements

December 31, 2023

## 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Fair value measurement

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

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

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

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

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

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

# Notes to Financial Statements

December 31, 2023

## 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

### **Impairment of non-financial assets**

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

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

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

# Notes to Financial Statements

December 31, 2023

## 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Related parties

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

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

# Notes to Financial Statements

December 31, 2023

## 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Property, plant and equipment and depreciation

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

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

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

Machinery	9%-18%
Leasehold improvements	Over the shorter of the lease terms and 20%
Office equipment	18%-30%
Motor vehicles	18%-23%

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

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

# Notes to Financial Statements

December 31, 2023

## 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

### **Intellectual property**

Intellectual property with finite useful life is amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

### **Research and development costs**

All research costs are charged to the consolidated statement of profit or loss as incurred.

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

### **Leases**

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

### **Group as a lessee**

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

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

# Notes to Financial Statements

December 31, 2023

## 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Leases (continued)

#### Group as a lessee (continued)

(a) Right-of-use assets

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

Buildings	1.2-5 years
-----------	-------------

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

(b) Lease liabilities

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

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

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

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of motor vehicles that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

# Notes to Financial Statements

December 31, 2023

## 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Investments and other financial assets

#### Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs.

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

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

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

#### Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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



# Notes to Financial Statements

December 31, 2023

## 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Investments and other financial assets (continued)

#### Subsequent measurement (continued)

Financial assets at fair value through profit or loss

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

This category includes derivative instruments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in profit or loss when the right of payment has been established.

#### Derecognition of financial assets

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

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

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

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

#### Impairment of financial assets

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

# Notes to Financial Statements

December 31, 2023

## 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Impairment of financial assets (continued)

#### General approach

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

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

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

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- |         |   |  |
|---------|---|--|
| Stage 1 | – | Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs   |
| Stage 2 | – | Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs |
| Stage 3 | – | Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs                          |

# Notes to Financial Statements

December 31, 2023

## 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Financial liabilities

#### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

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

#### Subsequent measurement

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

Financial liabilities at amortised cost (other payables, and borrowings)

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

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

#### Derecognition of financial liabilities

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

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

#### Offsetting of financial instruments

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

# Notes to Financial Statements

December 31, 2023

## 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Treasury shares

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

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted-average method. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

### Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above and form an integral part of the Group's cash management.

### Provisions

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

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

### Income tax

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

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

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

# Notes to Financial Statements

December 31, 2023

## 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Income tax (continued)

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

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in a subsidiary when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in a subsidiary, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

# Notes to Financial Statements

December 31, 2023

## 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Government grants

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

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

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

### Other income

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

### Share-based payments

The Company operates a share award scheme. Employees (including directors) and non-employees of the Group receive remuneration and rewards in the form of share-based payments, whereby employees and non-employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The cost of equity-settled transactions with non-employees is measured by reference to the fair value of the services they provided unless the fair value of the equity instruments granted is more reliably determinable. The fair value is measured at the market value of the shares, adjusted for the exclusion of expected dividends to be received in the vesting period, further details of which are given in note 29 to the financial statements.

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

Service conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest.

For awards that do not ultimately vest because service conditions have not been met, no expense is recognised.

# Notes to Financial Statements

December 31, 2023

## 2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Share-based payments (continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

### Other employee benefits

#### Pension scheme

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

#### Termination benefits

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

### Foreign currencies

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

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

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



# Notes to Financial Statements

December 31, 2023

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

### Judgements

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

#### Research and development expenses

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

# Notes to Financial Statements

December 31, 2023

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

### Estimation uncertainty

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

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

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. 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. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

### Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at December 31, 2022 and 2023 were RMB144,630,000 and RMB144,630,000, respectively. Further details are given in note 16.

### Fair value of financial assets at FVTPL

The fair value of financial assets at FVTPL that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a market-based valuation technique and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The fair value of financial assets at FVTPL at December 31, 2023 was RMB50,469,000. Further details are included in note 20 and note 34 to the financial statements.

# Notes to Financial Statements

December 31, 2023

## 4. OPERATING SEGMENT INFORMATION

For resource allocation and performance assessment, the Group's chief executive officer, being the chief operating decision maker, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment and no further analysis of this single segment is presented.

The Group did not record any revenue during the reporting periods and the Group's non-current assets are substantially located in the PRC, accordingly, no analysis of geographical segment is presented.

## 5. OTHER INCOME AND GAINS

An analysis of other income is as follows:

	2023 RMB'000	2022 RMB'000
Other income		
Government grants*	948	1,086
Bank interest income	4,000	4,010
Others	–	4
<b>Total other income</b>	<b>4,948</b>	<b>5,100</b>
Gains		
Foreign exchange differences, net	1,731	18,676
Gains on lease termination, net	1,419	–
Fair value gains on financial assets at FVTPL	469	–
<b>Total gains</b>	<b>3,619</b>	<b>18,676</b>
<b>Total other income and gains</b>	<b>8,567</b>	<b>23,776</b>

\* The Group has received certain government grants related to assets. The grants related to assets were recorded in deferred income and recognised in profit or loss over the useful lives of the relevant assets after the relevant conditions are met. Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period upon actual receipt.

# Notes to Financial Statements

December 31, 2023

## 6. LOSS BEFORE TAX

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

	Notes	2023 RMB'000	2022 RMB'000
Depreciation of property, plant and equipment*	14	16,411	14,826
Depreciation of right-of-use assets*	15	4,857	5,992
Amortisation of other intangible assets	18	87	39
Government grants	5	(948)	(1,086)
Bank interest income	5	(4,000)	(4,010)
Foreign exchange differences, net	5	(1,731)	(18,676)
Auditor's remuneration		1,950	2,230
Expense relating to leases of low-value assets	15(c)	17	12
Gains on financial assets at FVTPL		469	–
Share of losses of an associate	19	1,633	1,430
		<b>18,745</b>	757
<b>Staff cost (excluding directors', supervisors' and chief executive's remuneration):</b>			
– Wages and salaries		9,954	10,198
– Pension scheme contributions		1,119	1,059
– Equity-settled share award expense		5,231	19,970

\* The depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of other intangible assets and employee benefit expenses for the year are set out in "Administrative expenses" and "Research and development expenses" in the consolidated statement of profit or loss and other comprehensive income.

## 7. OTHER EXPENSES

An analysis of other expenses is as follows:

	2023 RMB'000	2022 RMB'000
Loss on disposal of items of property, plant and equipment	30,510	1
Others	42	54
	<b>30,552</b>	55

# Notes to Financial Statements

December 31, 2023

## 8. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities (note 15)	578	959

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

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

	2023 RMB'000	2022 RMB'000
Fees	1,202	1,200
Other emoluments:		
Salaries, allowances and benefits in kind	4,973	4,112
Performance related bonuses	–	463
Equity-settled share award expense	42,396	120,511
Pension scheme contributions	350	271
	<b>48,921</b>	126,557

In 2020, shares were granted to Mr. Philip Li Wang, Mr. Yunqing Wang, Mr. Tao Cai, Ms. Peili Wang, Mr. Chenzhao Zhang, Mr. Lei Zhu and Mr. Junyi Wang in respect of their services to the Group, further details of which are set out in note 29 to the financial statements. The fair value of such awarded shares, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is set out in the above directors' and supervisors' remuneration disclosures.

# Notes to Financial Statements

December 31, 2023

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

### Directors

#### (a) Independent non-executive directors

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

	2023 RMB'000	2022 RMB'000
Mr. Charles Sheung Wai Chan	400	400
Mr. George Chien Cheng Lin (a)	194	400
Mr. Xubo Lu	400	400
Mr. Wing Yiu DJEN (b)	208	–
	1,202	1,200

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

# Notes to Financial Statements

December 31, 2023

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

### Directors (continued)

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Equity-settled share award expense RMB'000	Total remuneration RMB'000
<b>2023</b>						
Executive directors:						
Mr. Phillip Li Wang	-	708	-	-	29,761	30,469
Mr. Yunqing Wang	-	1,101	-	70	4,043	5,214
Ms. Peili Wang (c)	-	685	-	70	1,615	2,370
Non-executive directors:						
Mr. Quan Zhou (d)	-	-	-	-	-	-
Mr. Ji Chen (e)	-	-	-	-	-	-
	-	2,494	-	140	35,419	38,053
<b>2022</b>						
Executive directors:						
Mr. Phillip Li Wang	-	708	29	-	85,466	86,203
Mr. Yunqing Wang	-	1,040	144	65	11,641	12,890
Ms. Peili Wang (c)	-	113	21	11	4,291	4,436
Non-executive directors:						
Mr. Jie Yin (f)	-	-	-	-	-	-
Mr. Quan Zhou (d)	-	-	-	-	-	-
Ms. Li Cai (g)	-	-	-	-	-	-
Mr. Ji Chen (e)	-	-	-	-	-	-
	-	1,861	194	76	101,398	103,529



# Notes to Financial Statements

December 31, 2023

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

### Directors (continued)

#### (c) Supervisors

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Equity-settled share award expense RMB'000	Total remuneration RMB'000
<b>2023</b>					
Mr. Tao Cai	665	–	70	3,244	3,979
Mr. Chenzhao Zhang (h)	1,048	–	46	3,236	4,330
Mr. Lei Zhu	605	–	70	486	1,161
Mr. Junyi Wang (i)	161	–	24	11	196
	<b>2,479</b>	<b>–</b>	<b>210</b>	<b>6,977</b>	<b>9,666</b>
<b>2022</b>					
Ms. Peili Wang (c)	567	108	54	375	1,104
Mr. Tao Cai	800	60	65	9,319	10,244
Mr. Chenzhao Zhang (h)	801	86	65	9,306	10,258
Mr. Lei Zhu	83	15	11	113	222
	<b>2,251</b>	<b>269</b>	<b>195</b>	<b>19,113</b>	<b>21,828</b>

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

# Notes to Financial Statements

December 31, 2023

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

### Directors (continued)

Notes:

- (a) Mr. George Chien Cheng Lin was appointed as an independent non-executive director of the Company with effect from November 24, 2020 and was removed from the list of the independent non-executive director of the Company on June 26, 2023.
- (b) Mr. Wing Yiu DJEN was appointed as an independent non-executive director of the Company with effect from June 26, 2023.
- (c) Ms. Peili Wang was appointed as a supervisor of the Company with effect from October 25, 2018 and was re-designed as a director of the Company on November 10, 2022.
- (d) Mr. Quan Zhou was appointed as a non-executive director of the Company with effect from September 4, 2020 and was removed from the list of the non-executive directors of the Company on June 26, 2023.
- (e) Mr. Ji Chen was appointed as a non-executive director of the Company with effect from November 10, 2020 and was removed from the list of the non-executive director of the Company on June 26, 2023.
- (f) Mr. Yin Jie was appointed as a director on November 1, 2019 and resigned with effect from June 27, 2022.
- (g) Ms. Li Cai was appointed as a director of the Company with effect from September 23, 2020 and was removed from from the list of the directors of the Company on November 10, 2022.
- (h) Mr. Chenzhao Zhang was appointed as a supervisor of the Company with effect from November 24, 2020 and was removed from the list of supervisors of the Company on August 31, 2023.
- (i) Mr. Junyi Wang was appointed as a supervisor of the Company with effect from August 31, 2023.

# Notes to Financial Statements

December 31, 2023

## 10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2022: two directors), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining three (2022: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, bonuses, allowances and benefits in kind	2,535	2,408
Performance related bonuses	6	317
Equity-settled share award expense	9,725	27,945
Pension scheme contributions	186	194
	<b>12,452</b>	<b>30,864</b>

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

	Number of employees	
	2023	2022
HKD4,000,001 to HKD4,500,000	1	–
HKD4,500,001 to HKD5,000,000	2	–
HKD11,000,001 to HKD11,500,000	–	2
HKD11,500,001 to HKD12,000,000	–	1

In 2020, shares were granted to certain highest paid employees in respect of their further services to the Group, further details of which are set out in note 29 to the financial statements. The fair value of such awarded shares, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above highest paid employees' remuneration disclosures.

# Notes to Financial Statements

December 31, 2023

## 11. INCOME TAX

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

- (a) No provision for Chinese Mainland income tax has been provided for at a rate of 25% pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "CIT Law"), as the Group's PRC entities have no estimated assessable profits during the year.
- (b) No provision for Hong Kong income tax has been provided for at a rate of 16.5% as the Group's Hong Kong entity has no estimated assessable profits during the year.
- (c) A reconciliation of the tax expense applicable to loss before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	2023 RMB'000	2022 RMB'000
Loss before tax	(188,820)	(230,868)
Tax at the statutory tax rate of 25%	(47,205)	(57,717)
Effect of different tax rates of the subsidiaries operating in other jurisdictions and tax concession	1,835	(69)
Tax effect of income that is exempt from taxation	(321)	(398)
Expenses not deductible for tax	12,106	36,594
Additional deductible allowance for research and development costs	(18,654)	(16,280)
Tax effect of deductible temporary differences not recognised	43	72
Utilisation of deductible temporary differences previously not recognised	(1,218)	(2,083)
Tax losses not recognised	53,414	39,881
Tax charge at the Group's effective tax rate for the year	-	-

# Notes to Financial Statements

December 31, 2023

## 11. INCOME TAX (CONTINUED)

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

	2023 RMB'000	2022 RMB'000
Tax losses	744,888	515,920
Deductible temporary differences	13,685	18,803
	758,573	534,723

The Group has tax losses of RMB744,888,000 and RMB515,920,000, as at December 31, 2023 and 2022, respectively. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

## 12. DIVIDEND

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

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

The Company had no potentially dilutive ordinary shares in issue during each of the years presented. The calculation of the weighted average number of ordinary shares has excluded the treasury shares as detailed in note 26.

The calculation of basic loss per share is based on:

	2023	2022
<b>Loss</b>		
Loss attributable to ordinary equity holders of the Company (RMB'000)	(175,893)	(204,236)
<b>Ordinary shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation (thousand)	243,417	243,745
Loss per share (RMB per share)	(0.72)	(0.84)

# Notes to Financial Statements

December 31, 2023

## 14. PROPERTY, PLANT AND EQUIPMENT

	Machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
<b>December 31, 2023</b>						
At January 1, 2023:						
Cost	37,149	404	1,103	61,853	8,164	108,673
Accumulated depreciation	(22,074)	(128)	(994)	(25,916)	–	(49,112)
Net carrying amount	15,075	276	109	35,937	8,164	59,561
At January 1, 2023, net of accumulated depreciation	15,075	276	109	35,937	8,164	59,561
Additions	591	–	506	1,541	14,424	17,062
Disposals	(313)	(179)	(109)	(28,887)	(1,136)	(30,624)
Transfers	16,021	–	–	5,431	(21,452)	–
Depreciation provided during the year	(5,532)	(77)	(19)	(10,783)	–	(16,411)
At December 31, 2023, net of accumulated depreciation	25,842	20	487	3,239	–	29,588
At December 31, 2023:						
Cost	52,608	124	506	21,822	–	75,060
Accumulated depreciation	(26,766)	(104)	(19)	(18,583)	–	(45,472)
Net carrying amount	25,842	20	487	3,239	–	29,588

# Notes to Financial Statements

December 31, 2023

## 14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
<b>December 31, 2022</b>						
At January 1, 2022:						
Cost	32,060	404	1,103	31,516	19,628	84,711
Accumulated depreciation	(17,082)	(45)	(994)	(16,181)	–	(34,302)
Net carrying amount	14,978	359	109	15,335	19,628	50,409
At January 1, 2022, net of accumulated depreciation						
	14,978	359	109	15,335	19,628	50,409
Additions	3,036	–	–	4,686	16,257	23,979
Disposals	(1)	–	–	–	–	(1)
Transfers	2,070	–	–	25,651	(27,721)	–
Depreciation provided during the year	(5,008)	(83)	–	(9,735)	–	(14,826)
At December 31, 2022, net of accumulated depreciation	15,075	276	109	35,937	8,164	59,561
At December 31, 2022:						
Cost	37,149	404	1,103	61,853	8,164	108,673
Accumulated depreciation	(22,074)	(128)	(994)	(25,916)	–	(49,112)
Net carrying amount	15,075	276	109	35,937	8,164	59,561



# Notes to Financial Statements

December 31, 2023

## 15. LEASES

### The Group as a lessee

During the reporting periods, the Group entered into certain long-term lease contracts for buildings which generally have lease terms between 1 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There is no lease contract that includes extension and termination options and variable lease payments.

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

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

	<b>Buildings RMB'000</b>
As at January 1, 2023	16,419
Additions	250
Depreciation charge	(4,857)
Termination	(10,494)
As at December 31, 2023	<b>1,318</b>

	Buildings RMB'000
As at January 1, 2022	21,851
Additions	560
Depreciation charge	(5,992)
As at December 31, 2022	16,419

# Notes to Financial Statements

December 31, 2023

## 15. LEASES (CONTINUED)

### The Group as a lessee (continued)

#### (b) Lease liabilities

The carrying amount of lease liabilities and the movements during the reporting periods are as follows:

	2023 RMB'000	2022 RMB'000
Carrying amount at January 1	18,105	22,446
Additions due to new lease	250	560
Accretion of interest recognised during the year	578	959
Covid-19-related rent concessions from lessors	–	(2,266)
Payments	(5,258)	(3,594)
Termination	(11,913)	–
Carrying amount at the end of the year	1,762	18,105
Analysed into:		
Current portion	1,579	7,616
Non-current portion	183	10,489

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

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

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities	578	959
Depreciation charge of right-of-use assets	4,857	5,992
Expense relating to leases of low-value assets*	17	12
Covid-19-related rent concessions from lessors	–	(2,266)
Gains on lease termination, net	1,419	–
Total amount recognised in profit or loss	6,871	4,697

\* Included in "Administrative expenses" and "Research and development expenses" in the consolidated statement of profit or loss and other comprehensive income.

#### (d) The total cash outflow for leases is set out in note 30 to the financial statements.

# Notes to Financial Statements

December 31, 2023

## 16. GOODWILL

	<b>Goodwill RMB'000</b>
Cost at December 31, 2021 and January 1, 2022, net of accumulated impairment	144,630
Cost and net carrying amount at December 31, 2022	144,630
As at December 31, 2022:	
Cost	144,630
Accumulated impairment	–
Net carrying amount	144,630
Cost at December 31, 2022 and January 1, 2023, net of accumulated impairment	<b>144,630</b>
Cost and net carrying amount at December 31, 2023	<b>144,630</b>
As at December 31, 2023:	
Cost	<b>144,630</b>
Accumulated impairment	–
Net carrying amount	<b>144,630</b>

### Impairment testing of goodwill

The Group's goodwill acquired through business combination is related to the acquisition of AngioCare in September, 2021 and the goodwill has been allocated to the AngioCare cash-generating unit for impairment testing. Management considers that using a ten-year forecast period for financial budget in the goodwill impairment test is appropriate because the useful lives of AngioCare's relevant intellectual property are longer than ten years, and it generally takes longer for a medical device company to reach perpetual growth mode, compared to companies in other industries, especially when its product is still under clinical trial and the market of such product is at an early stage of development with substantial growth potential. Hence, financial budgets covering a 10-year period were used as management believes that a forecasted period longer than five years is feasible and reflects a more accurate entity value.

# Notes to Financial Statements

December 31, 2023

## 16. GOODWILL (CONTINUED)

### Impairment testing of goodwill (continued)

Key assumptions used in the calculation are as follows:

	<b>As at December 31, 2023</b>	As at December 31, 2022
Revenue (% compound growth rate)	<b>67.68%</b>	65.38%
Gross margin (% of revenue)	<b>60.00%</b>	60.00%
Terminal growth rate	<b>2.00%</b>	2.00%
Pre-tax discount rate	<b>19.84%</b>	19.75%

As at December 31, 2023 and December 31, 2022, the recoverable amounts of the cash-generating unit exceed its carrying amounts by RMB38,133,000 (2022: RMB41,789,000).

Assumptions were used in the value in use calculation of the cash-generating unit as at December 31, 2023 and December 31, 2022. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Revenue – The basis used to determine the budgeted revenue is based on management’s expectation of when to launch AngioCare’s product and also expectation of the future market. AngioCare’s product candidate, renal denervation (“AngioCare Product”), has completed clinical work and submitted randomized controlled clinical trial results to the NMPA in China for its approval. The compound growth rate of revenue was estimated based on information available at the time of assessment, disregarding the information that has become available after the assessment. Such information includes current industry overview and estimated market development of related products.

Gross margin – The gross margin is based on the average gross margin expected to achieve in the years when to launch the product.

Terminal growth rate – The forecasted terminal growth rate is based on management’s expectations and does not exceed the long-term average growth rate for the industry relevant to the cash-generating unit.

# Notes to Financial Statements

December 31, 2023

## 16. GOODWILL (CONTINUED)

### Impairment testing of goodwill (continued)

Pre-tax discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

If the pre-tax discount rate rose to 20.78%, the gross margin decreased to 58.38%, or the compound growth rate of revenue decreased to 65.05% (with other assumptions remaining unchanged), the recoverable amount of the cash-generating unit would be decreased to the carrying amount of the cash-generating unit. Except for these, any reasonable possible changes in other key assumptions used in the fair value assessment model would not affect management's view on impairment at December 31, 2023.

If the pre-tax discount rate rose to 20.87%, the gross margin decreased to 57.72%, or the compound growth rate of revenue decreased to 62.19% (with other assumptions remaining unchanged), the recoverable amount of the cash-generating unit would be decreased to the carrying amount of the cash-generating unit. Except for these, any reasonable possible changes in other key assumptions used in the fair value assessment model would not affect management's view on impairment at December 31, 2022.

Based on the impairment assessment conducted by the Group utilising the above key assumptions, the recoverable amount of the cash-generating unit estimated from the cash flow forecast exceeded the carrying amount of goodwill and no impairment was considered necessary.

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

# Notes to Financial Statements

December 31, 2023

## 17. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023 RMB'000	2022 RMB'000
Non-current:		
Prepayments for purchase of items of property, plant and equipment	503	4,222
Rental deposits	475	1,754
Value-added tax recoverable – non-current	7,756	2,271
Other deposits	382	364
	<b>9,116</b>	8,611
Current:		
Prepayments for research and development expenses and others	27,637	84,412
Rental deposits	1,294	–
Value-added tax recoverable – current	6,124	5,798
	<b>35,055</b>	90,210

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at the end of each of the reporting periods, the loss allowance was assessed to be minimal.

Value-added tax recoverable represents input VAT related to property, plant and equipment acquired and research and development expenses incurred which are expected to be recovered either through refund from tax bureaus or to be utilised in the future to offset the output VAT. The amounts that are expected to be recovered within one year are recorded as current assets, while those that are expected to be recovered after one year are recorded as non-current assets.

# Notes to Financial Statements

December 31, 2023

## 18. OTHER INTANGIBLE ASSETS

	Intellectual property RMB'000	Software RMB'000	Total RMB'000
<b>December 31, 2023</b>			
Cost at January 1, 2023, net of accumulated amortisation	137,200	342	137,542
Additions	–	255	255
Amortisation during the year	–	(87)	(87)
At December 31, 2023	137,200	510	137,710
<b>December 31, 2022</b>			
At December 31, 2023	137,200	636	137,836
Cost	137,200	636	137,836
Accumulated amortisation	–	(126)	(126)
Net carrying amount	137,200	510	137,710
<b>December 31, 2022</b>			
Cost at January 1, 2022, net of accumulated amortisation	137,200	–	137,200
Additions	–	381	381
Amortisation during the year	–	(39)	(39)
At December 31, 2022	137,200	342	137,542
At December 31, 2022	137,200	381	137,581
Cost	137,200	381	137,581
Accumulated amortisation	–	(39)	(39)
Net carrying amount	137,200	342	137,542

### Impairment testing of other intangible assets

The management of the Group performed impairment testing annually for intellectual property not ready for use. The intangible asset is allocated to the cash-generating unit to which the intellectual property belongs. The recoverable amount of the cash-generating unit is determined based on a value-in-use calculation using cash flow projections from financial budgets approved by management of the Group covering a 10-year period. Management considers that using a 10-year forecast period for financial budget in the intellectual property impairment test is appropriate because the useful lives of AngioCare's relevant intellectual property are longer than ten years, and it generally takes longer for a medical device company to reach a perpetual growth mode, compared to companies in other industries, especially when its product is still under clinical trial and the market of such product is at an early stage of development with substantial growth potential. Hence, financial budgets covering a 10-year period were used as management believes that a forecasted period longer than five years is feasible and reflects a more accurate entity value.



# Notes to Financial Statements

December 31, 2023

## 18. OTHER INTANGIBLE ASSETS (CONTINUED)

### Impairment testing of other intangible assets (continued)

As at December 31, 2023 and December 31, 2022, the recoverable amounts of the cash-generating unit to which the intellectual property belongs exceeds its carrying amounts by RMB39,500,000 and RMB64,100,000, respectively.

Key assumptions used in the calculation are as follows:

	2023	2022
Gross margin (% of revenue)	60.00%	60.00%
Terminal growth rate	N/A	N/A
Pre-tax discount rate	20.73%	20.76%

Assumptions were used in the value in use calculation of the cash-generating unit as at December 31, 2023 and December 31, 2022. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of other intangible assets:

Gross margin – The gross margin is based on the average gross margin expected to achieve in the years when to launch the product.

Terminal growth rate – The forecasted terminal growth rate is based on management’s expectations and does not exceed the long-term average growth rate for the industry relevant to the cash-generating unit.

Pre-tax discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

If the pre-tax discount rate rose to 24.36%, or the gross margin decreased to 55.37%, the recoverable amount of the cash-generating unit would be decreased to the carrying amount of the intellectual property. Except for these, any reasonable possible changes in other key assumptions used in the fair value assessment model would not affect management’s view on impairment at December 31, 2023.

If the pre-tax discount rate rose to 25.80%, the gross margin decreased to 52.26%, the recoverable amount of the cash-generating unit would be decreased to the carrying amount of the intellectual property. Except for these, any reasonable possible changes in other key assumptions used in the fair value assessment model would not affect management’s view on impairment at December 31, 2022.

# Notes to Financial Statements

December 31, 2023

## 18. OTHER INTANGIBLE ASSETS (CONTINUED)

### Impairment testing of other intangible assets (continued)

Based on the impairment assessment conducted by the Group utilising the above key assumptions, the recoverable amount of the cash-generating unit estimated from the cash flow forecast exceeded the carrying amount of the intellectual property and no impairment was considered necessary.

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

## 19. INVESTMENT IN AN ASSOCIATE

	2023 RMB'000	2022 RMB'000
Cost of investment in joint ventures, unlisted	39,658	24,658
Share of post-acquisition losses	(3,063)	(1,430)
	<b>36,595</b>	23,228

In June 2022, the Group acquired an aggregate of 15.42% equity interests in Shanghai XinZhi Medical Technology Co., Ltd. (上海心至醫療科技有限公司) ("Xinzhi Medical") through (i) the acquisition of 8.01% equity interests from one of the then shareholders of Xinzhi Medical at a consideration of approximately RMB8,658,000, and (ii) the subscription of an additional 7.41% equity interests of Xinzhi Medical at a consideration of RMB16,000,000.

In April 2023, the Group further agreed to make a capital increase of RMB15,000,000 into Xinzhi Medical, resulting in a total of 22.18% equity interests in Xinzhi Medical held by the Group as of December 31, 2023.

The Xinzhi Medical is mainly engaged in the research and development of Drug-eluting balloon (DEB) products.

The investment has been accounted for as an investment in an associate using the equity method because the Group had significant influence over the financial and operating policies of Xinzhi Medical as the Group has the power to appoint one out of the seven directors of Xinzhi Medical under the articles of association of Xinzhi Medical.

The associate was not material to the Group for the year ended December 31, 2023.

# Notes to Financial Statements

December 31, 2023

## 20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
Unlisted equity investment, at fair value	50,469	50,000

The above equity investment was classified as financial assets at fair value through profit or loss as the Group has not elected to classify the investment as at fair value through other comprehensive income.

## 21. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	3,980	–
Total	3,980	–

# Notes to Financial Statements

December 31, 2023

## 22. CASH AND CASH EQUIVALENTS

	2023 RMB'000	2022 RMB'000
Cash on hand	85	82
Cash at banks	369,353	451,236
Cash and cash equivalents	369,438	451,318
Denominated in:		
RMB	272,684	339,374
USD	92,250	107,484
SGD	2	2
HKD	4,502	4,457
JPY	–	1
Total cash and cash equivalents	369,438	451,318

The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

## 23. OTHER PAYABLES AND ACCRUALS

	2023 RMB'000	2022 RMB'000
Accruals for research and development	6,596	4,819
Payroll payable	205	1,250
Accrued listing expenses	5,508	6,994
Accrued other expenses	1,798	1,952
Payables for purchase of items of property, plant and equipment	–	4,372
Other payables	520	408
	14,627	19,795

Other payables are non-interest-bearing and repayable on demand.

# Notes to Financial Statements

December 31, 2023

## 24. DEFERRED INCOME

	2023 RMB'000	2022 RMB'000
Government grants		
Current	3,391	963
Non-current	3,210	6,554
	6,601	7,517

The movements in government grants of the Group during the reporting periods are as follows:

	2023 RMB'000	2022 RMB'000
At beginning of the year	7,517	8,498
Grants received during the year	–	–
Recognised as income during the year	(916)	(981)
At end of the year	6,601	7,517

Some grants are for capital expenditure incurred for the acquisition of plant and machines. The amounts are deferred and amortised over the estimated useful lives of the respective assets. Other subsidies are generally provided in relation to the research and development activities of the Group. The grants were recognised in profit or loss as other income upon the Group complied with the conditions attached to the grants.

## 25. DEFERRED TAX LIABILITIES

	2023 RMB'000	2022 RMB'000
Net deferred tax liabilities	20,580	20,580

# Notes to Financial Statements

December 31, 2023

## 26. SHARE CAPITAL AND TREASURY SHARES

### Share capital

#### Shares

	2023 RMB'000	2022 RMB'000
Issued and fully paid: 243,937,000 (2022: 243,937,000) ordinary shares	243,937	243,937

A summary of movements in the Company's share capital is as follows:

	Share capital RMB'000
At January 1, 2022	243,937
At December 31, 2022 and January 1, 2023	243,937
At December 31, 2023	243,937

### Treasury shares

On June 27, 2022, the shareholders of the Company approved the adoption of the 2022 Scheme. The Company had purchased 519,900 H shares for the 2022 Scheme at a total consideration of RMB29,438,000 as of December 31, 2022. None of the H shares reserved for the 2022 Scheme has been granted as at December 31, 2023.

## 27. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 8 of the financial statements.

### (i) Share premium

The share premium of the Group represents the share premium contributed by the shareholders of the Company after its conversion into a joint stock company in December 2020.

### (ii) Share-based payments reserve

The share-based payments reserve of the Group represents the share-based payments reserve in respect of equity-settled share awards.

# Notes to Financial Statements

December 31, 2023

## 28. PARTIALLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests is set out below:

	2023	2022
Percentage of equity interest held by non-controlling interests: AngioCare	34.31%	34.31%
	RMB'000	RMB'000
Total comprehensive loss for the year allocated to non-controlling interests: AngioCare	12,927	26,632
Accumulated balances of non-controlling interests at the year end: AngioCare	25,445	31,836



## Notes to Financial Statements

December 31, 2023

### 28. PARTIALLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

The following tables illustrate the summarised financial information (including other intangible assets and deferred tax liabilities newly recognised through business combination) of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	<b>AngioCare RMB'000</b>
Year ended December 31, 2023	
Total expenses	(36,381)
Loss for the year	(37,678)
<hr/>	
Total comprehensive loss for the year	(37,678)
<hr/>	
As at December 31, 2023	
Current assets	6,929
Non-current assets	145,943
Current liabilities	47,348
Non-current liabilities	31,360
<hr/>	
Year ended December 31, 2023	
Net cash flows used in operating activities	(18,682)
Net cash flows used in investing activities	(2,031)
Net cash flows from financing activities	15,862
<hr/>	
Net decrease in cash and cash equivalents	(4,851)

# Notes to Financial Statements

December 31, 2023

## 28. PARTIALLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

	AngioCare RMB'000
<hr/>	
Year ended December 31, 2022	
Total expenses	(76,341)
Loss for the year	(77,328)
<hr/>	
Total comprehensive loss for the year	(77,328)
<hr/>	
As at December 31, 2022	
Current assets	9,529
Non-current assets	144,382
Current liabilities	3,527
Non-current liabilities	57,594
<hr/>	
Year ended December 31, 2022	
Net cash flows used in operating activities	(11,159)
Net cash flows used in investing activities	(208)
Net cash flows from financing activities	9,028
<hr/>	
Net decrease in cash and cash equivalents	(2,339)
<hr/>	

# Notes to Financial Statements

December 31, 2023

## 29. SHARE-BASED COMPENSATION

### 2020 Plan

In September 2020, the board of the Company passed a resolution to grant up to 14,509,413 restricted shares of the Company to directors, employees and founders of the Company and AngioCare (i.e. the "2020 Plan"). The 2020 Plan was established for certain personnel in order to retain certain eligible employees for the continual operation and development of the Group.

Pursuant to the 2020 Plan, Shanghai Baixinantong and Shanghai Baihate, two employee incentive platforms established in the PRC, subscribed for 7,602,683 and 6,906,730 shares of the Company at RMB1.00 per share for total considerations of RMB7,602,683 and RMB6,906,730, respectively.

Under the platforms, 3,105,696 shares were granted to Mr. Jay Qin, a former technology consultant of AngioCare with no service periods or performance target requirements, as reward of his surrender of rights related to patents of AngioCare. 380,134 shares were granted to an employee with 50% and 50% of total shares vesting on the first, and second anniversary after the grant date and 11,023,583 shares were granted to other employees with a three-year vesting period with 33.33%, 33.33% and 33.34% of total shares vesting on the first, second and third anniversary after the grant date. The shares were valued by the directors of the Company with reference to Series D Round Financing price. The weighted average fair value of the shares was determined to be RMB54.41 per share as of these grant dates.

Details of granted shares are as follows:

<b>Date of grant</b>	<b>Number of restricted shares</b>	<b>Subscription price per share</b>
September 18, 2020 to September 28, 2020	14,509,413	RMB1.00

# Notes to Financial Statements

December 31, 2023

## 29. SHARE-BASED COMPENSATION (CONTINUED)

### 2020 Plan (continued)

Set out below are details of the movements of the outstanding restricted shares granted under the 2020 Plan throughout the reporting periods.

	Outstanding at January 1, 2022	Granted during the year	Forfeited	Vested	Outstanding at December 31, 2022
Restricted shares	27,728,310	–	–	14,213,681	13,514,629

	Outstanding at January 1, 2023	Granted during the year	Forfeited	Vested	Outstanding at December 31, 2023
Restricted shares	13,514,629	–	–	13,514,629	–

During the year, share award expenses of RMB47,627,000 (2022: RMB140,481,000) were charged to profit or loss.

### 2022 H Share Incentive Scheme

On June 27, 2022, the shareholders of the Company approved the adoption of the 2022 H Share Incentive Scheme (“i.e. the 2022 Scheme”) to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group and also recognise the contributions of the prudent leadership of the Company. To implement the 2022 Scheme, the Company planned to purchase no more than 1,500,000 H shares through on-market transactions from time to time at the prevailing market price. From August to September 2022, the Company purchased a total of 519,900 H shares for the 2022 Scheme at a total consideration of RMB29,438,000. None of the H shares reserved for the 2022 Scheme was granted as at December 31, 2023.

## 30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB250,000 (2022: RMB560,000) and RMB250,000 (2022: RMB560,000), respectively, in respect of lease arrangements for buildings.

# Notes to Financial Statements

December 31, 2023

## 30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

### (b) Changes in liabilities arising from financing activities

	Lease liabilities RMB'000	Accrued listing expenses included in other payables RMB'000	Total RMB'000
At December 31, 2021 and January 1, 2022	22,446	11,775	34,221
Changes from financing cash flows	(3,594)	(2,146)	(5,740)
Changes from operating cash flows	–	(3,226)	(3,226)
Impacts of foreign exchange differences	–	591	591
Interest portion of lease liabilities	959	–	959
New leases entered	560	–	560
Covid-19-related rent concessions from lessors	(2,266)	–	(2,266)
At December 31, 2022	18,105	6,994	25,099
At December 31, 2022 and January 1, 2023	<b>18,105</b>	<b>6,994</b>	<b>25,099</b>
Changes from financing cash flows	<b>(5,258)</b>	<b>(561)</b>	<b>(5,819)</b>
Changes from operating cash flows	–	<b>(1,017)</b>	<b>(1,017)</b>
Impacts of foreign exchange differences	–	92	92
Interest portion of lease liabilities	<b>578</b>	–	<b>578</b>
New leases entered	<b>250</b>	–	<b>250</b>
Termination of leases	<b>(11,913)</b>	–	<b>(11,913)</b>
At December 31, 2023	<b>1,762</b>	<b>5,508</b>	<b>7,270</b>

## 31. COMMITMENTS

The Group had the following contractual commitments at the end of the reporting period:

	2023 RMB'000	2022 RMB'000
Contracted, but not provided for:		
Purchases of items of property, plant and equipment	–	7,632
Total	–	7,632

# Notes to Financial Statements

December 31, 2023

## 32. RELATED PARTY TRANSACTIONS

### (a) Names and relationships

Name of related parties	Relationship with the Group
XinZhi Medical	Associate

### (b) Significant related party transactions

Except as disclosed elsewhere in the financial statements, the Group had the following transactions with related parties during the reporting period:

	2023 RMB'000	2022 RMB'000
Purchases of research and development services: XinZhi Medical	—	472

### (c) Outstanding balances with related parties:

As disclosed in the statement of financial position, the Group had outstanding balances with a related party as at December 31, 2023.

	2023 RMB'000	2022 RMB'000
Amounts due to a related party: Other payables XinZhi Medical	472	472

### (d) Compensation of key management personnel of the Group:

The remuneration of directors, supervisors and the chief executive of key management was as follows:

	2023 RMB'000	2022 RMB'000
Salaries, bonuses, allowances and benefits in kind	4,973	4,575
Pension scheme contributions	350	271
Equity-settled share award expense	42,385	120,511
Total compensation paid to key management personnel	47,708	125,357

Further details of directors', supervisors' and the chief executive's remuneration are set out in note 9 to the financial statements.

# Notes to Financial Statements

December 31, 2023

## 33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the reporting periods are as follows:

**As at December 31, 2023**

### Financial assets

	Financial assets at fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets at FVTPL	50,469	–	50,469
Financial assets included in prepayments, other receivables and other assets	–	857	857
Cash and cash equivalents	–	369,438	369,438
	50,469	370,295	420,764

### Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in other payables and accruals	520
	520

# Notes to Financial Statements

December 31, 2023

## 33. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of each of the reporting periods are as follows: (continued)

**As at December 31, 2022**

### Financial assets

	Financial assets at fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets at FVTPL	50,000	–	50,000
Financial assets included in prepayments, other receivables and other assets	–	2,118	2,118
Cash and cash equivalents	–	451,318	451,318
	50,000	453,436	503,436

### Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in other payables and accruals	4,780
	4,780



# Notes to Financial Statements

December 31, 2023

## 34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

### Fair values

All the carrying amounts of the Group's financial instruments other than the unlisted equity investment as detailed in note 20 are those with carrying amounts that reasonably approximate to fair values. Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments, other receivables and other assets, trade payables, lease liabilities (in current portion) and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments. The fair values of the other non-current financial liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group's finance department headed by Chief Financial Officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each of the reporting periods, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

### Financial instruments in Level 3

The Group's financial assets at FVTPL which are measured at fair value (refer to note 20 for details) on December 31, 2023 are grouped under the Level 3 hierarchy. The fair values of the unlisted equity investment designated at fair value through profit or loss has been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to accumulated research and development ("R&D") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an accumulated R&D measure. The trading multiple is then discounted based on company-specific facts and circumstances, taking into account the median of comparable companies. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investment to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

For the fair value of the unlisted equity investment at fair value through profit or loss, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

# Notes to Financial Statements

December 31, 2023

## 34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

### Fair values (continued)

#### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instrument:

Assets measured at fair value:

As at December 31, 2023

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets				
Financial assets at FVTPL	–	–	50,469	50,469

As at December 31, 2022

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets				
Financial assets at FVTPL	–	–	50,000	50,000

# Notes to Financial Statements

December 31, 2023

## 34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

### Fair values (continued)

#### Fair value hierarchy (continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2023 and 2022:

Financial instruments	Valuation techniques	Significant unobservable inputs	Range	Sensitivity of fair value to the input
<b>Financial assets</b>				
Unlisted investment at FVTPL	Comparable company method	The ratio of EV/R&D	5.65~6.90	10% increase/decrease in multiple would result in increase/decrease in fair value by RMB2,288,000/RMB2,677,000 as at December 31, 2023

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

### Foreign currency risk

The Group has certain cash and cash equivalents denominated in foreign currencies, mainly United States Dollars ("USD") and Hong Kong Dollars ("HKD"), which are exposed to foreign currency risk. The Group has not hedged its foreign currency risk.

# Notes to Financial Statements

December 31, 2023

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Foreign currency risk (continued)

The following table demonstrates the sensitivity at the end of each reporting period to a reasonably possible change in the USD exchange rate and HKD exchange rate, with all other variables held constant, of the Group's loss before tax and equity (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in the rate of foreign currency %	Increase/ (decrease) in loss before tax RMB'000	Increase/ (decrease) in equity RMB'000
December 31, 2023			
If RMB weakens against USD	5	4,613	4,613
If RMB strengthens against USD	5	(4,613)	(4,613)
If RMB weakens against HKD	5	225	225
If RMB strengthens against HKD	5	(225)	(225)
December 31, 2022			
If RMB weakens against USD	5	5,374	5,374
If RMB strengthens against USD	5	(5,374)	(5,374)
If RMB weakens against HKD	5	223	223
If RMB strengthens against HKD	5	(223)	(223)

### Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of cash and cash equivalents and other receivables and other assets included in the statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at the end of each of the reporting periods, cash and cash equivalents were deposited in banks with high credit rating without significant credit risk.

# Notes to Financial Statements

December 31, 2023

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Liquidity risk

In the management of liquidity risk, the Group monitors and maintains the level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of each of the reporting periods, based on the contractual undiscounted payments, is as follows:

	As at December 31, 2023				
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Financial liabilities included in other payables and accruals	520	–	–	–	520
Lease liabilities	619	353	638	199	1,809
	<b>1,139</b>	<b>353</b>	<b>638</b>	<b>199</b>	<b>2,329</b>

	As at December 31, 2022				
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Financial liabilities included in other payables and accruals	3,734	–	750	296	4,780
Lease liabilities	1,635	1,640	5,051	11,040	19,366
	<b>5,369</b>	<b>1,640</b>	<b>5,801</b>	<b>11,336</b>	<b>24,146</b>

### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital as at the end of each of the reporting periods.

# Notes to Financial Statements

December 31, 2023

## 36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023 RMB'000	2022 RMB'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	26,815	57,575
Other intangible assets	510	342
Investment in subsidiaries	525,429	506,378
Investments in an associate	29,320	15,313
Financial assets at FVTPL	50,469	50,000
Prepayments, other receivables and other assets	4,657	5,494
Right-of-use assets	1,223	15,756
Amounts due from related parties	10,780	36,970
Total non-current assets	649,203	687,828
<b>CURRENT ASSETS</b>		
Inventories	987	–
Prepayments, other receivables and other assets	31,913	86,420
Cash and cash equivalents	356,954	432,609
Amounts due from related parties	44,766	300
Total current assets	434,620	519,329
<b>CURRENT LIABILITIES</b>		
Lease liabilities	1,408	6,927
Other payables and accruals	12,220	17,288
Amounts due to related parties	472	472
Deferred income	3,370	917
Total current liabilities	17,470	25,604
<b>NET CURRENT ASSETS</b>	417,150	493,725
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	1,066,353	1,181,553
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	183	10,445
Deferred income	3,210	6,554
Amounts due to related parties	34,306	32,457
Total non-current liabilities	37,699	49,456
<b>Net assets</b>	1,028,654	1,132,097
<b>EQUITY</b>		
Equity attributable to owners of the parent		
Share capital	243,937	243,937
Treasury shares	(29,438)	(29,438)
Reserves	814,155	917,598
Total equity	1,028,654	1,132,097

# Notes to Financial Statements

December 31, 2023

## 36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At December 31, 2021 and January 1, 2022	662,420	616,309	(348,011)	930,718
Total comprehensive loss for the year	–	–	(153,601)	(153,601)
Equity-settled share award expense	–	140,481	–	140,481
At December 31, 2022	662,420	756,790	(501,612)	917,598
At December 31, 2022 and January 1, 2023	662,420	756,790	(501,612)	917,598
Total comprehensive loss for the year	–	–	(151,070)	(151,070)
Equity-settled share award expense	–	47,627	–	47,627
At December 31, 2023	662,420	804,417	(652,682)	814,155

## 37. EVENT AFTER THE REPORTING PERIOD

On February 18, 2024, the Company signed an agreement with Shanghai A&S Science Technology Development Co., Ltd.\* (上海愛申科技發展股份有限公司) (the "Vendor") to acquire the premises that the Group previously leased from the Vendor for a consideration of approximately RMB21.3 million, which is determined after arm's length negotiations between the Company and the Vendor.

## 38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on March 25, 2024.

## Definitions

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings.

“2020 Plan”	the employee incentive scheme set up prior to the Listing in September 2020
“2022 Scheme”	the 2022 H Share Incentive Scheme as approved by the Shareholders in the annual general meeting of the Company held on June 27, 2022
“Actual Selling Price”	the actual price at which the RSUs are sold (net of brokerage, Stock Exchange trading fee, SFC transaction levy and any other applicable costs) on vesting of an Award pursuant to the 2022 Scheme
“AGM”	the 2023 annual general meeting of the Company to be held on Friday, June 21, 2024
“AngioCare”	Shanghai AngioCare Medical Technology Co., Ltd.* (上海安通醫療科技有限公司), a subsidiary of our Company
“Audit Committee”	the audit committee of the Board
“Award”	an award of RSUs granted to a selected Participant pursuant to the 2022 Scheme, which may vest in the form of RSUs or the Actual Selling Price of the RSUs in cash
“Board of Directors” or “Board”	the board of directors of the Company
“BRS”	Bioheart® bioresorbable scaffold
“CG Code” or “Corporate Governance Code”	the Corporate Governance Code as contained in Appendix C1 to the Listing Rules
“China” or “PRC”	the People’s Republic of China, which, for the purpose of this annual report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“Company” or “our Company”	Shanghai Bio-heart Biological Technology Co., Ltd. (上海百心安生物技術股份有限公司), a joint stock company incorporated in the PRC with limited liability on December 8, 2020, or, where the context requires (as the case may be), its predecessor with the same English name (上海百心安生物技術有限公司), a limited liability company established in the PRC on July 18, 2014
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Core Product”	Bioheart®, the designated “core product” as defined under Chapter 18A of the Listing Rules
“CRO(s)”	contract research organization, a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis
“Delegatee”	the management committee of the 2022 Scheme, which includes the executive Directors of the Company to which the Board has delegated its authority to administer the 2022 Scheme, person(s) or board committee(s) to which the Board has delegated its authority



## Definitions

“Director(s)”	the director(s) of the Company or any one of them
“Domestic Share(s)”	ordinary share(s) in the share capital of our 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 in any stock exchange
“Eligible Participant”	any full-time PRC or non-PRC employee of any members of the Group, who is a Director, senior management, key operating team member, employee, or, a consultant of the Group; however, no individual who is resident in a place where the grant, acceptance or vesting of an Award pursuant to the 2022 Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or the Delegatee, in compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the 2022 Scheme and such individual shall therefore be excluded therefrom
“Full Circulation”	the conversion of the Domestic Shares and certain Unlisted Foreign Shares into H Shares and their listing on the Stock Exchange, of which the Company received the approval from official approval from the China Securities Regulatory Commission and was completed on January 13, 2023
“Global Offering”	the global offering of the H Shares, details of which are set forth in the Prospectus
“Group”, “our Group”, “our”, “we”, or “us”	the Company and all of its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
“H Shares”	overseas listed foreign invested ordinary share(s) in the ordinary share capital of our Company, with a nominal value of RMB1.00 each, which are listed on the Stock Exchange
“HK Bio-heart”	Hong Kong Bio-heart Biological Technology Co., Limited (香港百心安生物技術有限公司), a company incorporated in Hong Kong on April 7, 2021, a wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“IPO”	the initial public offering of the H Shares on the Main Board of the Stock Exchange on December 23, 2021
“Listing”	the listing of the H Shares on the Main Board of the Stock Exchange
“Listing Date”	December 23, 2021, on which the H Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange

## Definitions

“Listing Rules”	the Rules Governing the Listing of Securities on Stock Exchange (as amended, supplemented or otherwise modified from time to time)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
“Mr. Wang”	Mr. Philip Li Wang (汪立), our Founder, Controlling Shareholder, the chairperson of our Board, our general manager and an executive Director of our Company
“NMPA”	the National Medical Product Administration of the PRC (國家藥品監督管理局), successor to the China Food and Drug Administration or CFDA (國家食品藥品監督管理總局)
“Nomination Committee”	the nomination committee of the Board
“PMDA”	the Pharmaceuticals and Medical Devices Agency of Japan
“PRC Company Law”	the Company Law of the People’s Republic of China revised and adopted by the Standing Committee of the Twelfth National People’s Congress on December 28, 2013 and enforced on March 1, 2014 (as amended, supplemented or otherwise modified from time to time)
“PRC Securities Law”	the Securities Law of the People’s Republic of China (as amended, supplemented or otherwise modified from time to time)
“Property”	the manufacturing facility for the Group’s RDN product candidate located at Room 401, Building 6, 590, Ruiqing Road, Zhangjiang Hi-Tech, Industrial Park, Shanghai, the PRC
“Prospectus”	the prospectus of the Company dated December 13, 2021
“R&D”	Research and development
“RADIUS-HTN Trial”	the European clinical trial on Renal Artery Denervation Using Radial Access in Uncontrolled Hypertension
“RDN”	renal denervation
“Remuneration Committee”	the remuneration committee of the Board
“Reporting Period”	the year ended December 31, 2023
“Returned Shares”	such RSUs that are not vested and/or are lapsed, cancelled or forfeited in accordance with the terms of the 2022 Scheme, or such H Shares being deemed to be Returned Shares under the Scheme Rules
“RMB”	Renminbi, the lawful currency of the PRC
“RSU(s)”	a conditional right when the Award vests whereby the Participant shall be entitled to obtain either Shares or the payment of the Actual Selling Price with reference to the market value of the H Shares on or about Vesting Date(s) as finally and conclusively determined by the Board or the Delegatee. Each RSU shall represent a conditional right to one underlying H Share

## Definitions

“Scheme Rules”	the rules governing the operation of the 2022 Scheme as well as the implementation procedure (as amended from time to time)
“Selected Person”	any Eligible Participant who, in accordance with the Scheme Rules, is approved for participation in the 2022 Scheme, and has been granted any Award thereunder
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
“Shanghai Baixinantong”	Shanghai Baixinantong Enterprise Management Consulting L.P. (Limited Partnership) (上海百心安通企業管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC and being one of our employee incentive platforms
“Shanghai Baihate”	Shanghai Baihate Enterprise Management Consulting L.P. (Limited Partnership) (上海百哈特企業管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC and being one our employee incentive platforms
“Share(s)”	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each, comprising Domestic Shares, Unlisted Foreign Shares and H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	member(s) of the board of Supervisors of the Company
“Terumo”	Terumo (China) Investment Co., Ltd. (泰爾茂(中國)投資有限公司), a limited liability company incorporated in the PRC on August 2, 2011 and is a wholly-owned subsidiary of Terumo Corporation (泰爾茂株式會社), a company listed on the Tokyo Stock Exchange (TSE: 4543). Terumo refers to Terumo (China) Investment Co., Ltd. (泰爾茂(中國)投資有限公司) or Terumo Corporation (泰爾茂株式會社), where the context requires
“Trust”	the trust constituted by the Trust Deed to service the 2022 Scheme
“Trust Deed”	the trust deed dated June 27, 2022 entered into between the Company and the Trustee (as may be restated, supplemented and amended from time to time)
“Trustee”	the trustee appointed by the Company for the purpose of the Trust, and initially, THE CORE TRUST COMPANY LIMITED, a company incorporated in Hong Kong and having its registered office at 28th Floor, 33 Des Voeux Road Central, Central, Hong Kong
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“Unlisted Foreign Shares”	ordinary shares issued by our company with a nominal value of RMB1.00 each and are held by foreign investors and are not listed on any stock exchange
“USD”	United States dollars, the lawful currency of the United States
“Vesting Date”	the date or dates, as determined from time to time by the Board or the Delegatee on which the Award (or part thereof) is to vest in the relevant Selected Person
%	per cent

\* For identification purpose only