



歸創通橋醫療科技股份有限公司
ZYLOX-TONBRIDGE MEDICAL TECHNOLOGY CO., LTD.

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

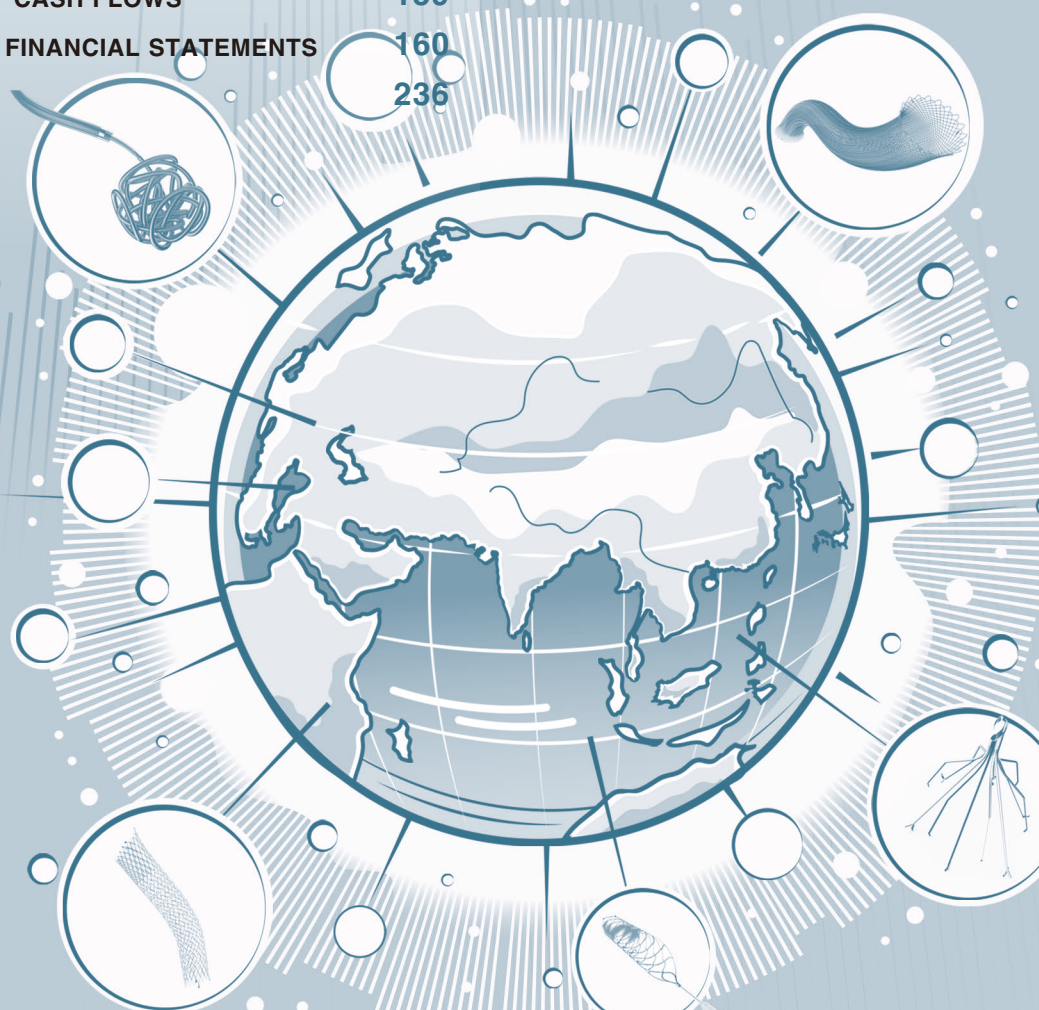
Stock Code : 2190



Annual Report
2023

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Jonathon Zhong Zhao (趙中) (*Chairman*)
Mr. Yang Xie (謝陽)
Dr. Zheng Li (李崢)

Non-executive Directors

Mr. Stephen Hui Wang (王暉)
Mr. Dongfang Li (李東方)
Dr. Steven Dasong Wang (王大松)

Independent Non-executive Directors

Dr. Jian Ji (計劍)
Mr. Hongze Liang (梁洪澤)
Ms. Yun Qiu (邱斌)

JOINT COMPANY SECRETARY

Mr. Quanwei Yuan (袁泉衛)
Ms. Sau In Kwan (關秀妍)

AUTHORIZED REPRESENTATIVES

Dr. Jonathon Zhong Zhao (趙中)
Ms. Sau In Kwan (關秀妍)

SUPERVISORS

Mr. Chang'an Ma (馬長安) (*Chairman*)
(appointed on November 17, 2023)
Ms. Jie Liang (梁婕) (*Chairlady*)
(resigned on November 17, 2023)
Mr. Tao Liu (劉濤)
Ms. Hongbo Wang (王宏波)

AUDIT COMMITTEE

Ms. Yun Qiu (邱斌) (*Chairlady*)
Mr. Hongze Liang (梁洪澤)
Dr. Jian Ji (計劍)

REMUNERATION COMMITTEE

Dr. Jian Ji (計劍) (*Chairman*)
Dr. Jonathon Zhong Zhao (趙中)
Mr. Hongze Liang (梁洪澤)

NOMINATION COMMITTEE

Dr. Jonathon Zhong Zhao (趙中) (*Chairman*)
Ms. Yun Qiu (邱斌)
Dr. Jian Ji (計劍)

AUDITOR

PricewaterhouseCoopers
*Certified Public Accountants and Registered
Public Interest Entity Auditor*
22/F, Prince's Building
Central
Hong Kong

REGISTERED OFFICE

270 Shuyun Road
Cangqian Street
Yuhang District,
Hangzhou, Zhejiang
China

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

270 Shuyun Road
Cangqian Street
Yuhang District,
Hangzhou, Zhejiang
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

PRINCIPAL BANKS

Industrial and Commercial Bank of China
Hangzhou Xiyuan Branch
128 Shanxi Yuan Road
Yuhang Town, Yuhang District
Hangzhou, China

Bank of China Kechuang Branch
Building 4, Haichuangyuan
998 Wenyi West Road
Yuhang District
Hangzhou, China

Bank of Nanjing Yuhang Branch
168 Linping Century Avenue
Nanyuan Subdistrict
Yuhang District
Hangzhou, China

China CITIC Bank Hushu Branch
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Gongshu District
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Industrial and Commercial Bank of China
Hangzhou Kechuang Branch
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PRC LEGAL ADVISER

Grandall Law Firm (Shanghai)
27/F, Garden Square, 968 West Beijing Road
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H SHARE REGISTER

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

STOCK CODE

H Share: 02190

COMPANY'S WEBSITE

www.zyloxtb.com

Chairman's Statement

Dear Shareholders,

In 2023, as artificial intelligence continues to advance and technology accelerates its impact on human life, our company, as a medical device company, actively embraces change and technology. Guided by the principle of "innovation for quality life," we continued to forge ahead in 2023 by expanding our product portfolio. While scaling up, we focused on enhancing efficiency and reducing costs to provide high-quality and affordable medical products to a broader range of patients.

The initial results of our comprehensive product line strategy are becoming visible.

From the outset, we recognized the advantage of providing a more comprehensive and superior product line for clinical use, and in 2023, we began to see the initial success of this strategy. As at today, we have obtained regulatory approval for 43 products in the Chinese market, with some products having been widely utilized in clinical settings for over three years. Our high quality products and brand reputation have enabled us to maintain an annualized growth rate of 72.2% over the past three years, with nearly 300,000 products being used in hospitals across various levels in China. Additionally, many of our products have achieved significant market shares within their respective categories, including Phoenix Neurovascular Embolization Coil, Thrombite Clot Retriever Device, White Horse Intracranial Balloon Catheter, as well as UltraFree Drug-coated PTA Balloon Catheter, ZENFLOW PTA Balloon Catheter and ZENFLOW High Pressure PTA Balloon Catheter.

The outstanding quality of our products has not only facilitated continuous expansion but has also fostered strong partnerships with numerous stakeholders. These partners include physicians, hospitals, distributors, upstream raw material suppliers, and technology service providers. Our expanding scale has contributed to a more organized and efficient collaboration within our ecosystem, thereby enhancing our competitive advantage amidst the ever-changing industry landscape.

Further improve our operating efficiency

As our product variety and scale expand, we continuously refine operating mechanisms and enhance reporting tools at the enterprise level to reinforce operational excellence. We have enhanced both internal and external planning systems to ensure better coordination and alignment across all aspects of our operations. Furthermore, we have collaborated closely with our suppliers to tackle labor, capacity, quality, and reliability challenges. These efforts are yielding positive results, including increased supply on more favorable terms and a notable improvement in product availability.

We are also making strategic investments in IT and digitization. This allows us to better ensure our clear planning, timely tracking, effective analysis, and agile iteration. Through further digital management and the exploration of automation and AI applications in medical device research and operations, we aim to enhance our research and development efficiency and operational effectiveness.

While continuously optimizing costs, we remain committed to ongoing innovation investment

Our vision is to provide high-quality and affordable medical products to all patients. Therefore, we will continuously optimize our costs to ensure that our company, throughout the commercialization process, consistently offers our high-quality products to a greater number of patients. With the aging population in China and the demands of centralized procurement for manufacturers to provide more reasonable prices, we must leverage our product scale and operational advantages to expedite cost optimization.

While optimizing costs, we believe that continuous advancement of technology and materials is imperative for innovation in medical devices. We maintain a certain level of investment in innovative products, continuously accumulating experience, and capabilities, with the expectation of providing more effective treatment options for patients, not only in China but globally as well. Alongside our internal research and development efforts, we also maintain an open attitude, actively seeking partnerships, and utilizing investment and acquisition strategies to ensure that innovative products, under our efforts, benefit a greater number of patients.

Accelerate investment and development in overseas markets

As we continue to grow in China, we are also striving to expand our overseas capabilities and sales revenue. Currently, our products have been successfully registered in over 20 countries/regions, with the commercialization process just beginning. By establishing local teams and distribution networks, in conjunction with our international team in China, we are effectively advancing our international sales. Our revenue increased from RMB7.8 million in 2022 to RMB14.3 million in 2023. Additionally, in 2024, we plan to further expand our approved countries and regions, including Southeast Asia, South America, North Asia, and other areas, with the expectation of further enlarging our international sales.

In 2024, both in China and internationally, we anticipate facing various challenges. We believe that 2024 marks a pivotal moment in our company's journey. With great confidence in our competitive advantages and execution capabilities, we are committed to continually increasing our scale, achieving profitability, and laying the groundwork for further growth in the next phase of our company's development.

Dr. Jonathon Zhong Zhao

Chairman and Chief Executive Officer

Financial Summary

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Revenue	527,754	334,090	177,912	27,631	4,917
Gross profit	384,988	252,669	131,881	16,287	1,192
Loss before income tax	(78,734)	(113,555)	(199,689)	(100,468)	(66,647)
Loss and total comprehensive loss for the year attributable to the equity holders of the Company	(78,734)	(113,555)	(199,689)	(100,468)	(66,647)
Non-IFRS adjusted net profit/(loss) for the year ^{Note}	7,033	(25,877)	(100,745)	(77,357)	(59,046)

Note: Please refer to section headed "Non-IFRS Measures" in this report for more details.

CONSOLIDATED BALANCE SHEET

	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Non-current assets	1,658,520	1,191,097	224,078	133,829	81,776
Current assets	1,717,181	2,062,599	3,024,208	370,142	125,284
Total assets	3,375,701	3,253,696	3,248,286	503,971	207,060
Non-current liabilities	10,533	7,459	6,509	27,646	7,998
Current liabilities	317,783	152,084	97,103	51,631	33,387
Total liabilities	328,316	159,543	103,612	79,277	41,385
Total equity	3,047,385	3,094,153	3,144,674	424,694	165,675

Principal Risks and Uncertainties

Principal Risks and Uncertainties facing the Company

The principal risks and uncertainties that may cause the Group's financial conditions or results to materially deviate from the expected or historical results can be categorized into the following areas: (i) risks relating to our business; (ii) risks relating to our financial position and need for additional capital; (iii) risks relating to our general operations; and (iv) risks relating to doing business in China.

Risks Relating to Our Business

- Our revenues during the year ended December 31, 2023 substantially rely on a limited number of commercialized products, including Thrombite Clot Retriever Device (Thrombite CRD), UltraFree Drug Coated PTA Balloon Catheter (UltraFree DCB), SilverSnake® intracranial support catheter, intracranial PTA balloon catheter (Rx), PTA balloon catheter and neurovascular embolization coils.
- Our future growth depends substantially on the success of our product candidates. If we are unable to successfully complete clinical development, obtain regulatory approval and commercialize our product candidates, or experience significant delays in doing so, our business will be materially harmed.
- We face substantial competition, tendering and pricing pressure in the medical device markets, which may result in others discovering, developing or commercializing competing products before or more successfully than we do.
- We have relatively limited experience in marketing and sales of our products, and may not be able to successfully commercialize our product candidates and generate revenue.
- The manufacture of our products is highly complex and subject to strict quality controls. If we or one of our suppliers or logistics partners encounters manufacturing, logistics, or quality problems, including as a result of natural disasters, our business could suffer.
- All material aspects of our business operations are heavily regulated.
- If we are unable to obtain and maintain patent protection for our products and product candidates through intellectual property rights, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties may compete directly against us.
- If we cannot maintain or develop relationships with hospitals and physicians, our results of operations and prospects could be adversely affected.

Principal Risks and Uncertainties

Risks Relating to Our Financial Position and Need for Additional Capital

- We have historically received government grants and subsidies for our R&D activities and there can be no assurances that we will continue to receive such grants or subsidies in the future.
- Future tax payments or the discontinuation of any of the preferential tax treatments currently available to us could reduce our profitability.

Risks Relating to Our General Operations

- Our operations and business plans may be adversely affected by natural disasters, health epidemics and pandemics, civil and social disruption and other outbreaks.
- Our future success depends on our ability to retain our executives, key personnel in our R&D, manufacturing and marketing teams and to attract, retain and motivate qualified personnel.

Risks Relating to Doing Business in China

- The medical device industry in China is highly regulated and such regulations are subject to change which may affect approval and commercialization of our product candidates.
- We are a PRC enterprise and we are subject to PRC tax on our global income, and the dividends payable to investors and gains on the sale of our H Shares by our investors are subject to PRC tax.
- Payment of dividends is subject to restrictions under PRC law and regulations.

We endeavor to bolster the resilience of our business through diversification and developing a more comprehensive and superior product line, as we seek to gradually move away from relying on a limited number of products. This strategy also enhances our ability to respond to changes in competitive landscape and regulatory environment, which is crucial to the sustainable growth of our business. At the same time, we continuously improve our operating efficiency through refining internal processes across operations and making strategic investments in IT and digitalization, which in turn lead to improvement in product availability as well as our research and development efficiency. Through our efforts to grow in China and expand overseas capabilities and sales channels, we strive to develop strategic relationship with more hospitals, physicians and business partners with an aim to promote brand awareness and lay the groundwork for further growth in the next phase of our development.

Management Discussion and Analysis

I. BUSINESS REVIEW

Overview

We are a leading player in the neuro-and peripheral-vascular interventional devices market in China. As an integrated medical device company supported by our in-house R&D and manufacturing capabilities, proprietary technological platforms and commercialization capabilities, we provide physicians and patients in China and overseas with medical devices to treat and manage neuro-and peripheral-vascular diseases. We strive to provide all patients, regardless of their ethnicity, age and economic conditions, with accessible medical devices and services.

Business Highlight

In 2023, we continued our dedication to enhancing the accessibility of medical care, innovating for quality life, and steadily advancing our core capabilities in product research and development, production and commercialization.

During the Reporting Period, we achieved a revenue of RMB527.8 million, with RMB526.5 million from sales of interventional products, representing an increase of 57.6% as compared to 2022. 72.5% of our interventional products revenue was derived from the neurovascular interventional products business and 27.5% was derived from the peripheral-vascular interventional products business. The significant growth of our revenue was primarily fueled by the high sales growth of both neurovascular and peripheral-vascular interventional devices segments.

The revenue from sales of neurovascular interventional products in 2023 increased by 63.6% as compared to 2022, primarily because of (i) continued revenue growth from our key products, such as SilverSnake Intracranial Support Catheter, Phoenix Neurovascular Embolization Coil, White Horse Intracranial PTA Balloon Catheter (Rx) and Thrombite Clot Retriever Device (Thrombite CRD). This growth is attributed to (i) increasing recognition of product quality and clinical performance by physicians; (ii) our effort to increase product marketing penetration; and (iii) increased revenue from the Phoenix Neurovascular Embolization Coil due to expanded hospital access and accelerated market penetration through diverse regional VBPs programs across various provinces in the country.

The revenue from sales of peripheral-vascular interventional products in 2023 increased by 43.7% as compared to 2022 because of the rapid growth of sales revenue of our UltraFree Drug Coated PTA Balloon Catheter (UltraFree DCB), ZENFLOW PTA Balloon Catheter and ZENFLOW HP PTA High Pressure Balloon Catheter. This growth is the result of (i) our ongoing efforts to expand market access, increase hospital penetration and expand distribution network; and (ii) the continuous enrichment of our peripheral venous disease treatment product portfolio, highlighted by the commercial launch of ZYLOX Swan Endovenous Radiofrequency Ablation (RFA) Catheter and ZYLOX Octopus Retrievable Inferior Vena Cava Filter in 2022, which generated additional revenue in 2023.

In line with our strategic objectives, we focused on improving operational efficiency while increasing revenue organically. In 2023, we were able to generate a non-IFRS adjusted net profit of RMB7.0 million, representing the loss for the year adjusted by taking out share-based compensation expenses.

Management Discussion and Analysis

While we continue to increase our revenue, we are committed to improving operational efficiency and optimizing resource allocation:

- We further increased our sales and marketing efficiency, which was evidenced by continued decrease in selling and distribution expenses as a percentage of total revenue from 41.9% in 2022 to 31.0% in 2023. This achievement was mainly attributed to (i) ongoing enhancements and fortification of the sales and marketing team and sales network; (ii) the increasing clinical recognition of product quality, which led to higher market promotion efficiency; and (iii) a more comprehensive product portfolio, which enhanced the efficiency of sales efforts.
- Research and development expenses as a percentage of total revenue decreased from 69.9% in 2022 to 49.5% in 2023 as we continued to maintain an efficient research and development system while the amount of research and development expenses increased from RMB233.5 million in 2022 to RMB261.0 million in 2023 as we continue to advance various key R&D projects, such as Self-expandable Intracranial Stent and Intracranial Stent. While we strive to invest in innovation and expand our product offerings, we regularly evaluate our product pipeline and optimize our R&D process to maintain high R&D investment efficiency.
- Our administrative expenses remained relatively stable between 2022 and 2023, despite that our overall scale of operation and sales have increased tremendously. As a result, our administrative expenses as a percentage of total revenue decreased from 32.7% in 2022 to 21.6% in 2023. The increased efficiency was primarily attributed to our efforts to streamline operation protocols and the enhancement of IT systems.

1. We continuously enrich the product portfolio and introduce innovative product offerings to the Chinese market.

Throughout 2023 and the first quarter of 2024, we have diligently expanded our product lineup, introducing several innovative products that reinforce our leading position in the market. For the peripheral-vascular interventional product portfolio, we were proud to unveil the ZYLOX Penguin Peripheral Venous Stent System. This innovative product, developed collaboratively with renowned experts in China, features three key elements: oblique entrance, tapered gradient, and integrated structure. These design enhancements are meticulously crafted to minimize the risk of thrombosis while ensuring optimal alignment with the natural variations in blood vessel dimensions. It also provides excellent wall adherence and gradual expansion, with a proximal closed-loop structure for strong support and a distal open-loop structure for excellent alignment.

In addition to our in-house research and development, we also expand our innovative product offerings by external strategic collaboration. In March 2024, we entered into a series of licensing and investment agreements with Avinger Inc., a U.S.-based innovative medical device company. Through this partnership, we are poised to introduce OCT imaging-guided peripheral-vascular artery atherectomy devices and peripheral-vascular chronic total occlusion-crossing devices to the Chinese market. These additions to our portfolio will significantly bolster our peripheral-vascular interventional device offerings, providing patients with more comprehensive treatment and solution options. The Company believes this collaboration is another key step for building our leading position in the peripheral arterial disease (PAD) interventional device market.

2. Our robust R&D capabilities enable us to proactively enhance our product offerings to meet evolving clinical needs.

Leveraging our strong R&D expertise and integrated technology platforms, we have maintained momentum in advancing our product development with great efficiency. We have been working on upgrading our existing product offerings to cater to the varying needs of the physicians. During the Reporting Period, we launched the second generation for several of our existing products, including Clot Retriever Device II (Second Generation Clot Retriever Device), UberVana Drug-coated PTA (Second Generation DCB), Second Generation PTA Balloon Catheter and Second Generation High Pressure PTA Balloon Catheter. We believe the continuous upgrading of our products fits our strategy well to provide more comprehensive options to physicians and patients for treatments. It also allows us to continuously optimize our product offerings and reduce cost to maintain a reasonably stable gross profit margin in the ever-evolving market environment.

As at the date of this report, we have a total of 43 products commercially launched in China, making us a prominent leader in the Chinese medical device industry with the most comprehensive product portfolios in both the neurovascular and peripheral-vascular interventional sectors.

3. We continued to improve our sales and marketing efficiency by leveraging a differentiated and comprehensive product portfolio and acting strategically in the Volume-based Procurements (VBPs) in the domestic market.

Leveraging our increasingly refined and differentiated product portfolio, we are better positioned to enhance product recognition among clinical professionals and strengthen our competitive advantages in commercial channels. For example, in the peripheral venous disease treatment product segment, we launched a total of five products in the last 24 months. We commercially launched the Retrievable Vena Cava Filter for deep vein thrombosis prevention in December 2022, then the Endovenous Radiofrequency Ablation (RFA) Catheter and system for the treatment of venous insufficiency in 2023, and we launched the Peripheral Venous Stent System for the treatment of iliac compression syndrome in January 2024. Currently, we have the most comprehensive product offering for interventional treatment for venous related diseases in the Chinese market, which enables us to promote our peripheral venous products efficiently and enhance our partnership with distributors.

Management Discussion and Analysis

With our strong commercialization capability to effectively leverage our sales network and resources, we were able to seize every opportunity to increase our products' market penetration. VBPs have and will continue to reshape the industry's competitive landscape. We carefully designed and executed our bidding strategies. As a result, we quickly expanded our hospital access for the products by capturing the bid-winning opportunities of the provincial VBPs, which led to a significant revenue growth in 2023. In 2023, leveraging our comprehensive product portfolio and cost advantages, we actively participated in multiple provincial VBPs and has achieved good results. In Henan VBP process of medical consumables for public medical institutions in March 2023, the Company secured successful bids for nearly all of our neurovascular intervention products that were included in the bidding. This success included 7 bid-winning products, including Thrombite Clot Retriever Device, SilverSnake Intracranial Support Catheter, White Horse Intracranial Balloon Catheter, Beidou SS Neurovascular Guidewire etc. As at the end of 2023, the hospital admission rate of the bid-winning products was close to 100%, with the highest domestic market share for all products on sale. Furthermore, the Company's UltraFree DCB and ZENFLOW PTA Balloon Catheter were also successfully awarded the bid in this procurement. Following the implementation of the VBP, UltraFree DCB reached a market share of approximately 70% in Henan Province and ZENFLOW PTA Balloon Catheter became the top tier domestic brand with the highest market share by the end of 2023. Among the bid-winning results of the 28 types of medical consumables VBPs under the Beijing-Tianjin-Hebei "3+N" Alliance announced in April 2024, the Company's Thrombite CRD and SilverSnake Intracranial Support Catheter were successfully awarded the bid. The Company's Clot Retriever Device I and Clot Retriever Device II were also both awarded the bid, with Clot Retriever Device II securing the first place in Group B. This achievement entitles it to a 20% allocation of the agreed procurement volume for this product category. Meanwhile, SilverSnake Intracranial Support Catheter achieved first place in Group A in the support and auxiliary catheter category, earning it the opportunity to receive 20% of the agreed volume procurement for this specific category. These products possess exceptional characteristics, and we anticipate further market share growth in areas where VBPs are implemented. The commercialization of the Company's Phoenix Neurovascular Embolization Coil has been making significant strides since 2022. This product has consistently secured bids in provincial VBPs across several provinces, including Fujian, Jiangsu, 21 Provincial Alliance of Jilin, Anhui, etc. These VBPs have been implemented over an extended period, providing valuable reference points. In 2023, with the implementation of VBPs in several provinces carried out during 2022, the market share of Phoenix Neurovascular Embolization Coil in China witnessed a rapid growth, reaching approximately 10% as at the end of 2023, which is expected to further increase. It is strong evidence of our adept utilization of VBPs, driving accelerated market share growth through strategic product differentiation strategies.

4. We continued to invest resources in international business and enhance our international market influence.

In 2023, we generated a revenue of RMB14.3 million from outside of the PRC, which represented an increase of 83.1% compared to 2022. In 2023, our commercial reach extended to 19 overseas countries, including Germany, France, Italy, Poland, and Belgium. In addition to the EU market, we have ventured into promising regions such as the Middle East and South America, with plans to expand registrations in Northern Asia, Southeast Asia and further. Alongside traditional sales and marketing efforts, we prioritized enhancing our quality recognition by conducting post-marketing clinical follow-up trials for CE-marked products in Europe. This initiative is crucial for demonstrating the clinical value of our products overseas, further obtaining EU MDR certification, and consistently serving international patients. Moving forward, we are actively evaluating opportunities in additional potential markets and anticipate allocating resources to further enhance our global footprint.

Our Products and Product Pipeline

As China's leading interventional medical device company in developing minimally invasive vascular interventional medical devices, we have built a comprehensive product portfolio including neurovascular and peripheral-vascular interventional devices. As at the date of this report, we have strategically deployed a total of 64 products and product candidates. As at the date of this report, the Company has a total of 43 products commercially launched in China, eight products granted CE Mark in the European Economic Area, five products approved in the United Arab Emirates (UAE), and a number of products granted marketing approval in overseas countries including Germany and the U.K., etc.

The following chart sets forth our commercially launched products and expected commercial launch year of our product candidates in the Chinese market as at the date of this report:

Management Discussion and Analysis

Product Portfolio for Neurovascular Interventional, Peripheral-Vascular Interventional and Vascular Closure Devices in China Market:

Breakdown by Category	Commercially Launched	Expected Commercial Launch Year				
		2024	2025	2026	2027	
Neurovascular Interventional	Intracranial Ischemic Stroke	<ul style="list-style-type: none"> Thrombite Clot Retriever Device Thrombite (CRD) Clot Retriever Device II SilverSnake Intracranial Support Catheter Dayu Balloon Guiding Catheter (BGC) Aspiration Catheter Aspiration Pump System 				
	Intracranial Stenosis	<ul style="list-style-type: none"> White Horse Intracranial PTA Balloon Catheter (Rx) Microcatheter for Intracranial Stent Second Generation Intracranial PTA Balloon Catheter (Rx) 		<ul style="list-style-type: none"> Intracranial Drug Coated Balloon Catheter 	<ul style="list-style-type: none"> Intracranial Stent Drug Coated Self-expandable Intracranial Stent 	
	Intracranial Hemorrhagic Stroke	<ul style="list-style-type: none"> Phoenix Neurovascular Embolization Coil Mechanical Detachable Coil II Kylin Flow Diverter Microcatheter for Coiling Microcatheter for Flow Diverter 		<ul style="list-style-type: none"> Self-expandable Intracranial Stent 		
	Intracranial Access	<ul style="list-style-type: none"> Microcatheter for Clot Retriever SilverSnake DA Distal Access Catheter SilverSnake Standard Intracranial Support Catheter Beidou SS Neurovascular Guidewire Intermediate Catheter Xuanwu Introducer Sheath SilverSnake Radial Access Distal Support Catheter 				
	Carotid Artery Stenosis	<ul style="list-style-type: none"> Carotid Rx PTA Balloon Catheter Embolic Protection System 			<ul style="list-style-type: none"> Carotid Stent 	

Breakdown by Category	Commercially Launched	Expected Commercial Launch Year				
		2024	2025	2026	2027	
Peripheral-Vascular Interventional	Arterial	<ul style="list-style-type: none"> UltraFree Drug Coated PTA Balloon Catheter (UltraFree DCB) UberVana Drug-coated PTA Balloon Catheter ZENFLOW PTA Balloon Catheter ZENFLOW Second Generation PTA Balloon Catheter Endovascular Snare Tapered PTA Balloon Catheter PTA Scoring Balloon Catheter Long Balloon Catheter 		<ul style="list-style-type: none"> Drug Coated PTA Balloon Catheter-BTK IVL System Pantheris OCT-guided Peripheral-vascular Atherectomy Catheter Series Tigereye ST OCT-guided Peripheral-vascular Chronic Total Occlusion-crossing Catheter Ocelot OCT-guided Peripheral-vascular Chronic Total Occlusion-crossing Catheter LightBox 3 OCT Imagining Consoles 	<ul style="list-style-type: none"> Peripheral Drug-Eluting Stent System Multi-spot Stent System Sawtooth Removal Balloon Catheter 	<ul style="list-style-type: none"> Balloon Expandable Covered Stent
	Venous	<ul style="list-style-type: none"> ZYLOX Swan Endovenous Radiofrequency Ablation (RFA) Catheter Radiofrequency Generator ZYLOX Octopus Retrievable Inferior Vena Cava Filter Snare Retrieval Kit for IVC Filter ZYLOX Penguin Peripheral Venous Stent System ZENFLOW Tiger PTA Balloon Catheter Large Diameter Infusion Catheter 		<ul style="list-style-type: none"> Peripheral Thrombectomy System 		
	Hemodialysis Access	<ul style="list-style-type: none"> ZENFLOW HP PTA High Pressure Balloon Catheter ZENFLOW HP PTA Second Generation High Pressure Balloon Catheter 			<ul style="list-style-type: none"> Ultra High Pressure Balloon Catheter 	
	Aortic Intervention				<ul style="list-style-type: none"> Thoracic Aorta Stent Graft System 	
	Peripheral Embolization Intervention and Others	<ul style="list-style-type: none"> Peripheral Detachable Embolization Coils TIPS Access Set Peripheral Hydrophilic Guidewires Series 				
	Vascular Closure Devices		<ul style="list-style-type: none"> Suture-mediated Closure System 	<ul style="list-style-type: none"> Vascular Closure System 		

Management Discussion and Analysis

The following chart sets forth our products approved in overseas markets as at the date of this report:

	Product	Approved Region
Neurovascular Interventional	Thrombite Clot Retriever Device	CE, Germany, U.K., Italy, Turkey, South Africa, Argentina
	Aspiration Catheter	CE, Germany, U.K., Italy, Turkey, South Africa, Argentina
	Microcatheter for Clot Retriever	CE, Germany, U.K., Italy, South Africa, Argentina
Peripheral- vascular Interventional	ZENFluxion Peripheral Drug Coated Balloon Catheter	CE, Germany, Poland, Turkey, Argentina, U.K., Italy, United Arab Emirates (UAE)
	ZENFlow PTA Balloon Catheter	CE, Germany, Poland, Turkey, France, Argentina, Czech Republic, Slovakia, U.K., Italy, UAE
	ZENFlow PTA High Pressure Balloon Catheter	CE, Germany, Turkey, Argentina, Czech Republic, Slovakia, U.K., Italy, UAE
	ZENFlex Peripheral Stent System	CE, Germany, Poland, Turkey, France, Argentina, Czech Republic, Slovakia, U.K., Italy, UAE
	ZENFLEX Pro Peripheral Drug-Eluting Stent System	CE, Germany, Poland, Argentina, Czech Republic, Slovakia, U.K., Italy, UAE
	ZENFlow Tiger PTA Balloon Catheter Large Diameter	Brazil

Our Neurovascular Interventional Products

Our current neurovascular product portfolio covers a full suite of products for five major categories, namely ischemic stroke, hemorrhagic stroke, intracranial stenosis, carotid artery stenosis and intracranial access devices. As at the date of this report, we have 23 neurovascular interventional products approved by the NMPA. We expect to have five more neurovascular interventional products approved by the NMPA by the end of 2027.

Intracranial Ischemic Stroke Treatment

In the field of ischemic neurovascular diseases, in particular intracranial ischemic stroke, we have six product offerings, among which we have launched Thrombite CRD, SilverSnake intracranial support catheter and balloon guiding catheter (BGC) successfully as a complete three-piece solution for physicians. We are actively promoting our BADDASS (i.e. Balloon guide with large bore Distal access catheter with Dual Aspiration with Stent-retriever as Standard approach) with clot-retrieval modality.

Thrombite Clot Retriever Device (Thrombite CRD)

We are improving the adoption of Thrombite CRD by introducing the holistic three-piece treatment package and BADDASS with clot-retrieval modality.

Clot Retriever Device II (Thrombite CRD II)

This second-generation Clot Retriever Device is designed with more specifications, offering physicians more choices when dealing with occluded blood vessels of different diameters and thrombus of different sizes.

Intracranial Hemorrhagic Stroke Treatment

In the field of intracranial hemorrhagic stroke, we have six product offerings, among which we have launched three therapeutic products, namely, Phoenix Neurovascular Embolization Coils, Mechanical Detachable Coil II and Kylin Flow Diverter.

Phoenix Neurovascular Embolization Coil

Our Phoenix coil is extra soft and imposes minimal pressure to the aneurysm wall, thus reducing the risk of aneurysm rupture or other injury. Leveraging our unique mechanical detachment mechanism, our neurovascular embolization coil is also easier to be detached from the delivery system.

Mechanical Detachable Coil II (Second Generation Neurovascular Embolization Coil)

We have upgraded our neurovascular embolization coil to improve their basket-forming performance. Launched in the first quarter of 2024 the second-generation neurovascular embolization coils come in more specifications and sizes, offering more options for physicians when dealing with intracranial aneurysms of different sizes.

Kylin Flow Diverter

Kylin Flow Diverter is a visualized distal closure dense braided stent, which is made of nitinol-wrapped platinum material to achieve full visualization, with the closure design on the distal end. Compared with similar products in the market, it features better adherence and visualization performance, thereby improving the visibility and safety during operations. At the same time, its more complete product specifications can meet the needs of different lesions in clinical treatment.

Our Peripheral-Vascular Interventional Products in China

We have a comprehensive peripheral-vascular interventional product portfolio, covering the a full series of arterial and venous products such as stents, balloons, catheters and filters. As at the date of this report, we have 20 peripheral-vascular intervention products in China approved by the NMPA. We expect to have an additional 15 peripheral-vascular intervention products approved by the NMPA by the end of 2027.

Peripheral Arterial Vascular Diseases Treatment

Our peripheral arterial vascular diseases treatment pipeline includes a total of 18 products.

UltraFree Drug-coated PTA Balloon Catheter (UltraFree DCB)

Since UltraFree DCB's launch in November 2020, we have mainly focused our commercialization effort in China. We also obtained CE Mark in October 2020 and commercialized UltraFree DCB in Europe in the second half of 2021.

In addition, we continue to work on the indication expansion of UltraFree DCB. Currently, we are in the process of patient enrolment for the clinical trial of Drug Coated PTA Balloon Catheter — Below the Knee (BTK).

UberVana Drug-coated PTA Balloon Catheter (Second Generation of DCB)

We have been continuously improving the performance of our DCB, by increasing its flexibility for better crossing, navigation and dilatation performance. UberVana is developed and manufactured on our drug coating platform. Leveraging the patented coating process of pure paclitaxel drug balloons, we apply advanced nano modification technology to further optimize the adsorption and related physicochemical properties of paclitaxel drug crystals on the surface of the balloons, which makes the micro-storage of pure paclitaxel drug more efficient and the transportation of drug to the target lesion site more accurate. This technology is expected to further improve the medium and long-term effects of DCB treatment.

Pantheris OCT-guided Peripheral Vascular Atherectomy Catheter Series, Tigereye ST & Ocelot OCT-guided Peripheral-vascular Chronic Total Occlusion-crossing Catheter Series and LightBox 3 OCT Imaging Consoles

In March 2024, we entered into a series of licensing and investment agreements with Avinger Inc., a U.S.-based innovative medical device company and a third party independent to the Company. The three flagship products with disruptive technology we licensed from Avinger Inc. are Pantheris, which has been approved for the treatment of peripheral vascular atherosclerosis diseases as well as ISR in the U.S., Tigereye ST and Ocelot, which have been approved for the peripheral vascular chronic total occlusion-crossing (“**CTO-crossing**”) in the U.S., and LightBox 3, the OCT imaging consoles. These products are the only PAD devices with real time imaging function worldwide. Pantheris is applied for peripheral artery atherectomy procedures to remove the atherosclerosis plaques. Evidences show that post-atherectomy vessels are better prepared for further treatment with drug-coated balloons or stents to generate long-term efficacy results. Meanwhile, supported by real-time intra-vascular images during atherectomy, physicians can reserve the nature vessel structure of PAD patients in order to reduce the risk of vascular damage and other Major Adverse Event (“**MAE**”). Tigereye ST and Ocelot are also equipped with an OCT imaging system in order to clearly show the structure of the diseased vessel. These devices significantly enhance the crossing success rate and maintain the crossing device in the true lumen (i.e. the original channel in the blood vessel) to enable more freedom of treatment device selection, which are the key pain points for crossing guidewires. Along with the adoption of OCT imaging during procedures, physicians and patients can also benefit from the reduction of fluoroscopy usage, thus protecting themselves. We are now in the process of registering and localizing the entire product family of OCT consoles, OCT-guided peripheral vascular atherectomy devices and peripheral vascular CTO-crossing devices developed by Avinger in Greater China (including Mainland China, Hong Kong, Taiwan and Macau) and expect to launch the products in 2025.

Peripheral Venous Vascular Diseases Treatment

Our peripheral venous vascular diseases treatment pipeline includes a total of eight products and product candidates, among which we have launched the ZYLOX Swan Endovenous Radiofrequency Ablation Catheter, ZYLOX Octoplus Vena Cava Filter and ZYLOX Penguin Peripheral Venous Stent System. We are one of the few domestic companies that can provide a comprehensive product offering for the treatment of the most common venous diseases, such as varicose veins, deep vein thrombosis and iliac compression syndrome.

ZYLOX Swan Endovenous Radiofrequency Ablation Catheter

The product is innovatively designed as a smaller outer diameter 6F ablation catheter, which can be released by a single button during the treatment process with easy operation. The temperature of the catheter rapidly rises to a controllable 120°C within 5 seconds, and an ablation treatment cycle can be completed in 20 seconds, which enables efficient and effective vascular closure. This product was approved by the NMPA in August 2022. We are in the process of accelerating the commercialization of the product in China.

ZYLOX Octoplus Vena Cava Filter

The product features an innovative design, instant and excellent adherent performance and self-balancing ability, which enables a more accurate release of the product and more efficient thrombus interception in the long term. Meanwhile, ZYLOX Octoplus is expected to reduce the risk of pulmonary embolism (PE) in patients, providing a longer treatment window for thrombolytic therapy and improving the success rate of deep vein thrombosis (DVT) treatment.

ZYLOX Penguin Peripheral Venous Stent System

The product features three major designs of oblique entrance, tapered gradient and integrated structure, is designed to reduce the risk of thrombosis while ensuring alignment with the natural variation of dimension of the blood vessel. The ZYLOX Penguin Peripheral Venous Stent System is designed to provide excellent wall adherence and gradual expansion, with a proximal closed-loop structure for strong support and a distal open-loop structure for excellent alignment. The product was approved by the NMPA in January 2024. We are in the process of accelerating the commercialization of the product in China.

II. FINANCIAL REVIEW

Overview

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

Revenue

During the Reporting Period, we achieved a revenue of RMB527.8 million, with RMB 526.5 million from sales of interventional products, representing an increase of 57.6% as compared to 2022. 72.5% of our interventional products revenue was derived from the neurovascular interventional products business and 27.5% was derived from the peripheral-vascular interventional products business. The significant growth of our revenue was primarily fueled by the high sales growth of both neurovascular and peripheral-vascular interventional devices segments.

The revenue from sales of neurovascular interventional products in 2023 increased by 63.6% as compared to 2022, primarily because of (i) continued revenue growth from our key products, such as SilverSnake Intracranial Support Catheter, Phoenix Neurovascular Embolization Coil, White Horse Intracranial PTA Balloon Catheter (Rx) and Thrombite Clot Retriever Device (Thrombite CRD). This growth is attributed to (i) increasing recognition of product quality and clinical performance by physicians; (ii) our effort to increase product marketing penetration; and (iii) increased revenue from the Phoenix Neurovascular Embolization Coil due to expanded hospital access and accelerated market penetration through diverse regional VBPs programs across various provinces in the country.

The revenue from sales of peripheral-vascular interventional products in 2023 increased by 43.7% as compared to 2022 because of the rapid growth of sales revenue of our UltraFree Drug Coated PTA Balloon Catheter (UltraFree DCB), ZENFLOW PTA Balloon Catheter and ZENFLOW HP PTA High Pressure Balloon Catheter. This growth is the result of (i) our ongoing efforts to expand market access, increase hospital penetration and expand distribution network; and (ii) the continuous enrichment of our peripheral venous disease treatment product portfolio, highlighted by the commercial launch of ZYLOX Swan Endovenous Radiofrequency Ablation (RFA) Catheter and ZYLOX Octoplus Retrievable Inferior Vena Cava Filter in 2022, which generated additional revenue in 2023.

Management Discussion and Analysis

The following tables set forth a breakdown of our revenue by business line and by product category:

At a point in time	Year ended December 31, 2023		Year ended December 31, 2022		Year to year change %
	RMB'000	Proportion	RMB'000	Proportion	
Revenue from sales of goods	526,452	99.8%	334,090	100.0%	57.6%
Others	1,302	0.2%	—	—	NA
	527,754	100.0%	334,090	100.0%	58.0%

Revenue from sales of goods	Year ended December 31, 2023		Year ended December 31, 2022		Year to year change %
	RMB'000	Proportion	RMB'000	Proportion	
Neurovascular interventional devices	381,799	72.5%	233,398	69.9%	63.6%
Peripheral-vascular interventional devices	144,653	27.5%	100,692	30.1%	43.7%
Total	526,452	100.0%	334,090	100.0%	57.6%

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

Revenue	Year ended December 31, 2023		Year ended December 31, 2022		Year to year change %
	RMB'000	Proportion	RMB'000	Proportion	
The PRC	513,482	97.3%	326,294	97.7%	57.4%
Others	14,272	2.7%	7,796	2.3%	83.1%
Total	527,754	100.0%	334,090	100.0%	58.0%

Cost of Sales

Our cost of sales primarily consists of raw materials and consumables used, employee benefits expenses, depreciation of right-of-use assets, depreciation of property, plant and equipment, utilities expenses and office expenses.

Management Discussion and Analysis

The Group's cost of sales for the year ended December 31, 2023 was RMB142.8 million, representing an increase of 75.3% as compared to RMB81.4 million for the year ended December 31, 2022. The increase was primarily attributable to (i) an increase in raw materials and consumables used for sales of our products during the Reporting Period, which was in line with the increased penetration of our commercialized of our marketed products since December 31, 2022; and (ii) an increase in employee benefits expenses as a result of an increase in the number of our employees for expanded production and operation.

Gross Profit and Gross Profit Margin

As a result of the aforementioned factors, the gross profit of the Group increased by 52.4% from RMB252.7 million for the year ended December 31, 2022 to RMB385.0 million for the year ended December 31, 2023. The gross profit margin of the Group decreased slightly from 75.6% for the year ended December 31, 2022 to 72.9% for the year ended December 31, 2023, because (i) some products began to be enrolled in the VBP; and (ii) for some other products, we strategically lowered their prices to gain greater market shares in anticipation of the potential VBP.

R&D Expenses

The Group's R&D expenses for the year ended December 31, 2023 was RMB261.0 million, representing an increase of 11.8% as compared to RMB233.5 million for the year ended December 31, 2022. The increase was primarily attributable to an increase in testing, clinical trial and professional services fees from RMB57.0 million for the year ended December 31, 2022 to RMB99.8 million for 2023 due to advances of the R&D projects. Such an increase was partially offset by a decrease in employee benefits expenses from RMB130.2 million for 2022 to RMB109.8 million for 2023, which was mainly caused by a decrease in share-based compensation for our R&D personnel.

R&D Expenses	Year ended December 31, 2023		Year ended December 31, 2022		Year to year change %
	RMB'000	Proportion	RMB'000	Proportion	
Employee benefit expenses	109,769	42.1%	130,191	55.8%	-15.7%
Testing, clinical trial and professional services fees for R&D	99,815	38.2%	57,044	24.4%	75.0 %
Raw materials and consumables used	32,587	12.5%	31,594	13.5%	3.1%
Others	18,842	7.2%	14,632	6.3%	28.8%
Total	261,013	100.0%	233,461	100.0%	11.8%

Selling and Distribution Expenses

The Group's selling and distribution expenses for the year ended December 31, 2023 was RMB163.8 million, representing an increase of 16.9% as compared to RMB140.1 million for the year ended December 31, 2022. Such increase was primarily due to increased employee benefits expenses and sales and marketing expenses as a result of the expansion of sales scale and the increase in the number of launched products. The selling and distribution expenses as a percentage of overall revenue decreased from 41.9% for the year ended December 31, 2022 to 31.0% for the Reporting Period. Such decrease was primarily attributable to (i) continuous improvement and strengthening of the sales and marketing team and sales network; (ii) increased clinical recognition of product quality, which made our commercial promotion more efficient; and (iii) a more comprehensive product portfolio, which enhanced the efficiency of sales efforts.

Administrative Expenses

The Group's administrative expenses for the year ended December 31, 2023 was RMB114.1 million, which remained relatively stable as compared to RMB109.3 million for the year ended December 31, 2022. The administrative expenses as a percentage of total revenue decreased significantly to 21.6% for the Reporting Period from 32.7% for the year ended December 31, 2022, which was mainly attributable to the improvements in administrative procedures and investments in IT systems, leading to increased management efficiency.

Other Expenses

The Group's other expenses for the year ended December 31, 2023 was RMB1.6 million, representing an increase of 19.4% as compared to RMB1.3 million for the year ended December 31, 2022. The increase was primarily attributable to the increased energy consumption expenses.

Other Income

The Group's other income for the year ended December 31, 2023 was RMB14.9 million, representing an increase of 22.1% as compared to RMB12.2 million for the year ended December 31, 2022, primarily attributable to an increase in government grants in 2023.

Other (losses)/gains — net

The Group recorded other net losses for the Reporting Period of RMB15.8 million and other net gains of RMB11.1 million for the year ended December 31, 2022. Such change was primarily due to the foreign exchange differences, which we recorded foreign exchange losses in 2023 and foreign exchange gains in 2022.

Finance Income — net

The Group's finance income — net for the year ended December 31, 2023 was RMB77.8 million, representing a slight decrease from RMB94.8 million for the year ended December 31, 2022, primarily attributable to a decrease in bank interest income in 2023.

Income Tax Expense

The Group did not incur income tax expense for the years ended December 31, 2022 and 2023.

Management Discussion and Analysis

Non-IFRS Measures

To supplement our consolidated statement of comprehensive income which are presented in accordance with IFRS, we also use adjusted net loss as non-IFRS measures, which are not required by, or presented in accordance with, IFRS. We believe that the presentation of non-IFRS measures when shown in conjunction with the corresponding IFRS measures facilitates a comparison of our operating performance from period to period by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance. Such non-IFRS measures allow investors to consider metrics used by our management in evaluating our performance.

From time to time in the future, there may be other items that we may exclude in reviewing our financial results. The use of the non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for or superior to analysis of, our results of operations or financial condition as reported under IFRS. In addition, the non-IFRS financial measures may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

The following table shows its reconciliation to loss for the years indicated:

	Year ended December 31, 2023 RMB'000	Year ended December 31, 2022 RMB'000
Loss for the year	(78,734)	(113,555)
Add:		
Share-based compensation ⁽¹⁾	85,767	87,678
Non-IFRS adjusted net profit/(loss) for the year	7,033	(25,877)

Notes:

(1) Share-based compensation is non-operational expenses arising from granting shares through the Employee Incentive Scheme, H Share Scheme and Pre-IPO Share Option Scheme to eligible employees of the Group, the amount of which may not directly correlate with the underlying performance of our business operations.

Capital Management

The primary goal of the Group's capital management is to maintain the Group's stability and growth, safeguard its normal operations and maximize shareholders' value. The Group reviews and manages its capital structure on a regular basis, and makes timely adjustments to it in light of changes in economic conditions.

Liquidity and Financial Resources

The total available financial resources, including cash and cash equivalents, term deposits and financial assets measured at fair value decreased from RMB2,693.1 million as at December 31, 2022 to RMB2,577.1 million as at December 31, 2023. The Group's cash and cash equivalents as at December 31, 2023 were RMB1,086.6 million, representing a decrease of 9.9% as compared to RMB1,205.3 million as at December 31, 2022. The cash and cash equivalents were denominated in RMB, USD, HKD and EUR. Term deposits as at December 31, 2023 were RMB1,388.4 million as compared to RMB1,334.2 million as at December 31, 2022. Financial assets measured at fair value were RMB102.1 million as at December 31, 2023 as compared to RMB153.6 million as at December 31, 2022. The management is confident that the Group's financial resources are sufficient for our daily operations.

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

Borrowings and Gearing Ratio

The Group's borrowings as at December 31, 2023 was RMB50.0 million, and as at December 31, 2022, the Group did not have any borrowings.

In June and July of 2023, the Group entered into loan agreements with a total amount of RMB50.0 million and all the amounts were drawn down. The interest will be paid monthly at a rate of 3.05% per annum. Certain self-developed patents of the Group have been pledged as collateral under loan agreements.

The gearing ratio (calculated by dividing the sum of borrowings and lease liabilities by total equity) of the Group increased from 0.45% as at December 31, 2022 to 1.83% as at December 31, 2023.

Net Current Assets

The Group's net current assets, as at December 31, 2023 were RMB1,399.4 million, representing a decrease of 26.8% as compared to net current assets of RMB1,910.5 million as at December 31, 2022, primarily due to the decrease of cash and cash equivalents and term deposits.

Foreign Exchange Exposure

We have transactional currency exposures. Certain of our bank balances, other receivables, other financial assets, other payables and other financial liabilities are dominated in foreign currencies and are exposed to foreign currency risk. Our management monitors foreign exchange exposures and consider appropriate hedging measures when the need arises.

Management Discussion and Analysis

Pledge of Shares

We did not have any pledging of shares by our Single Largest Group of Shareholders as at December 31, 2023.

Significant Investments, Material Acquisitions and Disposals

As at December 31, 2023, we did not hold any significant investments. For the Reporting Period, we did not have material acquisitions or disposals of subsidiaries, associates and joint ventures.

Capital Expenditure

For the year ended December 31, 2023, the Group's total capital expenditure amounted to approximately RMB190.9 million, which was mainly used in the purchase of property, plant and equipment and intangible assets.

Charge on Assets

As at December 31, 2023, there was no charge on assets of the Group.

Contingent Liabilities

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

Employees and Remuneration Policies

As at December 31, 2023, we had 765 employees in total (December 31, 2022: 715).

In compliance with the applicable labor laws, we enter into individual employment contracts with our employees covering matters such as wages, bonuses, employee benefits, workplace safety, confidentiality obligations, non-competition and grounds for termination. These employment contracts typically have terms of three years.

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

Future Investment Plans and Expected Funding

The Group will continue to expand its markets in the PRC and globally in order to tap its internal potential and maximize shareholders' interest. The Group will continue to grow through self-development, mergers and acquisitions, and other means. We will use diversified financing channels to finance capital expenditures, including but not limited to internal funds and bank loans. As at December 31, 2023, the capital commitments of the Group for property, plant and equipment and investment in venture fund were RMB100.6 million and RMB144.6 million respectively as compared to RMB25.5 million and RMB9.4 million respectively as at December 31, 2022. Save as disclosed, the Group has no other future commitment for material investments or capital assets as at December 31, 2023.

III. PROSPECTS

We plan to implement the following strategies to achieve our mission and vision:

- **Continue to increase our market share by capitalizing on our comprehensive product offering and strong commercialization capability**

With the ongoing adoption of our high-quality products by physicians and hospitals, we are confident in our ability to further expand our market share in the neurovascular and peripheral vascular interventional devices industry. We have established a robust track record of commercialization and distribution in China, evidenced by a 72.2% annualized growth rate in overall revenue between 2021 and 2023. Leveraging our strong commercialization and distribution network, we will continue to effectively launch innovative products.

- **Continue to expand our product offering and accelerate innovation tailored to clinical needs**

We have successfully launched a few innovative products with unique features to better accommodate unmet clinical needs, including Thrombite Clot Retriever Device (Thrombite CRD) and ZYLOX Penguin Peripheral Venous Stent System. Leveraging our internal R&D capabilities, we are dedicated to ongoing investment in innovation. The commitment allows us to respond swiftly to the evolving clinical needs and develop innovative products with superior clinical performance.

- **Continue to improve our operational efficiency and profitability**

The evolving industry dynamics, including the implementation of VBPs and reimbursement under Diagnosis-Related Groups (DRGs), present new challenges for medical device companies. To address these challenges, we will continue to leverage our in-house R&D technology platforms, manufacturing expertise and knowhow, and efficient sales and marketing network, to accelerate commercialization efforts and ultimately improve overall profitability.

- **Continue to invest in international markets**

In overseas markets, we have taken significant strides in commercialization and registration, and we are committed to continuing these efforts. We are expanding our European team to bolster sales in European countries and intensifying our registration efforts in various regions, including South America and the Pan-Asian regions. Additionally, we will enhance partnerships with local physicians and distributors and explore new business cooperation models to further strengthen our presence and growth in these markets.

Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Dr. Jonathon Zhong Zhao (趙中) (“Dr. Zhao”), aged 57, is the chairman of our Board, an executive Director and the chief executive officer of our Company. Dr. Zhao founded our Group in November 2012. Dr. Zhao was appointed as the chairman of the Board and a director of our Company in November 2012 and re-designated as an executive Director in March 2021. He is primarily responsible for the overall management and business strategies of our Group.

Dr. Zhao has 25 years of experience in the pharmaceutical and medical device industries. Prior to founding our Group, Dr. Zhao served as an associate director and scientist of Guilford Pharmaceuticals Inc. (now part of Eisai Co., Ltd., a company listed on the Tokyo Stock Exchange (stock code: 4523)) from July 1996 to June 2002. He then joined Cordis Corporation, a Johnson & Johnson Company (now a Cardinal Health company) and served as a principal scientist and a research fellow from July 2002 to August 2011, focusing on drug device combination product developments.

Since founding our Group, Dr. Zhao has brought in professional expertise to every aspect of our business and overseen the research and development of our comprehensive product portfolio. He has also led the management of commercialization of our products and contributed to the training of personnel of our Company.

Dr. Zhao received a bachelor's degree in polymer chemistry and synthesis from Sichuan University in the PRC in June 1988 and a Ph.D. degree in biomedical engineering from Johns Hopkins University, School of Medicine in the United States in May 1997.

Mr. Yang Xie (謝陽) (“Mr. Xie”), aged 54, is an executive Director and a senior vice president of our Company. Mr. Xie joined our Group in July 2016. He was appointed as a director of our Company in March 2018 and re-designated as an executive Director in March 2021. He is primarily responsible for the overall sales and marketing, and business strategies of our Group.

Prior to joining our Group, Mr. Xie served as the director of sales and marketing of Johnson & Johnson Medical (China) Ltd. (強生(中國)醫療器材有限公司) from July 1995 to October 2010. He then served as a vice president of Panshi Information Technology Co., Ltd. (磐石信息技術有限公司) from January 2011 to September 2012. During October 2012 to September 2014, Mr. Xie served as the general manager of Shanghai Puwei Medical Instrument Factory Co., Ltd. (上海浦衛醫療器械廠有限公司), after which he joined and served as an investment partner of Milestone Capital from October 2014 to June 2016, specializing in investments in the medical device and related industries.

Mr. Xie received a bachelor's degree in biomedical electronics and a master's degree in radio electronics from Fudan University in the PRC in July 1992 and July 1995, respectively. He also completed the Executive M.B.A. program in Washington University in St. Louis in the United States in December 2003.

Dr. Zheng Li (李崢) (“Dr. Li”), aged 46, is an executive Director and a senior vice president of our Company. Dr. Li was appointed as a director of our Company in January 2019 and re-designated as an executive Director in March 2021. Dr. Li joined our Group in February 2016, and was subsequently appointed as the general manager of our neurovascular business in 2018. He is primarily responsible for the overall management and business strategies of our neurovascular business of our Group.

Prior to joining our Group, Dr. Li served as a staff engineer of Covidien (China) Medical Devices Technology Co., Ltd, currently a subsidiary of Medtronic PLC (a company listed on the New York Stock Exchange (stock code: MDT)) until July 2015, which is among the world's largest medical technology, services and solutions companies. Before that, Dr. Li has served multiple companies in the healthcare and medical device industries, from 2009 to 2013, Dr. Li successively worked at Mystic Pharmaceuticals Limited, a pharmaceutical company, and International Biomedical Ltd, a company focusing on innovative neonatal and perinatal products and technologies.

Dr. Li received a bachelor's degree in thermal energy and power engineering and a master's degree in testing measurement technology and instrument from Southeast University in the PRC in June 1999 and April 2002, respectively, and a Ph.D. degree in mechanical engineering from North Carolina State University in the United States in August 2007. Dr. Li has also been a member of the Zhuhai European and American Alumni Association since September 2018.

Non-executive Directors

Mr. Stephen Hui Wang (王暉) (“Mr. Wang”), aged 51, is a non-executive Director. He is primarily responsible for overseeing Board affairs and giving strategic advice and guidance on the business operations of our Group.

Mr. Wang has served as the chief executive officer of HighLight Capital since 2014, leading the fund in investments in the healthcare and consumer technology industries. Prior to joining HighLight Capital, he served as a general partner and a member of investment committee of CDH Investments from 2009 to 2014. Mr. Wang then joined our Company as a director in November 2015 and he ceased to act as the director of our Company in March 2018 due to his other business commitment and the change of nominee director by the Shareholders (namely Highlight Medical Limited, Ourea Biotech HK Limited and Suzhou Taihong Jinghui Investment Center (Limited Partnership) (collectively, “**HLC Shareholders**”), each being our Shareholder and ultimately controlled by Mr. Wang). He was re-appointed as a director of the Company in December 2020 due to the internal personnel adjustment of the HLC Shareholders in relation to the management of invested companies and re-designated as a non-executive Director in March 2021. During his tenure with our Company since November 2015, Mr. Wang had been primarily involved in providing strategic advice and guidance on the business operations of the Group, including, among others, leveraging his professional skills in business management to assist the Board to develop strategies and policies to improve the performance of the Group, and assisting the Company and its management team in broadening the Company's access to the business and financing resources in the market. With effect from January 18, 2024, Mr. Wang was appointed as a non-executive director of VIVA BIOTECH HOLDINGS, a company listed on the Stock Exchange (stock code: 1873).

Mr. Wang received a bachelor's degree in biology from the University of Science and Technology of China in the PRC in July 1996 and a master's degree in chemistry from New York University in the United States in May 1998, and an M.B.A. degree from London Business School in the United Kingdom in August 2007.

Directors, Supervisors and Senior Management

Mr. Dongfang Li (李東方) (“Mr. Li”), aged 36, is a non-executive Director. Mr. Li was appointed as a non-executive Director in May 2022. He is primarily responsible for overseeing Board affairs and giving strategic advice and guidance on the business operations of our Group.

Prior to joining the Group, Mr. Li has served as an executive director of CS Capital Co., Ltd. (國投招商投資管理有限公司) since August 2015, focusing on investments on the healthcare industry. Before joining SDIC Fund Management Co., Ltd., he served as an analyst in the global investment research department of Goldman Sachs (Asia) LLC (高盛(亞洲)有限責任公司) from August 2011 to March 2015. Mr. Li has also served as a director of Suzhou Ribo Life Science Co., Ltd. (蘇州瑞博生物技術股份有限公司) since October 2018, a director of EpimAb Biotherapeutics Inc. since June 2016, and a director of Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd. (四川科倫博泰生物醫藥股份有限公司) since March 2021.

Mr. Li received a bachelor's degree in management from the University of International Business and Economics in 2009 and a master's degree in economics from the University of International Business and Economics in 2011. Mr. Li has been a chartered financial analyst since June 2015.

Dr. Steven Dasong Wang (王大松) (“Dr. Wang”), aged 55, is a non-executive Director. Dr. Wang was appointed as a director of our Company in October 2020 and re-designated as a non-executive Director in March 2021. He is primarily responsible for overseeing Board affairs and giving strategic advice and guidance on the business operations of our Group.

Dr. Wang has over 20 years of experience in working in global investment banks and direct investment firms. He has been serving as a partner and senior management director of Asia at OrbiMed Advisors LLC, an investment fund with a focus on the healthcare industry, since September 2019. Prior to joining OrbiMed Advisors LLC, he used to serve as a managing director and head of APAC Healthcare Investment Banking at Credit Suisse (Hong Kong) Limited, a managing director at the investment banking department of UBS AG Hong Kong Branch and an executive director at the investment banking division of Morgan Stanley in Hong Kong.

Dr. Wang was a director in following listed public companies:

- Non-executive director, of Union Medical Healthcare Limited (香港醫思醫療集團有限公司), a company listed on the Stock Exchange (stock code: 2138) from April 2020 to July 2021; and
- Non-executive director, of 3SBio Inc., a company listed on the Stock Exchange (stock code: 1530) from June 2017 to October 2019.

Dr. Wang obtained his Bachelor of Arts degree in chemistry from the University of Southern Maine in May 1991 in the U.S. and his Ph.D. degree in medicinal chemistry from the Johns Hopkins University in the U.S. in May 1997, as well as a Master of Business Administration degree (with distinction) from New York University in September 2000. He has been a Chartered Financial Analyst with the Association for Investment Management and Research since September 2002.

Independent Non-executive Directors

Dr. Jian Ji (計劍) (“Dr. Ji”), aged 54, has served as our independent non-executive Director since March 2021. He is primarily responsible for participating in the decision making for our Company’s significant events and advising on issues relating to corporate governance, audit and the remuneration and assessment of our Directors, Supervisors and senior management.

Dr. Ji started his teaching career at the department of polymer science and engineering in Zhejiang University (浙江大學高分子科學與工程學系) in December 1997, where he served as a lecturer from December 1997 to December 2000 and as an associate professor from December 2000 to December 2004. He has served as a professor at the department since December 2004, and took up the position as the director of the Institute of Biomedical Macromolecules of Zhejiang University (浙江大學生物醫用大分子所) since August 2018.

Dr. Ji is a notable individual in the scientific field. He has been named a Changjiang Distinguished Professor of Ministry of Education (教育部長江特聘教授) since March 2016. He received the Nomination Award of the 5th Feng Xinde Polymer Prize (第五屆馮新德高分子獎提名獎) in June 2010 and the First Prize of Zhejiang Science and Technology Award (浙江省科學技術獎一等獎) for his participation in the Research on Biomimetic Layered Assembly Construction of Biomedical Functional Coating Materials (《仿生層狀組裝構建生物醫用功能塗層材料的研究》) in 2011. In addition, Dr. Ji was the winner of National Science Fund for Distinguished Young Scholars (國家傑出青年科學基金) in October 2010 and a Fellow of the Royal Society of Chemistry since June 2017.

Dr. Ji received a bachelor’s degree in chemistry from Zhejiang University in the PRC in July 1992 and a Ph.D. degree in polymer chemistry and physics from Zhejiang University in the PRC in August 1997.

Mr. Hongze Liang (梁洪澤) (“Mr. Liang”), aged 52, has served as our independent non-executive Director since March 2021. He is primarily responsible for participating in the decision making for our Company’s significant events and advising on issues relating to corporate governance, audit and the remuneration and assessment of our Directors, Supervisors and senior management.

Mr. Liang started his career as an accountant of China Financial Computerization Corporation of the People’s Bank of China from July 1993 to August 1997, and became a project manager at the investment banking division of the Beijing headquarters of China Industrial Securities Co., Ltd. (興業證券股份有限公司) from September 2000 to February 2002. Mr. Liang served as an investment director Shanghai Chunda Investment Group (上海淳大投資集團) from March 2002 to July 2004. During March 2004 to February 2013, he has served in various positions, including investment director, chief financial officer and general manager, of China Resources Medical Holdings Company Limited (a company listed on the Hong Kong Stock Exchange (stock code: 01515), formerly known as Phoenix Healthcare Group Co., Ltd.), where he also served as the chief executive officer and an executive director from February 2013 to November 2016, the chairman of its board of directors from February 2013 to April 2016, and a non-executive director from November 2016 to October 2017. Mr. Liang also served as the general manager of China Resources Healthcare Group Limited from November 2016 to October 2017, an executive director of the company from January 2017 to March 2020, and the co-president of CMH Healthcare Fund from November 2019 to March 2021.

Directors, Supervisors and Senior Management

Mr. Liang received a bachelor's degree in investment economics from Dongbei University of Finance and Economics in the PRC in July 1993 and a master's degree in finance from the Graduate School of People's Bank of China in the PRC in October 2000.

Ms. Yun Qiu (邱斌) (“**Ms. Qiu**”), aged 60, has served as our independent non-executive Director since March 2021. She is primarily responsible for participating in the decision making for our Company's significant events and advising on issues relating to corporate governance, audit and the remuneration and assessment of our Directors, Supervisors and senior management.

Ms. Qiu has been an accounting professor in Ningbo University (寧波大學) since November 2004. She started her academic career as a teaching assistant at the business school of Ningbo University in July 1986, and became an associate professor in December 1999.

Ms. Qiu worked as an associate professor in the principles of accounting and financial management and was the vice dean of the International College of Ningbo University (寧波大學國際交流學院) from January 2001 to March 2005, where she was then promoted to professor and then the dean of the college from April 2005 to June 2014.

Ms. Qiu has been serving as an independent director of Ningbo Solartron Technology Co., Ltd. (寧波長陽科技股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 688299)) since February 2022, and as an independent director of Ningbo Fuda Co., Ltd. (寧波富達科技股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600724)) since April 2020. Ms. Qiu served as an independent director and chairlady of the audit committee of Ningbo Boway Alloy Material Co., Ltd. (寧波博威合金材料股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 601137)) from July 2015 to May 2021, and an independent non-executive director and chairlady of the audit committee of Zhejiang New Century Hotel Management Co., Ltd. (a company listed on the Hong Kong Stock Exchange (stock code: 01158)) from June 2017 to May 2021. In May 2023, she was appointed as an independent director and a member of the audit committee of Youngor Group Co., Ltd. (雅戈爾集團股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600177)).

Ms. Qiu received a bachelor's degree in economics from Fudan University in the PRC in July 1986 and a master's degree in business administration from the McGill University in Canada in June 1997. She was qualified as a professor in accounting by Zhejiang Provincial Normal High School Teacher Senior Technical Expert Qualifications Board (浙江省普通高校教師高級專業技術資格評審委員會) in November 2004.

SUPERVISORS

Mr. Tao Liu (劉濤) (“Mr. Liu”), aged 43, is an employee Supervisor. Mr. Liu was appointed as an employee Supervisor in May 2022. He is primarily responsible for monitoring of the financial affairs of our Company, supervising the performance of our Directors and members of senior management and performing other supervisory duties as a Supervisor.

Mr. Liu has served as a vice president of the registration and regulatory affairs department of the Company since January 2021. Before joining the Company, Mr. Liu served as the director of the China registration and regulatory affairs department in Edwards Lifesciences China, leading the entire China registration and regulatory affair team, from June 2016 to December 2020, and worked in the China medical registration and regulatory affairs department at Johnson & Johnson Medical China from 2006 to 2016.

Mr. Liu received a bachelor’s degree in Bio-Chemical Engineering from Beijing University of Chemical Technology in 2002.

Ms. Hongbo Wang (王宏波) (“Ms. Wang”), aged 36, is an employee Supervisor. Ms. Wang was appointed as an employee Supervisor in March 2021. She is primarily responsible for monitoring of the financial affairs of our Company, supervising the performance of our Directors and members of senior management and performing other supervisory duties as a Supervisor.

Ms. Wang joined our Group as registration manager in August 2018 and was promoted to senior registration manager in January 2021. Since her joining, Ms. Wang has been responsible for registration of new products and maintenance of listed products of our Group. Prior to joining our Group, Ms. Wang worked at Jafron Biomedical Co., Ltd. (健帆生物科技集團股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 300529)) from July 2010 to August 2018, where she was responsible for the quality management and registration of the medical devices of the company.

Ms. Wang obtained her qualification as an internal auditor of the medical device quality management system (醫療器械品質管制體系) (ISO 9001: 2015 and ISO 13485: 2016) from Beijing Hua Guang Certification of Medical Devices Co., Ltd. (北京國醫械華光認證有限公司) in June 2019.

Ms. Wang received a bachelor’s degree in pharmaceutical engineering from Sichuan University in the PRC in June 2010.

Mr. Chang’an Ma (馬長安) (“Mr. Ma”), aged 36, is the chairman of the Supervisory Committee. Mr. Ma was appointed as an employee Supervisor on November 17, 2023. He has been serving as the senior manager of the legal department of the Company since April 2021. Before joining the Company, Mr. Ma served as the legal manager of Cowell Health (Sichuan) Co., Ltd.* from May 2018 to April 2021, where he was primarily responsible for legal and compliance affairs of Cowell Health (Sichuan) Co., Ltd.* and its affiliated project companies. From 2014 to 2018, Mr. Ma served as a full-time lawyer at the Chengdu branch of Guantao Law Firm. From 2011 to 2014, he served as a representative and legal specialist in the office of the Gilgel Gibe III Hydroelectric Power Project at Dongfang Electric Co., Ltd..

Mr. Ma obtained a master’s degree in international economic law from the University of International Business and Economics in 2011.

SENIOR MANAGEMENT

Dr. Jonathon Zhong Zhao (趙中), aged 57, is the chairman of our Board, an executive Director and the chief executive officer of our Company. For details of his biography, see the sub-section headed “Executive Directors” in this section.

Mr. Yang Xie (謝陽), aged 54, is an executive Director and a senior vice president of our Company. For details of his biography, see the sub-section headed “Executive Directors” in this section.

Dr. Zheng Li (李崢), aged 46, is an executive Director and a senior vice president of our Company. For details of his biography, see the sub-section headed “Executive Directors” in this section.

Mr. Quanwei Yuan (袁泉衛) (“Mr. Yuan”), aged 45, is the chief financial officer of our Company. Mr. Yuan joined our Group in January 2021. He is primarily responsible for overseeing the financial management and corporate development of our Group.

Mr. Yuan has more than 11 years of corporate finance and financial market related experience. Prior to joining our Company, he served as an executive director and the chief financial officer for Souche Holding from March 2018. Between November 2016 to March 2018, Mr. Yuan joined Simcere Pharmaceutical Group as the vice president, overseeing capital market and business development. Before that, Mr. Yuan worked for investment banking division for various multi-national investment bank, namely Credit Suisse Group AG, Deutsche Bank AG and Bank of America & BofA Securities (formerly Bank of America Merrill Lynch) from July 2009 to October 2016. His last function with Bank of America & BofA Securities is director in investment banking division.

Mr. Yuan received a bachelor’s degree in civil engineering from Tongji University in the PRC in July 2001, a master’s degree in civil engineering from the University of Cincinnati in the United States in March 2005 and a M.B.A. degree from the University of Chicago in the United States in June 2009.

Report of the Directors

The Directors present their report and the audited consolidated financial statements (the “**Consolidated Financial Statements**”) of the Group for the Reporting Period.

PRINCIPAL ACTIVITIES

The Company was established in the PRC on November 6, 2012 and was converted into a joint stock limited liability company on March 2, 2021. The Company completed its initial public offering and listing of its H Shares on the Main Board of the Hong Kong Stock Exchange (stock code: 2190) on July 5, 2021.

During the Reporting Period, the Group is principally engaged in providing solutions to patients and physicians with the product portfolio covering peripheral-vascular interventional devices and neurovascular interventional devices in China and other countries. There was no significant change in the nature of the Group’s principal activities during the Reporting Period and up to the date of this report.

Particulars of the Company’s principal subsidiaries as at December 31, 2023 are set out in Note 37 to the Consolidated Financial Statements.

BUSINESS REVIEW

A review of the Group’s business during the Reporting Period, which includes a discussion of the principal risks and uncertainties faced by the Group, an analysis of the Group’s performance using financial key performance indicators, particulars of important events affecting the Group during the Reporting Period, and an indication of likely future developments in the Group’s business, could be found in the sections headed “Management Discussion and Analysis” in this report. The review and discussion form part of this Report of the Directors.

RESULTS AND DIVIDEND

Details of the consolidated loss of the Group for the Reporting Period and the Group’s financial position as at December 31, 2023 are set out in the Consolidated Financial Statements and their accompanying notes on pages 155 to 235.

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

FINANCIAL SUMMARY

The Company’s Shares were listed on the Stock Exchange on July 5, 2021. A summary of the published results and of the assets, liabilities and equity of the Group for the last five financial years, as extracted from the published audited financial information and financial statements, is set out on page 6 of this report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environmental protection and conducts annual review on environmental, social and governance-related risks and matters relating to the reporting and performance thereof. The Group has not noted any material incompliance with all relevant laws and regulations in relation to its business including environmental protection, health and safety, workplace conditions, employment and the environment.

The Group has established detailed internal rules regarding environmental protection and adopted effective measures to achieve efficient use of resources, waste reduction and energy saving. For further details of the Group's environmental policies and performance, please refer to the environmental, social and governance report of the Company for the Reporting Period set out on pages 86 to 149, which has been prepared in accordance with Rule 13.91 and the Environmental, Social and Governance Reporting Guide contained in Appendix 27 (i.e. the new Appendix C2 with effect from December 31, 2023) to the Listing Rules.

DIRECTORS

During the Reporting Period and up to the Latest Practicable Date, the Board consists of the following Directors:

Executive Directors

Dr. Jonathon Zhong Zhao (*Chairman*)
Mr. Yang Xie
Dr. Zheng Li

Non-executive Directors

Mr. Stephen Hui Wang
Mr. Dongfang Li
Dr. Steven Dasong Wang

Independent Non-executive Directors

Dr. Jian Ji
Mr. Hongze Liang
Ms. Yun Qiu

SUPERVISORY COMMITTEE

During the Reporting Period and up the Latest Practicable Date, the Company has the following Supervisors:

Mr. Chang'an Ma (馬長安) (*Chairman*) (appointed on November 17, 2023)

Ms. Jie Liang (*Chairlady*) (resigned on November 17, 2023)

Mr. Tao Liu

Ms. Hongbo Wang

Ms. Jie Liang ("**Ms. Liang**") resigned as a shareholders' an employee Supervisor and the chairlady of the Supervisory Committee in November 2023 due to work adjustment. In accordance with the requirements of Rule 13.51(2) of the Listing Rules, Ms. Liang confirmed that she has no disagreement with the Company, the Board and the Supervisory Committee and there is no other matter relating to her resignation that need to be brought to the attention of the Shareholders.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors, Supervisors and senior management of the Group are set out on pages 28 to 34 in the section headed "Directors, Supervisors and Senior Management" of this report. Save as disclosed in this report, the Directors, Supervisors and senior management of our Group do not have financial, business, family or other material/relevant relationships with one another.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation in writing of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that, as at the date of this report, all of the independent non-executive Directors are independent.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Our Directors entered into service contracts with the Company. The principal particulars of these service contracts comprise (a) a term of three years, which is equivalent to the term of the Board; and (b) termination provisions in accordance with their respective terms. Our Directors may be re-appointed subject to Shareholders' approval. The service contracts can be renewed pursuant to our Articles of Association and applicable rules.

Each of our Supervisors entered into a contract with the Company. Each contract contains provisions relating to compliance with relevant laws and regulations, observation of our Articles of Association and resolution of disputes by means of arbitration.

Save as disclosed above, none of the Directors or Supervisors has entered into any service contract with the Company or any of its subsidiaries. No Director or Supervisor has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than normal statutory obligation).

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Pursuant to Rule 3.25 of the Listing Rules and the CG Code, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on the experience, qualification, position and seniority of each Director, Supervisors and senior management. As for the independent non-executive Directors, their remuneration is determined by the Board based on the recommendation from the Remuneration Committee. The Directors, Supervisors and the senior management are eligible participants of the applicable share incentive plans.

Details of the remuneration of the Directors, Supervisors, and the five highest paid individuals are set out in Note 38 to the Consolidated Financial Statements of this report.

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

PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

A permitted indemnity provision (as defined in the Companies Ordinance) in relation to the director's and officer's liability insurance is currently in force and was in force during the Reporting Period. The Company has arranged appropriate directors' liability insurance coverage for the directors of the Group during the Reporting Period.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director or Supervisor nor an entity connected with him/her had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Reporting Period.

MANAGEMENT CONTRACTS

Save for the Directors' and Supervisors' service contracts and appointment letters, no contract of significance concerning the management and administration of the whole or any substantial part of business of the Company or any of its subsidiaries was entered into or subsisted during the Reporting Period.

DIRECTORS' AND SUPERVISORS' RIGHT TO PURCHASE SHARES OR DEBENTURES

As at the end of the Reporting Period, save as disclosed in this report, none of the Directors, Supervisors or their respective spouses or minor children under the age of 18 years were granted with rights, or had exercised any such rights, to acquire benefits by means of purchasing shares or debentures of the Company. No member of the Group was a party to any arrangements to enable the Directors, Supervisors or their respective spouses or minor children under the age of 18 years to acquire such rights from any other body corporates.

During the Reporting Period, the Company did not grant any rights to acquire benefits by means of the acquisition of shares or debentures of the Company to any Directors or Supervisors or their respective spouses or minor children under 18, and none of them has exercised such rights.

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESSES

During the Reporting Period, none of the Directors and Supervisors or their respective close associates (as defined in the Listing Rules) is considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

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

As at December 31, 2023, the interests or short positions of the Directors and chief executives' of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), which (a) 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 he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name	Position	Nature of Interest	Number and class of shares held ⁽¹⁾	Approximate percentage of shareholding in the relevant class of shares ⁽¹⁾	Approximate percentage of shareholding in the total share capital of our Company ⁽¹⁾
Dr. Jonathon Zhong Zhao (趙中) ⁽²⁾	Executive Director	Beneficial owner	37,426,792 H Shares (L)	11.53%	12.82%
			5,197,203 ⁽⁵⁾ Domestic Shares (L)	66.79%	
		Interest in controlled corporations	32,733,529 H Shares (L)	10.08%	10.94%
			3,637,058 Domestic Shares (L)	46.74%	
		Interests held jointly with another person	18,459,910 H Shares (L)	5.69%	5.63%
			239,427 Domestic Shares (L)	3.08%	
Mr. Stephen Hui Wang (王暉) ⁽³⁾	Non-executive Director	Interest in controlled corporations	24,384,865 H Shares (L)	7.51%	7.34%

Report of the Directors

Name	Position	Nature of Interest	Number and class of shares held ⁽¹⁾	Approximate percentage of shareholding in the relevant class of shares ⁽¹⁾	Approximate percentage of shareholding in the total share capital of our Company ⁽¹⁾
Dr. Zheng Li (李嶢) ⁽²⁾	Executive Director	Beneficial owner	239,427 ⁽⁶⁾ Domestic Shares (L)	3.08%	0.07%
		Interests held jointly with another person	88,620,231 H Shares (L)	27.30%	29.32%
			8,834,261 Domestic Shares (L)	113.53%	
Mr. Yang Xie (謝陽) ⁽⁴⁾	Executive Director	Beneficial owner	167,599 ⁽⁷⁾ Domestic Shares (L)	2.15%	0.05%
		Interest in controlled corporation	14,251,425 H Shares (L)	4.39%	4.76%
			1,583,492 Domestic Shares (L)	20.35%	
Ms. Hongbo Wang (王宏波)	Employee Supervisor	Beneficial owner	71,828 ⁽⁸⁾ Domestic Shares (L)	0.92%	0.02%

Notes:

- (1) The calculation is based on the total number of 7,781,257 Domestic Shares in issue and 324,619,744 H Shares (without taking into account any Shares to be issued under the Pre-IPO Share Option Scheme) in issue as at December 31, 2023. The letter "L" denotes the Shareholder's long position in such shares.
- (2) Pursuant to a concert party agreement dated January 21, 2021 (the "**Concert Parties Agreement I**") entered into by and between, among others, Dr. Jonathon Zhong Zhao (趙中) ("**Dr. Zhao**"), Dr. Shengping Sam Zhong (鍾生平) ("**Dr. Zhong**"), Dr. Zheng Li (李嶢) ("**Dr. Li**"), Ms. Na Wei (衛娜) ("**Ms. Wei**"), Zhuhai Tongqiao Investment Center (Limited Partnership)* (珠海通橋投資中心(有限合夥)) ("**Zhuhai Tongqiao**"), Hangzhou Fujiang Investment Partnership (Limited Partnership)* (杭州涪江投資合夥企業(有限合夥)) ("**Hangzhou Fujiang**"), Zhuhai Guichuang Equity Investment Center (Limited Partnership)* (珠海歸創股權投資中心(有限合夥)) ("**Zhuhai Guichuang**"), Ningbo Guiqiao Enterprise Management Partnership (Limited Partnership)* (寧波歸橋企業管理合夥企業(有限合夥)) (formerly known as Huzhou Guiqiao Enterprise Management Partnership (Limited Partnership)* (湖州歸橋企業管理合夥企業(有限合夥))) ("**Ningbo Guiqiao**"), WEA Enterprises, LLC ("**WEA**") and Huzhou Yuyihui Enterprise Management Partnership (Limited Partnership)* (湖州語意慧企業管理合夥企業(有限合夥)) (formerly known as Nanjing Yuyihui Investment Partnership (Limited Partnership)* (南京語意慧投資合夥企業(有限合夥)) ("**Huzhou Yuyihui**") (each, a "**Concert Party**"), the Concert Parties agreed to act in concert to control the decision-making and operation management of our Company at Board meetings and Shareholders' meetings with effect from the date of the Concert Parties Agreement I. In the event they fail to reach such consensus, each of the Concert Parties shall exercise their respective voting rights in accordance with instructions of Dr. Zhao. Therefore, under the SFO, in addition to their respective direct shareholding or interest in controlled corporations, each Concert Party is also deemed to be interested in the interest of other Concert Parties.

As at December 31, 2023, Zhuhai Tongqiao holds 9,136,780 H Shares and 1,015,198 Domestic Shares; Hangzhou Fujiang holds 5,114,645 H Shares and 568,294 Domestic Shares; Zhuhai Guichuang holds 9,862,718 H Shares and 1,095,857 Domestic Shares; and Ningbo Guiqiao holds 8,619,386 H Shares and 957,709 Domestic Shares, all of which being the Employee Incentive Platforms. As the voting rights of each of such Employee Incentive Platform are controlled by Dr. Zhao, by virtue of the SFO, Dr. Zhao is deemed to be interested in the Shares in which such companies are interested.

- (3) Pursuant to a concert party agreement dated March 11, 2021 (the “**Concert Parties Agreement II**”) entered into by and between, among others, Highlight Medical Limited (“**Highlight Medical**”), Ourea Biotech HK Limited (“**Ourea Biotech**”), Five Investment Limited (“**Five Investment**”), Homehealth Investment Limited (“**Homehealth**”), Ningbo Free Trade Zone Tiesi Equity Investment Partnership (Limited Partnership)* (“**Ningbo Tiesi**”), Suzhou Taihong Jinghui Investment Center (Limited Partnership)* (“**Taihong Jinghui**”) and Ganzhou Titan Equity Investment Partnership (Limited Partnership)* (“**Ganzhou Titan**”) (together, the “**Honghui Shareholders**”), the Honghui Shareholders agreed to act in concert to control the decision-making and operation management of our Company at Board meetings and Shareholders’ meetings with effect from the date of the Concert Parties Agreement II. In the event they fail to reach such consensus, each of the Honghui Shareholders shall exercise their respective voting rights in accordance with instructions of Five Investment. Therefore, under the SFO, in addition to their respective direct shareholding, each Honghui Shareholder is also deemed to be interested in the interest of other Honghui Shareholders. All of Five Investment, Highlight Medical and Homehealth are controlled by HighLight Capital Partners I L.P., which was managed by its general partner, HighLight Capital GP I Company Limited, which is in turn controlled by Mr. Stephen Hui Wang (王暉) (“**Mr. Wang**”). Thus, HighLight Capital Partners I L.P., HighLight Capital GP I Company Limited and Mr. Wang are deemed to be interested in the interest of Five Investment, Highlight Medical and Homehealth. Ourea Biotech is held by HL Partners II L.P., which is managed by HL GP II Company Limited, which is in turn controlled by Mr. Wang. Therefore, HL Partners II L.P., HL GP II Company Limited and Mr. Wang are deemed to be interested in the interest of Ourea Biotech. Ningbo Tiesi and Ganzhou Titan are both managed by their general partner, Shanghai Hehong Jinghui Equity Investment Management Co., Ltd.* (上海合弘景暉股權投資管理有限公司) (“**Hehong Jinghui**”), which is controlled by Mr. Wang. Thus, Hehong Jinghui and Mr. Wang are deemed to be interested in the interest of Ningbo Tiesi and Ganzhou Titan. Taihong Jinghui is managed by its general partner, Suzhou Yuhui Equity Investment Management Partnership (Limited Partnership)* (蘇州煜暉股權投資管理合夥企業(有限合夥)) (“**Suzhou Yuhui**”), which is in turn managed by its general partner, Jiangsu Highlight Equity Investment Management Co., Ltd.* (江蘇弘暉股權投資管理有限公司) (“**Jiangsu Highlight**”), which is controlled by Mr. Wang. Therefore, Suzhou Yuhui, Jiangsu Highlight and Mr. Wang are deemed to be interested in the interest of Taihong Jinghui.
- (4) Mr. Yang Xie (謝陽) (“**Mr. Xie**”) was granted 36.36% of economic interest in Zhuhai Tongqiao and 51.54% economic interest in Hangzhou Fujiang, both being the Employee Incentive Platforms, and therefore, under the SFO, Mr. Xie is deemed to be interested in 9,136,780 H Shares and 1,015,198 Domestic Shares through Zhuhai Tongqiao and 5,114,645 H Shares and 568,294 Domestic Shares through Hangzhou Fujiang.
- (5) This includes (i) 4,144,199 Domestic Shares beneficially held by Dr. Zhao, and (ii) Dr. Zhao’s entitlement to receive up to 1,053,004 Domestic Shares pursuant to the options granted to him under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.
- (6) Dr. Li is entitled to receive up to 239,427 Domestic Shares pursuant to the options granted to him under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.
- (7) Mr. Xie is entitled to receive up to 167,599 Domestic Shares pursuant to the options granted to him under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.
- (8) Ms. Hongbo Wang (王宏波) is entitled to receive up to 71,828 Domestic Shares pursuant to the options granted to her under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.

* For identification purpose only

Save as disclosed above, as at December 31, 2023, none of the Directors, Supervisors and chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

To the best knowledge of the Company based on the public information, as at December 31, 2023, the interests or short positions of the following persons (other than the Directors, Supervisors and chief executives of the Company) in the shares, underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO (including interests or short positions which any such persons other than the Directors, Supervisors and chief executives of the Company are taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of Shareholder	Nature of Interest	Number and class of shares held ⁽¹⁾	Approximate percentage of shareholding in the relevant class of shares ⁽¹⁾	Approximate percentage of shareholding in the total share capital of our Company ⁽¹⁾
Dr. Shengping Sam Zhong (鍾生平) ⁽²⁾⁽³⁾	Interest in controlled corporations	13,476,617 H Shares (L)	4.15%	4.05%
	Interests held jointly with another person	75,143,614 H Shares (L)	23.15%	25.34%
		9,073,688 Domestic Shares (L)	116.61%	
WEA Enterprises, LLC ⁽²⁾⁽³⁾	Beneficial owner	13,476,617 H Shares (L)	4.15%	4.05%
	Interests held jointly with another person	75,143,614 H Shares (L)	23.15%	25.34%
		9,073,688 Domestic Shares (L)	116.61%	
Ms. Na Wei (衛娜) ⁽²⁾⁽⁴⁾	Interests held jointly with another person	88,620,231 H Shares (L)	27.30%	29.32%
		8,834,261 Domestic Shares (L)	113.53%	
	Deemed interest	239,427 Domestic Shares (L)	3.08%	0.07%
Huzhou Yuyihui Enterprise Management Partnership (Limited Partnership)* (湖州語慧企業管理合夥企業(有限合夥)) ⁽²⁾⁽⁴⁾	Beneficial owner	4,983,293 H Shares (L)	1.54%	1.50%
	Interests held jointly with another person	83,636,938 H Shares (L)	25.76%	27.89%
		9,073,688 Domestic Shares (L)	116.61%	
Zhuhai Tongqiao Investment Center (Limited Partnership)* (珠海通橋投資中心(有限合夥)) ⁽²⁾	Beneficial owner	9,136,780 H Shares (L)	2.81%	3.05%
	Interests held jointly with another person	1,015,198 Domestic Shares (L)	13.05%	
		79,483,451 H Shares (L)	24.49%	26.34%
		8,058,490 Domestic Shares (L)	103.56%	
Hangzhou Fujiang Investment Partnership (Limited Partnership)* (杭州涇江投資合夥企業(有限合夥)) ⁽²⁾	Beneficial owner	5,114,645 H Shares (L)	1.58%	1.71%
	Interests held jointly with another person	568,294 Domestic Shares (L)	7.30%	
		83,505,586 H Shares (L)	25.72%	27.68%
		8,505,394 Domestic Shares (L)	109.31%	
Zhuhai Guichuang Equity Investment Center (Limited Partnership)* (珠海歸創股權投資中心(有限合夥)) ⁽²⁾	Beneficial owner	9,862,718 H Shares (L)	3.04%	3.30%
	Interests held jointly with another person	1,095,857 Domestic Shares (L)	14.08%	
		78,757,513 H Shares (L)	24.26%	26.09%
		7,977,831 Domestic Shares (L)	102.53%	

Name of Shareholder	Nature of Interest	Number and class of shares held ⁽¹⁾	Approximate percentage of shareholding in the relevant class of shares ⁽¹⁾	Approximate percentage of shareholding in the total share capital of our Company ⁽¹⁾
Ningbo Guiqiao Enterprise Management Partnership (Limited Partnership)* (寧波歸橋企業管理合夥企業(有限合夥)) ⁽²⁾	Beneficial owner Interests held jointly with another person	8,619,386 H Shares (L)	2.66%	2.88%
		957,709 Domestic Shares (L)	12.31%	
		80,000,845 H Shares (L)	24.64%	
		8,115,979 Domestic Shares (L)	104.30%	
Highlight Medical Limited ⁽⁵⁾	Beneficial owner Interests held jointly with another person	6,263,113 H Shares (L)	1.93%	8.80%
		22,999,479 H Shares (L)	7.09%	
Ourea Biotech HK Limited ⁽⁵⁾	Beneficial owner Interests held jointly with another person	5,270,819 H Shares (L)	1.62%	8.65%
		23,470,273 H Shares (L)	7.23%	
Homehealth Investment Limited ⁽⁵⁾	Beneficial owner Interests held jointly with another person	1,135,349 H Shares (L)	0.35%	8.80%
		28,127,243 H Shares (L)	8.66%	
Five Investment Limited ⁽⁵⁾	Beneficial owner Interests held jointly with another person	9,227,691 H Shares (L)	2.84%	8.80%
		20,034,901 H Shares (L)	6.17%	
Ningbo Free Trade Zone Tiesi Equity Investment Partnership (Limited Partnership)* (寧波保稅區帖斯以股權投資合夥企業(有限合夥)) ⁽⁵⁾	Beneficial owner Interests held jointly with another person	2,927,696 H Shares (L)	0.90%	8.80%
		26,334,896 H Shares (L)	8.11%	
Suzhou Taihong Jinghui Investment Center (Limited Partnership)* (蘇州泰弘景暉投資中心(有限合夥)) ⁽⁵⁾	Interests held jointly with another person	26,652,951 H Shares (L)	8.21%	8.02%
Ganzhou Titan Equity Investment Partnership (Limited Partnership)* (贛州提坦股權投資合夥企業(有限合夥)) ⁽⁵⁾	Beneficial owner Interests held jointly with another person	1,306,810 H Shares (L)	0.40%	8.80%
		27,955,782 H Shares (L)	8.61%	
OAP IV (HK) Limited ⁽⁶⁾	Beneficial owner	25,335,535 H Shares (L)	7.80%	7.62%
Future Industry Investment Fund (Limited Partnership)* (先進製造產業投資基金(有限合夥)) ⁽⁷⁾	Beneficial owner	20,470,199 H Shares (L)	6.31%	6.16%
Lake Bleu Capital (Hong Kong) Limited ⁽⁸⁾	Investment Manager	18,052,991 H Shares (L)	5.56%	5.43%
AIHC Master Fund ⁽⁹⁾	Beneficial Owner	19,657,020 H Shares (L)	6.06%	5.91%
Quanwei Yuan (袁泉衛) ⁽¹⁰⁾	Beneficial owner	718,282 Domestic Shares (L)	9.23%	0.22%
Ning Pan (潘寧) ⁽¹¹⁾	Beneficial owner	586,597 Domestic Shares (L)	7.54%	0.18%

Report of the Directors

Notes:

- (1) The calculation is based on the total number of 7,781,257 Domestic Shares in issue and 324,619,744 H Shares (without taking into account any Shares to be issued under the Pre-IPO Share Option Scheme) in issue as at December 31, 2023. The letter "L" denotes the Shareholder's long position in such shares.
- (2) Pursuant to the Concert Parties Agreement I, the Concert Parties agreed to act in concert to control the decision-making and operation management of our Company at Board meetings and Shareholders' meetings with effect from the date of the Concert Party Agreement I. In the event they fail to reach such consensus, each of the Concert Parties shall exercise their respective voting rights in accordance with instructions of Dr. Zhao. Therefore, under the SFO, in addition to their respective direct shareholding or interest in controlled corporations, each Concert Party including among others, Dr. Zhong, WEA, Ms. Wei, Huzhou Yuyihui, Zhuhai Tongqiao, Hangzhou Fujiang, Zhuhai Guichuang and Ningbo Guiqiao, are also deemed to be interested in the interest of other Concert Parties.
- (3) Dr. Zhong holds 100% of the equity interests in WEA, which holds 13,476,617 H Shares of our Company (without taking into account any Shares to be issued under the Pre-IPO Share Option Scheme). Therefore, under the SFO, Dr. Zhong is deemed to be interested in 13,476,617 H Shares of our Company through WEA.
- (4) Dr. Li and Ms. Wei are spouses and therefore, under the SFO, Ms. Wei is deemed to be interested in the entitlement of Dr. Li to receive up to 239,427 Domestic Shares pursuant to the options granted to Dr. Li under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.
- (5) Pursuant to the Concert Parties Agreement II, the Honghui Shareholders agreed to act in concert to control the decision-making and operation management of our Company at Board meetings and Shareholders' meetings with effect from the date of the Concert Parties Agreement II. In the event they fail to reach such consensus, each of the Honghui Shareholders shall exercise their respective voting rights in accordance with instructions of Five Investment. Therefore, under the SFO, in addition to their respective direct shareholding, each Honghui Shareholder is also deemed to be interested in the interest of other Honghui Shareholders. All of Five Investment, Highlight Medical and Homehealth are controlled by HighLight Capital Partners I L.P., which was managed by its general partner, HighLight Capital GP I Company Limited, which is in turn controlled by Mr. Wang. Thus, HighLight Capital Partners I L.P., HighLight Capital GP I Company Limited and Mr. Wang are deemed to be interested in the interest of Five Investment, Highlight Medical and Homehealth. Ourea Biotech is held by HL Partners II L.P., which is managed by HL GP II Company Limited, which is in turn controlled by Mr. Wang. Therefore, HL Partners II L.P., HL GP II Company Limited and Mr. Wang are deemed to be interested in the interest of Ourea Biotech. Ningbo Tiesi and Ganzhou Titan are both managed by their general partner, Hehong Jinghui, which is controlled by Mr. Wang. Thus, Hehong Jinghui and Mr. Wang are deemed to be interested in the interest of Ningbo Tiesi and Ganzhou Titan. Taihong Jinghui is managed by its general partner, Suzhou Yuhui, which is in turn managed by its general partner, Jiangsu Highlight, which is controlled by Mr. Wang. Therefore, Suzhou Yuhui, Jiangsu Highlight and Mr. Wang are deemed to be interested in the interest of Taihong Jinghui.
- (6) OAP IV (HK) Limited ("**OAP**") is wholly-owned by OrbiMed Asia Partners IV, L.P., which was managed by OrbiMed Asia GP IV, L.P., which was in turn managed by OrbiMed Advisors IV Limited, a company jointly controlled by David Guowei Wang, Sunny Sharma, Sven H. Borho, William Carter Neild, Jonathan T. Silverstein and Carl L. Gordon. Therefore, OrbiMed Asia Partners IV, L.P., OrbiMed Asia GP IV, L.P., OrbiMed Advisors IV Limited, David Guowei Wang, Sunny Sharma, Sven H. Borho, William Carter Neild, Jonathan T. Silverstein and Carl L. Gordon are deemed to be interested in the interest of OAP under the SFO.
- (7) Future Industry Investment Fund (Limited Partnership)* ("**FIIF**") was managed by its general partner SDIC Fund Management Co., Ltd.* (國投創新投資管理有限公司), which was held as to 40% by China State Investment High-Tech Industrial Investment Co., Ltd.* (中國國投高新產業投資有限公司), which in turn was controlled by State Development and Investment Corporation* (國家開發投資集團有限公司). Therefore, SDIC Fund Management Co., Ltd., China State Investment High-Tech Industrial Investment Co., Ltd. and State Development and Investment Corporation are deemed to be interested in the interest of FIIF under the SFO.
- (8) Lake Bleu Capital (Hong Kong) Limited ("**LBC Capital**") manages both Lake Bleu Prime Healthcare Master Fund Limited ("**Lake Bleu Prime**") and LBC Sunshine Healthcare Fund II L.P. ("**LBC Sunshine**") as a fund manager. LBC Sunshine is an existing Shareholder of the Company and holds 11,353,491 H Shares as at December 31, 2023. Lake Bleu Prime is a cornerstone investor of the Company and subscribed for 3,763,000 H Shares based on the Offer Price of HK\$41.25 (being the mid-point of the Offer Price range) in the Global Offering. Lake Bleu Prime holds 6,699,500 H Shares as at December 31, 2023. LBC Capital is controlled by Mr. Bin Li. Therefore, Mr. Bin Li is deemed to be interested in the 18,052,991 H Shares held by LBC Capital under the SFO.

- (9) AIHC Master Fund (“**AIHC**”) is an existing Shareholder and a cornerstone investor of the Company, and holds 19,657,020 H Shares. AIHC is wholly-owned by AIH Capital Group Limited, which is in turn wholly-owned by Wei Zhang. Therefore, AIH Capital Group Limited and Wei Zhang are deemed to be interested in the 19,657,020 H Shares held by AIHC under the SFO.
- (10) Mr. Quanwei Yuan (袁泉衛) is entitled to receive up to 718,282 Domestic Shares pursuant to the options granted to him under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.
- (11) Dr. Ning Pan (潘寧) is entitled to receive up to 586,597 Domestic Shares pursuant to the options granted to him under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.

* For identification purpose only.

Save as disclosed above, as at December 31, 2023, no person (other than the Directors, Supervisor and chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified the Company or the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or which were required to be entered in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SINGLE LARGEST GROUP OF SHAREHOLDERS’ INTERESTS IN SIGNIFICANT CONTRACTS

At no time during the Reporting Period had the Company or any of its subsidiaries, and the single largest group of shareholders of the Company entered into any contract of significance or any contract of significance for the provision of services by the single largest group of shareholders to the Company or any of its subsidiaries.

SHARE INCENTIVE SCHEMES

Employee Incentive Schemes

The following is a summary of the principal terms of the Employee Incentive Schemes approved and adopted by our Board on July 15, 2016, February 24, 2017, June 17, 2020, and January 18, 2021, respectively, and as amended from time to time (collectively, the “**EI Schemes**”). Given the underlying shares under the EI Schemes had already been issued, there will not be any dilution effect to the issued Shares upon the vesting of the awards under the EI Schemes.

As at December 31, 2023, the Company had established four Employee Incentive Platforms, namely Hangzhou Fujiang, Zhuhai Guichuang, Zhuhai Tongqiao and Ningbo Guiqiao. The four Employee Incentive Platforms, in aggregate, held 3,637,058 Domestic Shares and 32,733,529 H Shares.

Report of the Directors

The following is a summary of the principal terms of the EI Schemes.

1. **Summary of terms**

(a) *Objectives*

The purpose of the EI Schemes is to build an incentive mechanism for the core employees of our Company, raising the competitiveness of our Company in the labor market. The EI Schemes also serve the purpose of attracting, stabilizing and recruiting future senior management.

(b) *Eligibility*

Pursuant to the scheme documents and the award agreements, participants of the EI Schemes include our Company's core employees and senior management members. The award agreements further provided that the following employees may not be selected as participants to the EI Schemes (as applicable):

- Employees who are forbidden to hold the position of director, supervisor or senior management pursuant to the PRC Company Law;
- Employees who have been convicted of crime or in violation of administrative law;
- Employees who have received disciplinary actions due to violation of our Company's management policies;
- Employees who have been listed on the discredited list (失信名單); and
- Employees who are otherwise not eligible according to the terms of our Company's Articles or as determined by the Board.

(c) *Maximum number of shares in respect of which awards may be granted*

The maximum number of shares held by Employee Incentive Platforms from time to time represents the maximum number of shares in respect of which awards may be granted pursuant to the EI Schemes.

Pursuant to the EI Schemes, there is no maximum entitlement for each participant of the EI Schemes.

(d) Grant of Awards

As at December 31, 2023, the general partner of Ningbo Guiqiao is Dr. Zhao; and the general partner of Zhuhai Guichuang, Zhuhai Tongqiao and Hangzhou Fujiang is Ningbo Nanshan Enterprise Management Partnership (Limited Partnership) (寧波南珊企業管理合夥企業(有限合夥)) (“**Ningbo Nanshan**”) and the general partner of Ningbo Nanshan is Dr. Zhao. Thus, in effect, all management powers and voting rights of the Employee Incentive Platforms reside with the general partner, Dr. Zhao.

All selected participants do not have any voting rights in our Company. The selected participants will be granted awards in the form of economic interest in the Employee Incentive Platforms conditional upon certain vesting conditions as specified in each Award Agreement and upon vesting, such selected participants will become a limited partner of the relevant Employee Incentive Platform. Upon becoming the limited partners of the Employee Incentive Platforms, the selected participants indirectly receive economic interest in the corresponding number of underlying shares held by the Employee Incentive Platforms. No consideration is payable by the grantees upon the acceptance of awards under the EI Schemes.

(e) Administration of the EI Schemes

Our Board (or Dr. Zhao, in the case of Ningbo Guiqiao) retain full discretion over the following matters of the EI Schemes:

- the selection of participants in the EI Schemes, which currently include Directors, core employees and senior management members of our Group; and
- the amount of consideration to be paid for the incentive award in the form of acquisition of economic interest in the Employee Incentive Platforms as a limited partner.

(f) Number of Awarded Shares available for grant

The number of Shares available for grant under the EI Schemes as at January 1, 2023 and December 31, 2023 were 2,522,813 and 892,529, representing approximately 0.76% and 0.27% of the total issued share capital of our Company respectively.

(g) Duration

The EI Schemes are not subject to any duration.

Report of the Directors

2. Details of the awards granted under the EI Schemes

Movements of the outstanding awards under the EI Schemes during the year ended December 31, 2023 are set out below:

Details of the awards granted under the EI Schemes

Categories of Participants	Relevant Employee Incentive Platforms	Date of grant of Awards	Type of Stock	Number of awarded shares granted but not vested As at Jan 1, 2023	Granted during the Reporting Period	Forfeited during the Reporting Period ⁽¹⁰⁾	Lapsed during the Reporting Period	Vested during the Reporting Period	Number of awarded shares granted but not vested As at December 31, 2023
1. Directors or Supervisors									
Dr. Jonathon Zhong Zhao (趙中)	Ningbo Guiqiao ⁽¹⁾	September 23, 2022	H	2,031,429	—	—	—	870,613	1,160,816
				1,828,286	—	—	—	783,552	1,044,734
				Domestic	203,143	—	—	—	87,061
Mr. Yang Xie (謝陽)	Zhuhai Guichuang ⁽²⁾	August 1, 2020	H	913,215	—	—	—	913,215	—
				821,894	—	—	—	821,894	—
				Domestic	91,321	—	—	—	91,321
	Ningbo Guiqiao ⁽¹⁾	September 23, 2022	H	295,647	—	—	—	126,706	168,941
				266,082	—	—	—	114,035	152,047
				Domestic	29,565	—	—	—	12,671
Dr. Zheng Li (李嶧)	Zhuhai Guichuang ⁽²⁾	August 1, 2020	H	876,686	—	—	—	876,686	—
				789,017	—	—	—	789,017	—
				Domestic	87,669	—	—	—	87,669
Ms. Hongbo Wang (王宏波)	Zhuhai Guichuang ⁽²⁾	August 1, 2020	H	127,854	—	—	—	127,854	—
				115,069	—	—	—	115,069	—
				Domestic	12,785	—	—	—	12,785
	Ningbo Guiqiao ⁽¹⁾	September 23, 2022	H	32,850	—	—	—	14,078	18,772
				29,565	—	—	—	12,670	16,895
				Domestic	3,285	—	—	—	1,408
Mr. Tao Liu (劉濤)	Ningbo Guiqiao ⁽¹⁾	September 23, 2022	H	247,961	—	—	—	106,269	141,692
				223,165	—	—	—	95,642	127,523
				Domestic	24,796	—	—	—	10,627
Ms. Jie Liang (梁婕)	Zhuhai Guichuang ⁽²⁾	August 1, 2020	H	365,286	—	—	—	365,286	—
				328,757	—	—	—	328,757	—
				Domestic	36,529	—	—	—	36,529
	Ningbo Guiqiao ⁽¹⁾	September 23, 2022	H	193,187	—	—	—	82,794	110,393
				173,868	—	—	—	74,515	99,353
				Domestic	19,319	—	—	—	8,279

Categories of Participants	Relevant Employee Incentive Platforms	Date of grant of Awards	Type of Stock	Number of awarded shares granted but not vested As at Jan 1, 2023	Granted during the Reporting Period	Forfeited during the Reporting Period ⁽¹⁰⁾	Lapsed during the Reporting Period	Vested during the Reporting Period	Number of awarded shares granted but not vested As at December 31, 2023	
Mr. Chang'an Ma (馬長安)	Ningbo Guiqiao ⁽¹⁾	September 23, 2022		14,000	—	—	—	6,000	8,000	
			H	12,600	—	—	—	5,400	7,200	
			Domestic	1,400	—	—	—	600	800	
2. The other two of the five highest paid employees	Ningbo Guiqiao ⁽¹⁾	September 23, 2022		246,373	—	—	—	105,588	140,785	
			H	221,736	—	—	—	95,029	126,707	
			Domestic	24,637	—	—	—	10,559	14,078	
		March 31, 2023		—	345,860	—	—	103,758	242,102	
			H	—	311,274	—	—	93,382	217,892	
			Domestic	—	34,586	—	—	10,376	24,210	
	Zhuhai Guichuang ⁽²⁾	August 1, 2020		1,424,615	—	—	—	1,424,615	—	
			H	1,282,154	—	—	—	1,282,154	—	
			Domestic	142,461	—	—	—	142,461	—	
	3. Other employees	Zhuhai Tongqiao ⁽⁴⁾	August 1, 2020		136,981	—	—	—	136,981	—
				H	123,283	—	—	—	123,283	—
				Domestic	13,698	—	—	—	13,698	—
Hangzhou Fujiang ⁽³⁾		August 1, 2020		193,547	—	—	—	193,547	—	
			H	174,192	—	—	—	174,192	—	
			Domestic	19,355	—	—	—	19,355	—	
Zhuhai Guichuang ⁽²⁾		August 1, 2020		5,314,908	—	178,300	—	5,136,609 ⁽⁹⁾	—	
			H	4,783,417	—	160,470	—	4,622,947 ⁽⁹⁾	—	
			Domestic	531,491	—	17,830	—	513,661 ⁽⁹⁾	—	
Ningbo Guiqiao ⁽¹⁾		September 23, 2022		1,876,550	—	137,186	—	745,443	993,921	
			H	1,688,895	—	123,467	—	670,900	894,528	
			Domestic	187,655	—	13,719	—	74,543	99,393	
		March 31, 2023		—	1,284,424	—	—	385,327	899,097	
			H	—	1,155,982	—	—	346,795	809,187	
			Domestic	—	128,442	—	—	38,532	89,910	

Report of the Directors

Note:

- (1) For awards granted under Ningbo Guiqiao on September 23, 2022, subject to the performance targets as stipulated under the grant letter namely, (i) at the Company's level, the targeted revenue and number of products entering the clinical trial stage for each of the three years ending December 31, 2024 being achieved (with the first year's target being nil); and (ii) at the employees' level, the grading of their individual appraisals, 30% of the awards shall vest on December 31, 2022, 30% of the awards shall vest on December 31, 2023 and the remaining 40% of the awards shall vest on December 31, 2024. Among such awards granted under Ningbo Guiqiao, 706,191 had a vesting price of RMB3.6979 per share, which was determined based on the net asset value of the Company as at the date of the Series C+ Financing (as defined in the Prospectus); and 6,348,091 had a vesting price of RMB2.13 per share, which was determined based on the net asset value of the Company as at the date of the Series C Financing (as defined in the Prospectus).

For awards granted under Ningbo Guiqiao on March 31, 2023, subject to the performance targets as stipulated under the grant letter namely, (i) at the Company's level, the targeted revenue for each of the three years ending December 31, 2025 being achieved; and (ii) at the employees' level, the grading of their individual appraisals, 30% of the awards shall vest on December 31, 2023, 30% of the awards shall vest on December 31, 2024 and the remaining 40% of the awards shall vest on December 31, 2025. Such awards had a vesting price of RMB2.13 per share, which was determined based on the net asset value of the Company as at the date of the Series C Financing (as defined in the Prospectus).

- (2) For awards granted under Zhuhai Guichuang on August 1, 2020, they have a vesting price of RMB1.095 per share, which was determined based on the net asset value of the Company as at the date of the Series B Financing (as defined in the Prospectus). Subject to the performance targets as stipulated under the grant letter namely, the grading of the employees' individual appraisals, and the required tenure with the Company, the awards shall vest according to the schedule as stipulated in each grant letter.
- (3) For awards granted under Hangzhou Fujiang on August 1, 2020, they have a vesting price of RMB1.095 per share, which was determined based on the net asset value of the Company as at the date of the Series B Financing (as defined in the Prospectus). Subject to the required tenure with the Company, the awards shall vest according to the schedule as stipulated in each grant letter.
- (4) For the awards granted under Zhuhai Tongqiao on August 1, 2020, they have a vesting price of RMB1.095 per share, which was determined based on the net asset value of the Company as at the date of the Series B Financing (as defined in the Prospectus). Subject to the performance targets as stipulated under the grant letter namely, the grading of the employees' individual appraisals, and the required tenure with the Company, the awards shall vest according to the schedule as stipulated in each grant letter.
- (5) For awards granted prior to March 3, 2022 (being the date on which the H Shares were converted from the Domestic Shares), the closing price of the H Shares immediately before the date on which the awards were granted is not applicable. For awards granted on September 23, 2022, the closing price of the H Shares immediately before the grant date was HK\$8.51. For awards granted on March 31, 2023, the closing price of the H Shares immediately before the grant date was HK\$11.58.
- (6) In relation to the fair value of the awards granted during the Reporting Period at the date of grant and the accounting standard and policy adopted, please refer to Note 25 to the *Financial Statements* in this report.
- (7) For awards vested during the Reporting Period, the weighted average closing price immediately before the dates on which the awards were vested is approximately HK\$12.06.
- (8) During the Reporting Period, 3 employee participants applied to the Company for vesting acceleration of the awards. In consideration of the significant contributions made by such employee participants to the Company since their joining of the Company, and the importance of their positions to the Company's operations, the Company agreed to the applications of such employee participants in accordance to the rules of the scheme and entered into an agreement with each of such employee participants in 2023 to accelerate the vesting of a total of 290,786 awards (involving 261,707 H Shares and 29,079 Domestic Shares, respectively) to recognize their contributions and improve the general morale of employees.
- (9) A total of 315,486 awards (involving 283,937 H Shares and 31,549 Domestic Shares) were forfeited during the Reporting Period due to the resignation of the relevant employees.

- (10) The Company noted that there are typographical errors on pages 54 and 55 of the annual report for the year ended December 31, 2022 of the Company published on April 25, 2023 (the “**2022 Annual Report**”) in relation to the vesting prices of the awards granted to Zhuhai Guichuang, Hangzhou Fujiang and Zhuhai Tongqiao under the EI Schemes. The Company would like to clarify that:
- (i) the vesting price of the awards granted to Zhuhai Guichuang, Hangzhou Fujiang and Zhuhai Tongqiao was RMB1.095 per share, instead of RMB2.13 per share as disclosed in the 2022 Annual Report; and
 - (ii) such vesting price was determined based on the net asset value of the Company as at the date of the Series B Financing (as defined in the Prospectus), instead of the Series C Financing as disclosed in the 2022 Annual Report.

The above information is consistent with the information disclosed in the Prospectus.

Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme was adopted and approved by resolutions in writing by the Board on January 18, 2021. The purpose of the Pre-IPO Share Option Scheme is to strengthen the human resources management of our Company by providing a means through which the Company may grant equity-based incentives to attract and retain skilled management, R&D, business and marketing personnel in order to raise the competitiveness of our Company. All shares to be issued under the Pre-IPO Share Option Scheme are Domestic Shares of our Company and no further options will be granted after the Listing.

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme.

1. Summary of terms

(a) Duration

Subject to the termination provisions under the Pre-IPO Share Option Scheme, the Pre-IPO Share Option Scheme shall be valid and effective for the period of 10 years commencing on the adoption date; or when all options have been exercised or lapsed pursuant to the Pre-IPO Share Option Scheme, whichever is the earlier. Therefore, as at December 31, 2023, the remaining life of the Pre-IPO Option Scheme was approximately seven years.

(b) Administration

The Pre-IPO Share Option Scheme shall be subject to the administration of Dr. Zhao (the “**Administrator**”) and the supervision of the Supervisors of our Company. The Administrator shall have the right to (i) request for Board approval regarding the implementation, amendment and termination of the Pre-IPO Share Option Scheme; (ii) report to the Board the method of selecting participants, the actual participants selected and the number and exercise price of the options granted; (iii) the interpretation of the Pre-IPO Share Option Scheme; and (iv) other administrative matters in relation to the Pre-IPO Share Option Scheme.

(c) Award Agreement

Each award granted under the Pre-IPO Share Option Scheme shall be evidenced by an award agreement between the Company and the participant, the form of which shall be approved by the Administrator.

(d) Type of Award

Subject to the provisions of the Pre-IPO Share Option Scheme, the Administrator shall be entitled to award any eligible participant to take up options in respect of such number of Domestic Shares as the Administrator may determine and at the exercise price as disclosed under the award agreement. Any exercisable option will be deemed to be exercised when (a) the Company has received the written notice required pursuant to the Scheme; and (b) the Company has received the required payment made in accordance with the Scheme.

(e) Payment

The exercise price for the options granted under the Scheme is RMB2.13 per Share, which was determined based on the net asset value of the Company as at the date of the Series C Financing (as defined in the Prospectus). The consideration to be paid, including the method of payment, shall be subject to the provisions in the Pre-IPO Share Option Scheme. No consideration is payable upon the grant of options under the Pre-IPO Share Option Scheme.

(f) Exercise Price Adjustment

The exercise price for the options granted under the Pre-IPO Share Option Scheme is subject to adjustment under the following circumstances: (i) there are changes to the registered share capital of the Company due to the conversion of capital reserve to registered capital; (ii) the Company distributes dividend in cash or stock dividend; or (iii) there has been share subdivision, capital reduction or share allotment.

(g) Participants of the Scheme

Eligible participants of the Pre-IPO Share Option Scheme include senior management members, core technician or other employee (excluding the Company's independent non-executive Directors) as determined by the Board or the Administrator. The Administrator has the discretion to determine the eligibility of an employee to participate in the Pre-IPO Share Option Scheme depending on the Company's need to attract talents and reward employees who have made substantial contribution to the Company and other factors such as the change of title of the employee, resignation or injury or death of the employee.

(h) Period Between the Granting of Award and the Exercise of Award

The grantee may exercise the option between the date of vesting of the relevant award and the expiry of the Pre-IPO Share Option Scheme.

(i) Lock-Up Period

Subject to the provisions of the Pre-IPO Share Option Scheme, the PRC Company Law, the Articles of Association, and rules and regulations in relation to lock-up period in the jurisdiction where the shares are listed:

1. For grantees who are the Directors, Supervisors or senior management members of the Company, they are not allowed to transfer shares representing more than 25% of their equity interest held in the Company during the period of their employment, and they are not allowed to transfer the shares held within the half year period immediately following the termination of their employment.
2. To avoid conflict of interest and insider trading, apart from the rules and regulations aforementioned, all grantees shall abide by the Company's internal regulations in relation to lock-up period after the vesting of the options.

(j) Non-transferability of Awards

Unless expressly provided in the Pre-IPO Share Option Scheme, by applicable law and by the applicable award agreement, all awards are non-transferable and shall not be used as a form of guarantee or as a repayment of debt.

(k) Maximum Number of Shares Available for Issue under the Pre-IPO Share Option Scheme

The maximum number of shares available for issue under the Pre-IPO Share Option Scheme shall not exceed RMB4,788,547 equivalent of registered share capital of our Company, representing 4,788,547 Domestic Shares, i.e. approximately 1.44% of the total number of issued shares of the Company as at the date of this annual report.

The maximum entitlement of each participant of the Pre-IPO Share Option Scheme shall be in compliance with the Listing Rules.

(l) Change in Control

Despite a change in control, amalgamation or separation of our Company, there shall not be any amendments to the options already granted, and the award participants may not accelerate the exercise of their options.

(m) Number of Options Available for Grant

The number of options available for grant under the Pre-IPO Share Option Scheme as at January 1, 2023 and December 31, 2023 was nil as no further options may be granted after the Listing.

2. Options Granted

As at December 31, 2023, the Company had granted share options to 22 grantees, including 3 Directors, 2 Supervisors and 17 other employees of our Group to subscribe for 1,460,030 Domestic Shares, 251,399 Domestic Shares and 3,077,118 Domestic Shares respectively, representing an aggregate of 4,788,547 Domestic Shares. As at December 31, 2023, 5 out of 17 of such employees are no longer employees of the Group. As at December 31, 2023, save for the cancellation of 95,770 share options that were granted to 2 grantees who are no longer employees of the Group, all the share options granted under the Pre-IPO Share Option Scheme have been vested and become exercisable. As at December 31, 2023, the total number of securities available for issue under the Pre-IPO Share Option Scheme is 4,692,777 Domestic Shares, representing approximately 1.41% of the total issued share capital of our Company. In relation to the fair value of the options granted under the Pre-IPO Share Option Scheme, please refer to Note 25 to the *Financial Statements* in this report.

Below sets out the details in relation to the movements during the Reporting Period of the outstanding options granted under the Pre-IPO Share Option Scheme.

Category of participants/ Name of Director or Supervisor	Outstanding as at January 1, 2023	Date of Grant	Granted during the Reporting Period	Exercised during the Reporting Period	Canceled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2023	Exercise Price per Option (RMB)	Exercisable Period (subject to conditions) in the Pre-IPO Share Option Scheme ⁽¹⁾
Employee Participants									
1. Director or Supervisor									
Dr. Jonathon Zhong Zhao (趙中)	1,053,004	June 10, 2021	—	—	—	—	1,053,004	2.13	<ul style="list-style-type: none"> • 30% of which have become exercisable on December 1, 2021 • 30% of which have become exercisable on December 1, 2022 • 40% of which have become exercisable on December 3, 2023
Mr. Yang Xie (謝陽)	167,599	June 10, 2021	—	—	—	—	167,599	2.13	<ul style="list-style-type: none"> • 30% of which have become exercisable on December 1, 2021 • 30% of which have become exercisable on December 1, 2022 • 40% of which have become exercisable on December 3, 2023

Category of participants/ Name of Director or Supervisor	Outstanding as at January 1, 2023	Date of Grant	Granted during the Reporting Period	Exercised during the Reporting Period	Canceled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2023	Exercise Price per Option (RMB)	Exercisable Period (subject to conditions) in the Pre-IPO Share Option Scheme ⁽¹⁾
Employee Participants									
1. Director or Supervisor									
Dr. Zheng Li (李晖)	239,427	June 10, 2021	—	—	—	—	239,427	2.13	<ul style="list-style-type: none"> • 30% of which have become exercisable on December 1, 2021 • 30% of which have become exercisable on December 1, 2022 • 40% of which have become exercisable on December 3, 2023
Ms. Jie Liang (梁捷)	179,571	June 10, 2021	—	—	—	—	179,571	2.13	<ul style="list-style-type: none"> • 30% of which have become exercisable on December 1, 2021 • 30% of which have become exercisable on December 1, 2022 • 40% of which have become exercisable on December 3, 2023
Ms. Hongbo Wang (王宏波)	71,828	June 10, 2021	—	—	—	—	71,828	2.13	<ul style="list-style-type: none"> • 30% of which have become exercisable on December 1, 2021 • 30% of which have become exercisable on December 1, 2022 • 40% of which have become exercisable on December 3, 2023
2. Other Employees									
17 employees	2,981,348	June 10, 2021	—	—	—	—	2,981,348	2.13	<ul style="list-style-type: none"> • 30% of which have become exercisable on December 1, 2021 • 30% of which have become exercisable on December 1, 2022 • 40% of which have become exercisable on December 3, 2023
Total	4,692,777						4,692,777		

Note:

(1): Subject to the exercising conditions as stipulated under the Pre-IPO Share Option Scheme being met and with reference to the performance targets set namely, (i) at the Company's level, the targeted revenue and number of products entering the clinical trial stage for each of the three years ended December 3, 2023 being achieved (with the first year's target being nil); and (ii) at the employees' level, the grading of their individual appraisals, the options shall be exercisable in three batches in the proportions of 30%, 30% and 40%, respectively as stated in the relevant grant letter. The grantee may exercise the option between the date of vesting of the relevant option and the expiry of the Pre-IPO Share Option Scheme.

The H Share Scheme

The Board has resolved at a meeting of the Board held on August 30, 2021 to propose the adoption of the H Share Scheme. The H Share Scheme has been approved by the Shareholders at the extraordinary general meeting held on September 23, 2021.

The following is a summary of the principal terms of the H Share Scheme:

1. Summary of terms

(a) Purpose and Objectives of the H Share Scheme

The H Share Scheme is a share award of H Shares and trust scheme established by the Company to award Selected Employees (defined below) and the objectives of the H Share Scheme are:

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

(b) Selected Employees of the H Share Scheme

Eligible participants who may participate in the H Share Scheme include any full-time PRC or non-PRC employee of any members of the Group, who is a director, supervisor, senior management, key operating team member, employee, or, a consultant of the Group.

The Board or its delegatee (as delegated pursuant to the rules of the H Share Scheme, the "**Delegatee**") may, from time to time, select any eligible participant to be a selected employee (the "**Selected Employee**") and grant such number of share awards to any Selected Employee at nil consideration and in such number and on such terms and conditions as it may in its absolute discretion determine.

(c) *H Share Scheme Limit*

Subject to the rules of the H Share Scheme, the maximum number of H Shares that will be acquired by the Trustee from time to time shall not be more than 9,972,000 H Shares (the “**H Share Scheme Limit**”), representing approximately 3.00% of the total issued share capital of the Company as at the Latest Practicable Date. 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 H Share Scheme (excluding awarded shares that have been forfeited in accordance with the H Share Scheme) exceeding the H Share Scheme Limit without the Shareholders’ approval and in compliance with relevant rules and regulations including the Listing Rules.

Save as stated above, the maximum number of awarded shares granted to a Selected Employee under the H Share Scheme shall not exceed 1% of the total issued share capital of the Company from time to time in any 12-month period.

(d) *Duration*

Unless terminated earlier by the Board pursuant to the rules of the H Share Scheme, the H Share Scheme shall be valid and effective for ten years commencing from the adoption date, i.e. the date on which the H Share Scheme was approved by the Shareholders, being September 23, 2021. Therefore, as at December 31, 2023, the remaining life of the H Share Scheme was approximately seven years and eight months.

(e) *Grant of Awards*

The Board or the Delegatee is entitled to impose any conditions (including a period of continued service within the Group after the grant of award) as it deems appropriate in its absolute discretion with respect to the vesting of the awarded Shares, and shall inform the Trustee and such Selected Employee the relevant conditions in the grant notice. Subject to applicable laws and regulations, the Board or the Delegatee shall be at liberty to waive any vesting conditions.

(f) *Vesting of the Awarded Shares*

Subject to the terms and condition of the H Share Scheme and the fulfilment of all vesting conditions (if any) to the vesting of the awarded shares on such Selected Employee as specified in the grant notice, the respective awarded shares held by the Trustee on behalf of the Selected Employee shall vest in such Selected Employee in accordance with the vesting schedule (if any) as set out in the grant notice, and the Trustee shall cause the awarded shares to be transferred to such Selected Employee on the vesting date, or sell the relevant awarded shares as soon as practicable from the vesting date and pay the actual selling price to the Selected Employees within a reasonable time period in satisfaction of the award.

(g) *Source of Funds*

The source of funds for funding the H Share Scheme is the internal funds of the Company.

2. Awards Granted

During the Reporting Period, the Trustee has purchased a total number of 3,533,000 H Shares on the market at an average price of HKD9.55, pursuant to the H Share Scheme. As at December 31, 2023, 6,244,500 H Shares had been purchased by the Trustee and were held under the H Share Scheme. The share purchase was funded by the Company's own financial resources other than proceeds from the Listing. The Company may instruct the Trustee to make further purchases pursuant to the H Share Scheme and may make further announcements on the status of the H Share Scheme, including the number and price of the H Shares purchased, from time to time.

Subject to the rules of the H Share Scheme, the maximum number of H Shares that will be acquired by the Trustee from time to time shall not be more than 9,972,000 H Shares. The number of awards available for grant under the H Share Scheme as at January 1, 2023 and December 31, 2023 are 9,972,000 and 6,007,937, respectively.

During the Reporting Period, 3,964,063 awards were granted to 16 selected employees (among which, four were Directors or Supervisors of the Company) under the H Share Scheme.

Below sets out the details in relation to the movements during the Reporting Period of the awards granted under the H Share Scheme:

Category of participants	Date of grant of awards	Number of Shares underlying the awards outstanding as at Jan 1, 2023	Granted during the Reporting Period	Canceled during the Reporting Period	Lapsed during the Reporting Period	Vested during the Reporting Period	Number of Shares underlying the awards outstanding as at December 31, 2023
1. Director or Supervisor							
Dr. Jonathon Zhong Zhao (趙中)	September 4, 2023 ⁽²⁾	—	400,000	—	—	120,000	280,000
Mr. Yang Xie (謝陽)	September 4, 2023 ⁽²⁾	—	400,000	—	—	400,000 ⁽⁷⁾	—
Dr. Zheng Li (李暉)	September 4, 2023 ⁽²⁾	—	400,000	—	—	120,000	280,000
Ms. Jie Liang (梁婕)	September 4, 2023 ⁽²⁾	—	200,000	—	—	200,000 ⁽⁸⁾	—
2. The other two of the five highest paid employees							
	June 13, 2023 ⁽²⁾	—	965,547	—	—	685,547 ⁽⁹⁾	280,000
	September 22, 2023 ⁽²⁾	—	500,000	—	—	500,000	—
3. Other employees							
	June 13, 2023 ⁽²⁾	—	1,098,516	—	—	951,516 ⁽¹⁰⁾	147,000

Notes:

- (1) In the event that the underlying Shares of the awards granted will be satisfied by the allotment and issuance of new Shares, the number of H Shares that may be issued in respect of such awards granted during the Reporting Period divided by the weighted average number of H Shares of the Company during the Reporting Period is 1.22%.
- (2) Subject to the grading of the participants' individual appraisals conducted, the awards shall vest in four batches in the proportions of 30%, 30%, 20% and 20%, respectively on each of the year end date during 2023 to 2026. Save as aforesaid, the awards granted were not subject to any other performance targets.
- (3) Save for the awards granted to two employees with vesting price of RMB3.6979 per H Share which was determined based on the net asset value of the Company as at the date of the Series C+ Financing (as defined in the Prospectus), all other awards granted during the Reporting Period were not subject to any vesting price.
- (4) For the grant on June 13, 2023, the closing price of the underlying H Shares immediately before the date on which the awards were granted was HK\$10.30. In relation to the fair value of the awards at the date of grant and the accounting standard and policy adopted, please refer to Note 25 to the *Financial Statements* in this report.
- (5) For the grant on September 4, 2023, the closing price of the underlying H Shares immediately before the date on which the awards were granted was HK\$8.50. In relation to the fair value of the awards at the date of grant and the accounting standard and policy adopted, please refer to Note 25 to the *Financial Statements* in this report.
- (6) For the grant on September 22, 2023, the closing price of the underlying H Shares immediately before the date on which the awards were granted was HK\$7.65. In relation to the fair value of the awards at the date of grant and the accounting standard and policy adopted, please refer to Note 25 to the *Financial Statements* in this report.
- (7) Among the 400,000 awards granted to Mr. Xie, the vesting of 280,000 awards was accelerated in consideration of the significant contributions made by Mr. Xie to the Company since his joining of the Company and the importance of his position to the Company's operations. The Company entered into an agreement with Mr. Xie in December 2023 for the purpose of recognizing his contributions to the Group.
- (8) Among the 200,000 awards granted to Ms. Jie Liang in 2023, the vesting of 140,000 awards was accelerated in consideration of the significant contributions made by Ms. Jie Liang to the Company since her joining of the Company and the importance of her position to the Company's operations. The Company accelerated the vesting of incentive Shares and entered into an accelerated vesting agreement with Ms. Jie Liang in December 2023 for the purpose of stabilizing and attracting priority talents.
- (9) During the Reporting Period, 1 employee participant applied to the Company for vesting acceleration of the awards. In consideration of the significant contributions made by such employee participant to the Company since her joining of the Company, and the importance of her position to the Company's operations, the Company agreed to her application and entered into an agreement with her in December 2023 to accelerate the vesting of a total of 395,883 awards to recognize her contributions and improve the general morale of employees.
- (10) During the Reporting Period, 3 employee participants applied to the Company for vesting acceleration of the awards. In consideration of the significant contributions made by such employee participants to the Company since their joining of the Company, and the importance of their positions to the Company's operations, the Company agreed to their applications and entered into an agreement with each of such employee participant in December 2023 to accelerate the vesting of a total of 621,961 awards to recognize their contributions and improve the general morale of employees.
- (11) During the Reporting Period, the closing price of the H Shares involved in vesting immediately before the date on which the awards were vested was HK\$12.44.
- (12) The Company noted that there is a typographical error on page 40 of the interim report for the six months ended June 30, 2023 of the Company published on September 14, 2023 (the "**2023 Interim Report**") in relation to the vesting prices of the awards granted. The Company would like to clarify that:
 - (i) the vesting price of the awards granted to was RMB3.6979 per H share, instead of RMB3.6696 per H share as disclosed in the 2023 Interim Report.

CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the Reporting Period are set out in Note 33 to the Consolidated financial Statements contained herein.

For the year ended December 31, 2023, none of the related party transactions disclosed in Note 33 to the Consolidated financial Statements constitute any non-exempt connected transactions or continuing connected transactions which should be disclosed pursuant to Chapter 14A of the Listing Rules.

For the year ended December 31, 2023, we have not entered into any non-exempt connected transaction or continuing connected transaction which should be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules.

RETIREMENT BENEFITS SCHEME

The employees of the Group's subsidiaries in the PRC are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to this retirement benefits schemes is to make the specified contributions.

Details of the pension obligations of the Company are set out in Notes 8 and 39.15 to the Consolidated Financial Statements in this report. During the Reporting Period, no forfeited contributions had been used by the Group to reduce the existing level of contributions.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Reporting Period are set out in Note 23 to the Consolidated Financial Statements in this report.

DISTRIBUTABLE RESERVES

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

USE OF PROCEEDS FROM IPO AND OVER-ALLOTMENT OPTION

The net proceeds from IPO amounted to approximately HK\$2,477.4 million (equivalent to RMB2,063.6 million); and on July 28, 2021, the Company also received net proceeds of approximately HK\$347.3 million (equivalent to RMB289.7 million) from the full exercise of the Over-allotment Option (collectively, the "**Net Proceeds**"). The Net Proceeds amounts were arrived at after deducting the underwriting commissions payable by us in connection with the Global Offering.

The Company expects to utilize the Net Proceeds in accordance with the intended use and expected timeline previously disclosed in the Prospectus. For further details, please refer to the section headed "Future Plans and Use of Proceeds" in the Prospectus.

As at the end of the Reporting Period, the Group has used the Net Proceeds as follows:

Intended use of Net Proceeds	Allocation of Net Proceeds RMB in million	Percentage of total Net Proceeds	Net Proceeds unutilized as at January 1, 2023 RMB in million	Net Proceeds utilized during the Reporting Period RMB in million	Net Proceeds unutilized as at the end of the Reporting Period RMB in million	Expected time of full utilization
(1) Ongoing research and development, production and commercialization of our Core Products, namely Thrombite CRD and Ultrafree DCB	870.7	37%	389.0	293.0	96.0	Yr2024
(2) Ongoing research and development, production and commercialization of our other five major products, namely our neurovascular embolization coil, flow diverter, retrievable inferior vena cava filter, peripheral venous stent system and suture-mediated closure	258.9	11%	112.4	82.8	29.6	Yr2024
(3) Other 38 products and pipeline candidates in order to develop our product portfolio to provide total solution	941.3	40%	684.6	308.7	375.9	Yr2025
(4) Further upgrade our research and development facility, including software and hardware infrastructures in both Hangzhou and Zhuhai, and planned office expansion and upgrade in Zhuhai	70.6	3%	42.9	33.2	9.7	Yr2024
(5) Potential strategic acquisition, investments, in-licensing or collaborations	94.1	4%	66.1	—	66.1	Yr2025
(6) Working capital and general corporate purposes	117.7	5%	37.8	37.8	—	—
Total	2,353.3	100%	1,332.8	755.5	577.3	

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company had maintained the prescribed public float under Rule 8.08 of the Listing Rules during the Reporting Period and as at the Latest Practicable Date.

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

Pursuant to an ordinary resolution passed by the Shareholders at the annual general meeting of the Company convened and held on June 6, 2023, the Directors were granted a general mandate to exercise the power of the Company to buy back up to 32,461,974 H Shares, representing 10% of the total number of H Shares in issue as at June 6, 2023 (the "**Repurchase Mandate**"). During the Reporting Period, pursuant to the Repurchase Mandate, the Company bought back an aggregate of 2,111,000 H Shares on the Stock Exchange at a total consideration of approximately HK\$25,053,910, exclusive of commissions and other expenses. We believe the Repurchase in the present conditions will demonstrate the Company's confidence in its own business outlook and prospects and would, ultimately, benefit the Company and create value to the Shareholders.

Details of the Share buy-backs were as follows:

Month of buyback	Number of Shares bought back	Consideration per Share		Total consideration paid for the buy-back HK\$
		Highest price paid HK\$	Lowest price paid HK\$	
November 2023	1,203,000	12.44	10.94	13,744,910
December 2023	908,000	13.40	11.76	11,309,000
Total	2,111,000			25,053,910

On August 13, 2021, the Company entered into an agreement with the Trustee, where the Trustee will purchase H Shares from the open market and hold on trust for the Selected Employees under the H Share Scheme. As at December 31, 2023, 6,244,500 H Shares in the amount of HK\$74,726,370 had been purchased at average price of HK\$11.97 per H Share.

PRE-EMPTIVE RIGHTS

There is no provision 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 its existing Shareholders.

TAX RELIEF AND EXEMPTION

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

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

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

RELATIONSHIPS WITH THE GROUP'S CUSTOMERS AND SUPPLIERS

The Group values long standing relationships with its suppliers and customers. The Group aims at delivering high quality products to its customers and developing mutual trust and enhancing communication and commitment between the Group and its suppliers to maintain sustainable growth.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, our customers are primarily distributors in China and overseas who purchase our products and sell them directly or indirectly to hospitals. The revenue attributable to the Group's five largest customers and the largest customer accounted for 92.8% and 44.9%, respectively, of the Group's total revenue for the Reporting Period. As at the date of this report, the cooperation term of the Group and five largest customers ranged from 2.3 years to 3.9 years, and the cooperation term with the largest customer was 3.8 years. Save for the largest customer, the Group did not grant any credit terms to the top five customers during the year ended December 31, 2023.

Report of the Directors

During the Reporting Period, our suppliers mainly comprised of clinical trial service providers, equipment providers, raw material supplier and manufacturing facilities construction suppliers. Purchases attributable to the Group's five largest suppliers and the largest supplier accounted for 48.3% and 27.0%, respectively, of the Group's total purchases for the Reporting Period.

None of the Directors or any of their close associates (as defined in the Listing Rules) or any shareholders of the Company (whom, to the best knowledge and belief of the Directors, own more than 5% of the Company's total issued share capital) had any beneficial interest in the Group's five largest suppliers and customers for the Reporting Period.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group has compliance policies and procedures in place to ensure adherence to applicable laws, rules and regulations, in particular, those that have a significant impact on it. The Group would seek professional legal advice from its legal advisers to ensure that transactions and business to be performed by the Group are in compliance with the applicable laws and regulations. During the Reporting Period, the Group had complied with the laws, regulations and regulatory requirements of the places where the Group operates in all material respects, including the requirements under the Companies Ordinance, the Listing Rules, the SFO and the CG Code for, among other things, the disclosure of information and corporate governance. During the Reporting Period, none of the Group and the Directors, Supervisors and senior management of the Company were subject to any investigation initiated or administrative penalties imposed by the CSRC, banned from entering the market, identified as inappropriate candidates, publicly condemned by stock exchanges, subject to mandatory measures, transferred to judicial organs or held criminally responsible, and none were involved in any other litigation, arbitration or administrative proceedings which would have a material adverse impact on our business, financial condition or results of operations. Please refer to the section headed "Regulatory Overview" in the Prospectus for more details regarding the relevant laws and regulations which have a significant impact on our business operation.

RELATIONSHIPS WITH THE GROUP'S EMPLOYEES

The Group believes that employees are important and valuable assets. The Group will provide trainings for employees to enhance their knowledge in corporate values and culture and to implement them thoroughly. Meanwhile, the Group encourages staff on continued studies by giving subsidy to recognized development courses. The Group also aims to provide competitive and attractive remuneration packages to retain its employees. The management reviews annually the remuneration package offered to the employees of the Group. Meanwhile, for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of the Group's operations, the Company has adopted the EI Schemes, Pre-IPO Share Option Scheme and H Share Scheme. Details of such schemes are set out in the sub-sections headed "Share Incentive Schemes" in this report.

CHARITABLE DONATIONS

During the Reporting Period, the Company made charitable donations of RMB5.9 million.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the section headed "Corporate Governance Report" of this report.

EQUITY-LINKED AGREEMENT

Save as disclosed in this report, no equity-linked agreement was entered into by the Company at any time during or subsisted at the end of the year ended December 31, 2023.

REVIEW BY AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Ms. Yun Qiu, Mr. Hongze Liang and Dr. Jian Ji. The chairlady of the Audit Committee is Ms. Yun Qiu who holds the appropriate qualification as required under Rules 3.10(2) and 3.21 of the Listing Rules. The Audit Committee has reviewed the audited Consolidated Financial Statements for the year ended December 31, 2023 with the management and the auditor of the Company. The Audit Committee considered that the annual results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management of the Company.

INDEPENDENT AUDITOR

The Consolidated Financial Statements for the Reporting Period have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer itself for re-appointment at the forthcoming annual general meeting. Having been approved by the Board upon the Audit Committee's recommendation, a resolution for the re-appointment of PricewaterhouseCoopers as the independent external auditor for the ensuing year will be put to the forthcoming AGM for shareholder's approval.

Since the Listing Date, the auditors of the Company have not changed.

Report of the Supervisors

I. MEETINGS OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

During the Reporting Period, the Supervisory Committee convened a total of four meetings in accordance with relevant laws and regulations and the Articles of Association with respect to notices, convening meeting procedures, voting methods, content of resolutions and other aspects. The details are as follows:

No.	Sessions	Time
1.	The 7 th Meeting of the First Session of the Supervisory Committee	March 28, 2023
2.	The 8 th Meeting of the First Session of the Supervisory Committee	April 18, 2023
3.	The 9 th Meeting of the First Session of the Supervisory Committee	August 22, 2023
4.	The 10 th Meeting of the First Session of the Supervisory Committee	November 17, 2023
(I)	On March 28, 2023, the Company convened the 7 th meeting of the First Session of the Supervisory Committee, at which a total of three resolutions were considered and approved, namely, "the Resolution Regarding the Draft of the Audited Consolidated Financial Statements of the Company and its Subsidiaries for the Year Ended December 31, 2022", "the Resolution Regarding the Draft of the Results Announcement of the Company and its Subsidiaries for the Year Ended December 31, 2022", and "the Resolution Regarding the Draft of the Annual Report of the Company and its Subsidiaries for the Year Ended December 31, 2022".	
(II)	On April 18, 2023, the Company convened the 8 th meeting of the First Session of the Supervisory Committee, at which a total of three resolutions were considered and approved, namely, "the Resolution Regarding the Company's 2022 Work Report of Supervisory Committee", "the Resolution Regarding the Company's 2022 Profit Distribution Plan", and "the Resolution Regarding the Re-appointment of PricewaterhouseCoopers as the External Auditors of the Company for 2023, and Authorized the Board to Determine their Remunerations".	
(III)	On August 22, 2023, the Company convened the 9 th meeting of the First Session of the Supervisory Committee, at which a total of four resolutions were considered and approved, namely, "the Resolution Regarding the Draft of the Unaudited Consolidated Financial Statements of the Company for the Six Months Ended June 30, 2023", "the Resolution Regarding the Audited Financial Statements and Financial Report of the Company for the Six Months Ended June 30, 2023", "the Resolution Regarding the Draft of the Interim Results Announcement of the Company for the Six Months Ended June 30, 2023", and "the Resolution Regarding the Draft of the Interim Report of the Company for the Six Months Ended June 30, 2023".	
(IV)	On November 17, 2023, the Company convened the 10 th meeting of the First Session of the Supervisory Committee, at which a total of one resolution was considered and approved, namely, "the Resolution Regarding the Election of the Chairman of the Supervisory Committee of the Company".	

II. THE SUPERVISORY COMMITTEE'S SUPERVISION AND OPINIONS ON SIGNIFICANT MATTERS

1. The Company's Operations in Compliance with Laws

During the Reporting Period, the Supervisory Committee effectively supervised the convening meeting procedures, resolutions, decision-making procedures of the Board meetings and Shareholders' meetings, the implementation of the resolutions proposed at the Shareholders' meetings by the Board, the performance of duties by the Directors and senior management of the Company, the internal control system of the Company and its legal compliance, the truthfulness, accuracy, completeness and timeliness of the disclosure of relevant information of announcements. The Supervisory Committee also continuously supervised the implementation of major decisions of the Company and the daily performance of duties as well as adequate due diligence of Directors and senior management. The Shareholders' meetings and the Board meetings of the Company exercised powers and performed duties in strict accordance with relevant laws and regulations in the PRC and the Articles of Association, and the decision-making procedures regarding convening, holding, voting and resolutions of the meetings were in compliance with relevant laws and regulations. The Directors and senior management of the Company were able to perform their duties with diligence and commitment in a timely manner. No violation of laws, regulations and the Articles of Association, nor any abuse of power, damage to the interests of Shareholders or damage to the interests of the Company had been found.

2. Financial Condition of the Company

During the Reporting Period, the Supervisory Committee inspected and supervised the Company's financial condition in accordance with laws, and considered that the Company established a sound financial system with standardized financial department and good financial condition. There was no situation that was detrimental to the interests of the Company and its Shareholders. With regard to the annual work report of the Supervisory Committee prepared by the Board, the Supervisory Committee is of the view that the content is true, accurate and complete, and the format and procedures are in compliance with relevant regulations.

The preparation and consideration procedures of the Company's 2023 annual financial report complied with relevant laws and regulations and the Articles of Association. The 2023 annual financial report objectively, truly and accurately reflected the financial condition and operating results of the Company. PricewaterhouseCoopers issued an unqualified audit report of the Company for the year 2023.

3. Implementation of Resolutions at the Company's Shareholders' Meetings

During the Reporting Period, the Supervisory Committee supervised the implementation of the resolutions proposed at the Shareholders' meetings. The Board conscientiously implemented and completed the resolutions approved at the Shareholders' meetings in strict compliance with the resolutions proposed at and authorizations granted by the Shareholders' meetings, and no behaviors were found to be detrimental to the interests of Shareholders.

4. Related Party Transactions of the Company

During the Reporting Period, the Company had no related party transactions that required continuous attention.

5. Supervision of Directors and Senior Management in Performance of Duties

During the Reporting Period, the Supervisory Committee continuously supervised the daily performance of duties and adequate due diligence of the Directors and senior management. During the year, the Directors and senior management performed duties with diligence and operated businesses in accordance with laws. There were no Directors or senior management who took advantages of their positions to seek personal benefits, and no irregularities were found in the performance of their duties. The Directors and senior management have been honest and law-abiding, ensuring the achievement of the Company's objectives and the normal operations of all work.

III. MAJOR TASKS IN 2024

In 2024, the Supervisory Committee will continue to perform duties with diligence, standardized approaches and effectiveness, and strive to achieve new results in promoting the construction of the corporate governance system as well as innovating and improving the internal supervision mechanism. Focusing on risk management, compliant management and internal control construction, the Supervisory Committee will continue to strengthen the supervision of the rectification of internal control defects as well as the inspection and assessment of the effectiveness of risk management, enhance the accountability for major risks, promote the Company to further improve the level of risk management, and effectively safeguard the legitimate rights and interests of all investors of the Company.

Corporate Governance Report

The Board hereby presents to the Shareholders the corporate governance report of the Group for the year ended December 31, 2023 (the “**Corporate Governance 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 as a whole. The Company has adopted corporate governance practices based on the principles and code provisions as set out in the CG Code as contained in Appendix 14 to the Listing Rules (i.e. the new Appendix C1 to the Listing Rules with effect from December 31, 2023) as its own code of corporate governance practices.

The Board is of the view that during the Reporting Period, the Company has applied the principles of good corporate governance and complied with all the applicable code provisions set out in Part 2 of the then applicable CG Code, except for the code provision C.2.1 described in the paragraph headed “BOARD OF DIRECTORS — Chairman and Chief Executive Officer”. The Board will continue to review and monitor the code of corporate governance practices of the Company with an aim to maintaining a high standard of corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules (i.e. the new Appendix C3 to the Listing Rules with effect from December 31, 2023) as its code of conduct regarding dealings in the securities of the Company by the Directors, the Supervisors and the Group’s employees who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company’s securities. Specific enquiries have been made to all Directors and Supervisors and the Directors and the Supervisors have confirmed that they have complied with the Model Code throughout the Reporting Period.

No incident of non-compliance of the Model Code by the employees was noted by the Company for the Reporting Period.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group’s businesses, strategic decisions and performance and takes decisions objectively in the best interest of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

During the Reporting Period and up to the Latest Practicable Date, the Board comprised nine Directors, consisting of three executive Directors, three non-executive Directors and three independent non-executive Directors as follows:

Corporate Governance Report

Executive Directors

Dr. Jonathon Zhong Zhao (*Chairman*)
Mr. Yang Xie
Dr. Zheng Li

Non-executive Directors

Mr. Stephen Hui Wang
Mr. Dongfang Li
Dr. Steven Dasong Wang

Independent Non-executive Directors

Dr. Jian Ji
Mr. Hongze Liang
Ms. Yun Qiu

Chairman and Chief Executive Officer

Pursuant to code provision C.2.1 of the CG Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairman and chief executive officer and Dr. Jonathon Zhong Zhao currently performs these two roles. Our Board believes that, in view of his experience, personal profile and his roles in our Company as mentioned above, Dr. Jonathon Zhong Zhao is the Director best suited to identify strategic opportunities and focus of the Board due to his extensive understanding of our business as our chief executive officer. The Board also believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of (i) ensuring consistent leadership within the Group, (ii) enabling more effective and efficient overall strategic planning and execution of strategic initiatives of the Board, and (iii) facilitating the flow of information between the management and the Board for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

Independent Non-executive Directors

During the Reporting Period and up to the Latest Practicable Date, the Board at all times fulfilled the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing one-third of the board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company confirms that it considers all independent non-executive Directors are independent in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules.

The Board has also established mechanisms to ensure independent views are available to the Board, including providing Board with sufficient resources to perform its duties and shall seek, at the Company's expense, independent professional advice to perform its responsibilities if necessary.

The Board shall at all times comprise at least three independent non-executive Directors that represent at least one-third of the Board, such that there is always a strong element of independence on the Board which can effectively exercise independent judgment. All the Directors, including the independent non-executive Directors, are given equal opportunity and channels to communicate and express their views to the Board and have separate and independent access to the management of the Group in order to make informed decisions. The chairman of the Board will hold meetings with the independent non-executive Directors without the involvement of other Directors at least annually to discuss any issues and concerns.

Any Director or his/her associate who has a conflict of interest in a matter to be considered by the Board will be dealt with by a physical Board meeting rather than by written resolutions. Such Director will be required to declare his/her interests before the meeting and abstain from voting and not counted towards the quorum on the relevant resolutions. Independent non-executive Directors who, and whose associates, have no interest in the matter should attend the Board meeting. The Board has conducted annual reviewed and considered that the mechanisms are effective in ensuring that independent views and input are provided to the Board during the Reporting Period.

Appointment and Re-election of Directors

The Directors (including non-executive Directors) are appointed for a specific term of three years and are eligible for re-election upon expiry of their term of office in accordance with the Articles of Association.

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 directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgment on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses, for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

Corporate Governance Report

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director will 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.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the Reporting Period, all Directors namely, Dr. Jonathon Zhong Zhao, Mr. Yang Xie, Dr. Zheng Li, Mr. Stephen Hui Wang, Mr. Dongfang Li, Dr. Steven Dasong Wang, Dr. Jian Ji, Mr. Hongze Liang and Ms. Yun Qiu, have complied with the code provision C.1.4 of the CG Code and participated in continuous professional development including attended training relating to the Group's businesses, Listing Rules, legal and regulatory requirements and corporate governance practices, and read relevant materials to keep themselves abreast of regulatory developments and changes, to develop and refresh their knowledge and skills. In addition, relevant reading materials including legal and regulatory update have been provided to the Directors for their reference and studying.

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

Directors	Training ^{Note}
Executive Directors	
Dr. Jonathon Zhong Zhao (<i>Chairman</i>)	✓
Mr. Yang Xie	✓
Dr. Zheng Li	✓
Non-executive Directors	
Mr. Stephen Hui Wang	✓
Mr. Dongfang Li	✓
Dr. Steven Dasong Wang	✓
Independent Non-executive Directors	
Dr. Jian Ji	✓
Mr. Hongze Liang	✓
Ms. Yun Qiu	✓

Note:

During the Reporting Period, our Company arranged trainings for the Directors related to update and changes in regulatory requirements, business and market environment in a variety of ways from time to time.

Board Diversity Policy

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background, ethnicity and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board.

As at the Latest Practicable Date, we have eight male Directors and one female Director. The Board considers that the Company has achieved gender diversity at the Board level and targets to maintain at least the current level of female representation. In recognizing the particular importance of gender diversity so as to further improve our gender diversity at the Board level and workforce, we will endeavor to ensure there is gender diversity when recruiting staff at a mid to senior level so that we will have a pipeline of female employees (including senior management) and potential successors to our Board and engage more resources in training female staff who have extensive and relevant experience in our business, with the aim of promoting them to the senior management or directorship of our Group.

Corporate Governance Report

Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development, quality assurance and control, finance and accounting and corporate governance in addition to industry experience in healthcare and biotechnology. They obtained degrees in various majors including science, engineering and finance. We have three independent non-executive Directors with different industry backgrounds, representing more than one third of the members of our Board. Furthermore, our Board has a diverse age and gender representation. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our board diversity policy.

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

- (A) at least one of members of the Board shall be female;
- (B) at least three of the members of the Board shall be non-executive Directors or independent non-executive Directors;
- (C) at least one-third of the members of the Board shall be independent non-executive Directors; and
- (D) at least one of the members of the Board shall have obtained accounting or other professional qualifications.

The Nomination Committee and the Board are of the view that the current composition of the Board has achieved the objectives set in the Board Diversity Policy.

Our Nomination Committee is responsible for ensuring the diversity of our Board members and will review the board diversity policy from time to time to ensure its continued effectiveness.

Gender Diversity

The Company values gender diversity across all levels of the Group. As at December 31, 2023, the Company has achieved a 43.8%:56.2% ratio of females to males in the workforce (including senior management) and the Board considers that gender diversity across the workforce has been achieved. The Company will continue to encourage diversity at workforce level and it has put in place appropriate recruitment and selection practices such that a diverse range of candidates with different age, gender and experiences are considered. The Group has also established talent management and training programs to provide career development guidance and promotion opportunities to develop a broad and diverse pool of skilled and experienced employees.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations and the CG Code, our Company has formed three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee.

All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Ms. Yun Qiu, Mr. Hongze Liang and Dr. Jian Ji. Ms. Yun Qiu, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules, serves as the chairlady of the Audit Committee.

The terms of reference of the Audit Committee are in compliance with those set out in the CG Code and the relevant laws and regulations of the PRC.

The primary duties of the Audit Committee include, but not limited to, the following:

- proposing the appointment or change of external auditors to our Board, and monitoring the independence of external auditors and evaluating their performance;
- examining the financial information of our Company and reviewing financial reports and statements of our Company;
- examining the financial reporting system, the risk management and internal control system of our Company, overseeing their rationality, efficiency and implementation and making recommendations to our Board; and
- dealing with other matters that are authorized by the Board.

The Audit Committee held three meetings during the Reporting Period to review the annual results and annual report for the year ended December 31, 2022, the interim results and interim report for the six months ended June 30, 2023, the risk management and internal control system and the effectiveness of the Company's internal audit function.

The attendance records of the Audit Committee are set out under "Attendance Record of Directors and Committees Members".

Remuneration Committee

The Remuneration Committee consists of three Directors, namely Dr. Jian Ji, Dr. Jonathon Zhong Zhao and Mr. Hongze Liang. Dr. Jian Ji serves as the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are in compliance with those set out in the CG Code and the relevant laws and regulations of the PRC.

The primary duties of the Remuneration Committee include, but not limited to, the following:

- advising our Board on the overall remuneration plan and structure of Directors, Supervisors and senior management and the establishment of transparent formal procedures for determining remuneration policy of our Company;
- examining the criteria of performance evaluation of Directors, Supervisors and the senior management of our Company, conducting performance evaluation and making recommendations to our Board;
- formulating individual remuneration plans for Directors, Supervisors and members of the senior management in accordance with the terms of reference of the importance of their positions, the time they spend on such positions as well as the remuneration benchmarks for the relevant positions in the other comparable companies;
- reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules; and
- dealing with other matters that are authorized by the Board, and if necessary, engaging external experts to provide relevant independent services.

The Remuneration Committee held one meeting during the Reporting Period to review the remuneration policy and structure of the Company, determine and approve the remuneration packages of all Directors, Supervisors and members of the senior management, and the grant of share options/awards (as the case may be) pursuant to the EI Schemes, the Pre-IPO Share Option Scheme and the H Share Scheme during the Reporting Period.

The attendance records of the Remuneration Committee are set out under “Attendance Record of Directors and Committees Members”.

Details of the remuneration of the senior management by band for the year ended December 31, 2023 are set out below:

Remuneration by band (in HKD)	Year ended December 31, 2023 (Number of person(s))	Year ended December 31, 2022 (Number of person(s))
HK\$9,000,001-HK\$9,500,000	1	–
HK\$10,000,001-HK\$10,500,000	–	1
HK\$11,500,001-HK\$12,000,000	1	–
HK\$12,500,001-HK\$13,000,000	1	–
HK\$13,500,001-HK\$14,000,000	–	1
HK\$18,500,001-HK\$19,000,000	–	1
HK\$19,000,001-HK\$19,500,000	1	–
HK\$23,500,001-HK\$24,000,000	–	1
	4	4

Nomination Committee

The Nomination Committee consists of three Directors, namely Dr. Jonathon Zhong Zhao, Ms. Yun Qiu and Dr. Jian Ji. Dr. Jonathon Zhong Zhao serves as the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are in compliance with those set out in the CG Code and the relevant laws and regulations of the PRC.

The primary duties of the Nomination Committee include, but not limited to, the following:

- conducting extensive search and providing to our Board suitable candidates for Directors, general managers and other members of the senior management;
- overseeing the implementation of Board diversity policy; taking into account various factors when determining the composition of our Board, including, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and service tenure;
- examining the size and composition of our Board and its members in respect of their skills, knowledge, experience and diversity at least once every year, and making recommendations to our Board on any change in Board composition in accordance with our Company's strategies;
- researching and developing standards and procedures for the election of our Board members, general managers and members of the senior management, and making recommendations to our Board; and
- dealing with other matters that are authorized by our 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, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience 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.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence, time commitment and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the Reporting Period, the Nomination Committee held one meeting to review the structure, size, composition of the Board with reference to the Board diversity policy and nomination policy and to review the overall contribution and service to the Company and independence of the Directors.

CORPORATE GOVERNANCE FUNCTIONS

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

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

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director during their tenure of office at the Board and Board Committees meetings held during the Reporting Period is set out in the table below:

	Attendance/Number of Meetings			
	Board Meeting(s)	Audit Committee Meeting(s)	Remuneration Committee Meeting(s)	Nomination Committee Meeting(s)
Dr. Jonathon Zhong Zhao	4/4	N/A	1/1	1/1
Mr. Yang Xie	4/4	N/A	N/A	N/A
Dr. Zheng Li	4/4	N/A	N/A	N/A
Mr. Stephen Hui Wang	4/4	N/A	N/A	N/A
Mr. Dongfang Li	4/4	N/A	N/A	N/A
Dr. Steven Dasong Wang	4/4	N/A	N/A	N/A
Dr. Jian Ji	4/4	3/3	1/1	1/1
Mr. Hongze Liang	4/4	3/3	1/1	N/A
Ms. Yun Qiu	4/4	3/3	N/A	1/1

Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive Directors without the presence of other Directors during the Reporting Period.

RISK MANAGEMENT AND INTERNAL CONTROLS

Risk Management

We are exposed to various risks for our operations so risk management is important for our business. In addition, we are also exposed to different financial risks, such as liquidity, credit and foreign exchange risks that arise in the ordinary course of our business. For further details, please see the section headed “Principal Risks and Uncertainties facing the Company” in the Management Discussion and Analysis. In order to identify, assess, control and monitor the risks that may cause impediments to our business, we have designed and implemented policies and procedures to help ensure effective risk management in our operations.

We have adopted a consolidated series 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. Our audit committee, and ultimately our Board supervises the implementation of our risk management policies. Risks identified by senior management will be analyzed on the basis of likelihood and influence, and will be properly followed up and mitigated and rectified by our Company and reported to our Board.

Our senior management implements the risk management policies, strategies and plans set by our Board. Each functional team monitors and evaluates the implementation of risk management and internal control policies and procedures on a day-to-day basis. In order to formalize risk management among our Company and set a standard level of transparency and risk management performance, the relevant teams will (i) gather information of the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, prioritization, categorization and measurement of all key risks that could potentially affect their objectives; (iii) continuously monitor the key risks relating to their operation or function; (iv) implement appropriate risk control actions when necessary; and (v) develop and maintain an appropriate mechanism to facilitate the application of our risk management framework.

With respect to urgent matters which arise between scheduled Board meetings, the Board secretary may also seek Board approval via telephone conference call or written Board consent. Before each Board meeting, an agenda is prepared with input from Directors, as well as from senior management. At Board meetings, depending on the agenda, heads of different departments will gather information relating to their functions and report to the Board on the relevant agenda items, as necessary. The Board secretary attends all Board meetings to ensure that there is no gap in communication between the two bodies. During Board meetings, the Board will on occasion further review and/or analyze particular issues and report their findings at the next Board meeting. Our Board believe that our corporate structure provides an appropriate system of checks and balances to improve our risk management procedures. Our 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 crucial risks associated with our business operation and our management’s handling of such risks, reviews our corporate risks in light of our corporate risk tolerance, and monitors and ensures the appropriate application of our risk management framework among our Company.

Internal Control

The Board is responsible for establishing our internal control system and reviewing its effectiveness. We regularly reviewed and enhanced our internal control system. Below is a summary of the internal control policies, measures and procedures we have implemented:

- We have adopted various measures and procedures regarding each aspect of our operations, such as protection of intellectual property, environmental protection and occupational health and safety. We provide periodic training on these measures and procedures to our employees as part of our employee training program. We also regularly monitor the implementation of those measures and procedures through our on-site internal control team for each stage of the produce development process;
- Our Directors (who are responsible for monitoring the corporate governance of our Group) with assistance from our legal advisors, will periodically review our compliance status with all relevant laws and regulations;
- We have established the Audit Committee which shall (i) make recommendations to our Directors on the appointment and removal of external auditors; and (ii) review the financial statements and render advice in respect of financial reporting as well as oversee the risk management and internal control procedures of our Group;
- We have established an internal control and audit department, which is independent of other departments of the Company, to perform a review of the adequacy and effectiveness of the risk management and internal control systems;
- We have engaged a PRC law firm to advise us on and keep us abreast with PRC laws and regulations. We will continue to arrange various training to be provided by external legal advisors from time to time when necessary and/or any appropriate accredited institution to update our Directors, supervisors senior management and relevant employees on the latest applicable laws and regulations;
- We maintain strict anti-corruption policies among our sales personnel and distributors in our sales and marketing activities. We also monitor to ensure that our sales and marketing personnel comply with applicable promotion and advertising requirements, which include restrictions on promoting our products for unapproved uses or patient populations, also known as off-label use, and limitations on industry-sponsored scientific and educational activities; and
- We have a whistle-blowing policy that serves the purpose of establishing whistle-blowing procedures for employees and other relevant external parties of our Company, in order to report and escalate any suspicious misconducts. In accordance with the policy, we protect all whistle-blowers from any kind of retaliation. All the information provided by the whistle-blowers will be strictly confidential.

The Company has developed its disclosure policy which provides a general guide to the Directors, officers, senior management and relevant employees of the Company in handling and dissemination of confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited. The Board is aware of its obligations to announce any inside information in accordance with the Listing Rules.

In particular, the Group:

- has conducted its affairs with close regard to the disclosure requirement under the Listing Rules as well as the “Guidelines on Disclosure of Inside Information” published by the Securities and Futures Commission in June 2012;
- has established its own disclosure obligation procedures, which set out the procedures and controls for the assessment of potential inside information and the handling and dissemination of inside information. The procedures have been communicated to the senior management and staff of the Company, and the implementation was monitored by the Company; and
- has made broad, non-exclusive disclosure of information to the public through channels such as financial reports, public announcements and its website.

The Board confirms its responsibilities for risk management and internal control systems, and for reviewing the effectiveness of such risk management and internal control systems. Such systems are designed to manage rather than eliminate the risk of failing to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company has an internal audit function which aims at helping the Company to accomplish its objectives by applying a systematic, disciplined approach to evaluate and improve the effectiveness of the Group’s risk management and internal control systems and to resolve material internal control defects.

The Board has reviewed the effectiveness of the internal audit system and the risk management and the internal control system of the Group, including the adequacy of resources, qualifications and experience of staff in the aforementioned systems and of the Company’s accounting, internal audit and financial reporting functions and the adequacy of their training programs and budget.

The Board, through a review covering all material controls, including financial, operational and compliance controls for the Reporting Period, considered that the risk management and internal control system of the Group was effective and adequate. The Board have conducted annual review on the risks management and internal control system of the Company.

DIRECTORS’ RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2023. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor’s Report.

AUDITORS' REMUNERATION

The total fee paid/payable to the independent auditor of the Company, in respect of audit services and non-audit services for the year ended December 31, 2023 is set out below:

Category of service	Fee paid/ payable RMB'000
Audit services	2,580
Non-audit services ^{Note}	820
Total	3,400

Note: Non-audit services are related to the 2023 ESG report and 2023 interim results review service.

JOINT COMPANY SECRETARIES

Mr. Quanwei Yuan (“**Mr. Yuan**”) and Ms. Kwan Sau In, a manager of corporate services of Tricor Services Limited are the joint company secretaries of the Company. The primary corporate contact person of our Company is Mr. Yuan who is our joint company secretary and chief financial officer.

The joint company secretaries have complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the year ended December 31, 2023.

During the Reporting Period, all Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices related matters.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, all resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening Shareholders' General Meetings

Annual general meetings shall be convened once a year, and be held within six (6) months after the end of the previous accounting year. An extraordinary general meeting shall be convened within two (2) months from the date of occurrence of any of the following events:

- the number of Directors is less than the minimum number required by the PRC Company Law or less than two-thirds (2/3) of the number stipulated in the Articles;
- the outstanding loss of the Company accounts for one-third (1/3) of the Company's total paid-up share capital;
- when Shareholders who individually or jointly holding more than ten percent (10%) of the Company's outstanding shares with voting rights request an extraordinary general meeting to be convened in writing;

- the Board deems it necessary to convene the meeting;
- the Supervisory Committee proposes to convene the meeting;
- when proposed by two or more independent non-executive directors; and
- other circumstances as stipulated by laws, administrative regulations, departmental rules and listing rules of the place where the Company's Shares are listed or the Articles.

The general meeting shall be convened by the Board, and chaired by the chairman of the Board. If the chairman of the Board fails or is unable to perform his or her duties, the Board may appoint a director of the Company to convene the meeting and act as the chairman of the meeting.

In the event that no chairman is appointed, the attending shareholders shall elect one person to act as the chairman of the meeting; if for any reason, the shareholders fail to elect a chairman of the general meeting, the shareholder (including his/her proxy) holding the largest number of voting shares among the attending shareholders shall be the chairman of the general meeting.

Putting Forward Proposals at General Meetings

Shareholders who individually or collectively hold over 3% of the shares of the Company have the right to propose an extraordinary resolution and submit it to the Board in writing 10 days before the convening of the general meeting. The convener shall issue a supplemental notice of general meeting within 2 days upon receipt of the proposals and incorporate the content of the proposals into the agenda of the general meeting.

The contents of such proposals shall fall with the functions and powers of the general meeting, shall feature definite topics and specific issues for resolution, and shall be in compliance with relevant requirements of laws, administrative regulations, listing rules for stock exchanges where the Company's shares are listed and the Articles of Association.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may supervise the operations of the Company, and to make suggestions and enquiries accordingly.

Contact Details

Shareholders may send their written enquiries or requests as mentioned above to the Company as follows :

Address : No. 270, Shuyun Road, Cangqian Street, Yuhang District, Hangzhou, Zhejiang Province, China
Attention : Mr. Quanwei Yuan
E-mail : ir@zyloxtb.com
Tel : +86 571 8861 0082

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Corporate communication of the Company will be provided to Shareholders to facilitate Shareholders' understanding. Shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means).

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. For this purpose, the Company has set up a website www.zyloxtb.com, where relevant latest information, the up-to-date state of the Company's business operation and development, the Company's financial information and corporate governance practices and other data are available to the public.

In addition, the Company has in place a shareholders' communication policy to ensure that Shareholders' views and concerns are appropriately addressed. In accordance with such policy, the Company works to maintain effective and on-going communication with Shareholders so that they, along with prospective investors, can exercise their rights in an informed manner based on a good understanding of the Group's operations, businesses and financial information.

The Company endeavors to maintain an on-going dialog with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

Based on our review of the initiatives taken by us, we are of the view that the implementation of the Shareholders' communication policy is satisfactory and effective during the Reporting Period.

Attendance of the Directors at the General Meetings

The attendance records of each Director at the general meeting of the Company during the Reporting Period are set out below:

Name of Director	Attendance/Number of General Meeting
Dr. Jonathon Zhong Zhao (<i>Chairman</i>)	1/1
Mr. Yang Xie	1/1
Dr. Zheng Li	1/1
Mr. Stephen Hui Wang	1/1
Mr. Dongfang Li	1/1
Dr. Steven Dasong Wang	1/1
Dr. Jian Ji	1/1
Mr. Hongze Liang	1/1
Ms. Yun Qiu	1/1

CHANGES TO THE ARTICLES OF ASSOCIATION

During the Reporting Period, the Company made certain amendments to its Articles of Association for the purposes of, among others, (i) reflect and align with the new requirements under the amendments on the Listing Rules with effect from January 1, 2022; (ii) remove the class meetings and related requirements, allowing the Company to declare and pay interim and final dividends out of share premium account of the Company without the sanction of an ordinary resolution, and giving greater flexibility to the Board to declare and pay interim dividends; and (iii) further refine the Articles of Association and amend provisions that do not match with the applicable PRC laws, rules, regulations and guidelines, and in particular, to update and adjust the mechanism and expressions involving the repurchase of shares. For details, please refer to the announcements of the Company dated April 18, 2023, May 3, 2023, May 9, 2023, July 26, 2023, September 27, 2023 and the circulars of the Company April 26, 2023 and October 3, 2023. An up-to-date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

DIVIDEND POLICIES

The Company has adopted a policy on payment of dividends pursuant to code provision F.1.1 of the CG Code taking into consideration of various elements including but not limited to, among other things, the Company's profitability, operation and development plans, external financing environment, costs of capital, the Company's cash flows and other factors that the Directors may consider relevant. The policy sets out the factors in consideration, procedures, methods and intervals of the payment of dividends with an objective to provide the shareholders with continuing, stable and reasonable returns on investment while maintaining the Company's Business operation and achieving its long-term development goal. Distribution of any interim or final dividends will be formulated by the Board, and will be subject to Shareholders' approval.

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

Environmental, Social and Governance Report

ABOUT THIS REPORT

Information about this report

This is the third Environmental, Social and Governance Report (the “**ESG Report**”) of Zylox-Tonbridge Medical Technology Co., Ltd. (“**the Company**” “**Zylox-Tonbridge**” or “**we**”), aiming to systemically explain to the shareholders of the Company its sustainable development management concept, practices and performance concerning product research and development (“**R&D**”), supply chain management, employee management & development, environmental protection and community engagement.

Reporting scope

The ESG Report covers the principal business of the Company during the period from January 1 2023 to December 31 2023, and part of the content can be traced back to previous years or extended to future years. Unless otherwise stated, the key performance indicators (“**KPI**”) for the environmental aspects in the ESG Report are applicable to the main production sites and offices of the Company in Hangzhou, Zhuhai, Shanghai and Beijing; the KPI for social aspects in the ESG Report are applicable to the Company and its subsidiaries.

Reporting standards

The ESG Report is prepared in compliance with the requirements of Appendix C2 *Environmental, Social and Governance Reporting Guide* (the “**ESG Reporting Guide**”) to the Main Board Listing Rules (the “**Listing Rules**”) of Hong Kong Exchanges and Clearing Limited (“**HKEX**”).

Reporting principles

“Materiality”: The Report Communication with stakeholders and materiality assessment are engaged in the preparing process of the ESG Report to determine key ESG topics.

“Quantitative”: The ESG Report adopts quantitative information to disclose the environmental and social KPIs accompanied by a narrative, explaining its purpose and impacts.

“Balance”: The ESG Report follows the balance principle to provide an unbiased picture of our ESG performance.

“Consistency”: This ESG Report is the third one issued by the Company. Unless otherwise specified, the key indicators and statistical methods are consistent with the ones used in 2022.

Report availability

The Report is released in both print and online editions. The online edition is available for view or download on the HKEXnews website (<http://www.hkexnews.hk>) and the Company’s official website (<http://www.zyloxtb.com/>).

STATEMENT OF THE BOARD OF DIRECTORS

In strict accordance with the *ESG Reporting Guide* of the Stock Exchange of Hong Kong, the Company insists on strengthening engagement and supervision of the Board of Directors in ESG matters. Meanwhile, we also improve ESG management structure and system to promote the dynamic integration of ESG concepts into the corporate development.

Role of the Board

The Board of Directors assumes the ultimate responsibility for Zylox-Tonbridge's ESG strategy, management and reporting. The Board of Directors fully understands the current status of the Company's ESG management, continuously monitors ESG development trends, oversees the Company's commitments and performance on important ESG issues, and makes final decisions on ESG-related issues. Besides, it works with Senior Management and ESG Working Group to integrate ESG management into internal control, risk management and business operation, and keeps improving ESG management system and ESG management performance.

ESG management principles

The Board of Directors pays continuous attention to ESG compliance requirement, development trends and peers' performance. Considering the Company's strategic development and the stakeholders' focused concern, the Board discusses and identifies the risks and opportunities related to ESG issues and defines the Company's ESG management priorities. Meanwhile, the Board renews management principles and strategies when necessary to ensure the ESG-related work is in line with global trends.

This report, which discloses the progress and effectiveness of the Company's ESG efforts in 2023, was considered and approved by the Board of Directors on March 21, 2024.

2023 ESG MILESTONES

- In May 2023, Zylox-Tonbridge was included as a constituent stock in the MSCI China All Shares Small Cap Index, with an “AA” rating by MSCI ESG in the first year.
- In July 2023, the Zylox-Tonbridge Public Charity Fund was established, with the first tranche of fundraising amounting to RMB1.3 million.
- In September 2023, Zylox-Tonbridge was included in the FTSE Global Total-Cap Index (LMSμ) and the FTSE Global Micro Cap Index.
- In December 2023, Zylox-Tonbridge was selected into the “Jianbing Plan” & “Lingyan Plan” (R&D projects to tackle bottlenecks) for the year of 2024 in Zhejiang.

HONORS

Time	Award	Issuer(s)
January 2023	Guangdong Specialized and Sophisticated Technology SMEs	Department of Industry and Information Technology of Guangdong Province
January 2023	Top 100 Innovative Enterprises in Zhuhai	Zhuhai Science and Technology Innovation Bureau
February 2023	Guangdong Research Center of Medical Device Engineering Technology of Neurovascular Implantation and Intervention	Department of Science and Technology of Guangdong Province
February 2023	Pioneering Enterprise in Talent Innovation in Yuhang District, Hangzhou	Yuhang District Committee and Government
February 2023	Golden Partner	China Neuromedicine Alliance of Innovation and Transformation (CNIT)
March 2023	National Foreign Trade Transformation and Upgrading Base (Biomedicine)	Zhuhai Enterprises Association for Foreign Economic Cooperation
March 2023	Charitable Donor in East-West Cooperation	East-West Cooperation Leading Group of Zhuhai Hi-tech Zone

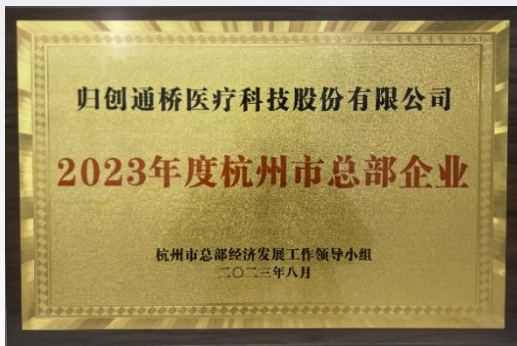
Time	Award	Issuer(s)
May 2023	Guangdong 2022 Quality Credit Class A Medical Device Manufacturer	Guangdong Administration for Market Regulation
May 2023	Major Investment Project Award	Zhuhai High-tech Zone Science and Technology Innovation and Industry Development Bureau
June 2023	Zhejiang Specialized and Sophisticated Technology SMEs	Hangzhou Municipal Bureau of Economy and Informatization
July 2023	National Specialized and Sophisticated “Little Giant” Enterprise	National Department of Industry and Information Technology
July 2023	Second Prize of the Essay Contest (Zhuhai) of the 11th National Brand Story Contest	Zhuhai Association for Quality
September 2023	Excellence Award of Zhuhai Total Quality Management Knowledge Competition Finals	Zhuhai Quality Work Leading Group
September 2023	Excellent Organizational Unit of Zhuhai Total Quality Management Knowledge Competition Finals	Zhuhai Quality Work Leading Group
October 2023	2023 Hangzhou Headquarters Enterprise	Hangzhou Headquarters Economic Development Leading Group
November 2023	Zhuhai 630 Caring Enterprise	Zhuhai Rural Revitalization Bureau
November 2023	Zhuhai Quality & Integrity Enterprise	Credit Report by Credit China (Zhuhai)
December 2023	Annual Growth Value Award	GuruClub
December 2023	Best Small and Mid-cap Company	ZhiTong Finance
December 2023	Zhejiang Hidden Champion 2023	Economy and Information Technology Department of Zhejiang



National Foreign Trade Transformation and Upgrading Base (Biomedicine)



National Specialized and Sophisticated “Little Giant” Enterprise



2023 Hangzhou Headquarters Enterprise



Pioneering Enterprise in Talent Innovation in Yuhang District, Hangzhou

SOUND OPERATION FOR SUSTAINABLE DEVELOPMENT

Zylox-Tonbridge adheres to the vision of “providing all patients with high quality and affordable medical products”. Insisting on the value of “integrity, pragmatism, pursuit of excellence and win-win cooperation”, we are committed to establishing a sound and efficient compliance management system to reinforce sustainability and business resilience for long-term value creation.

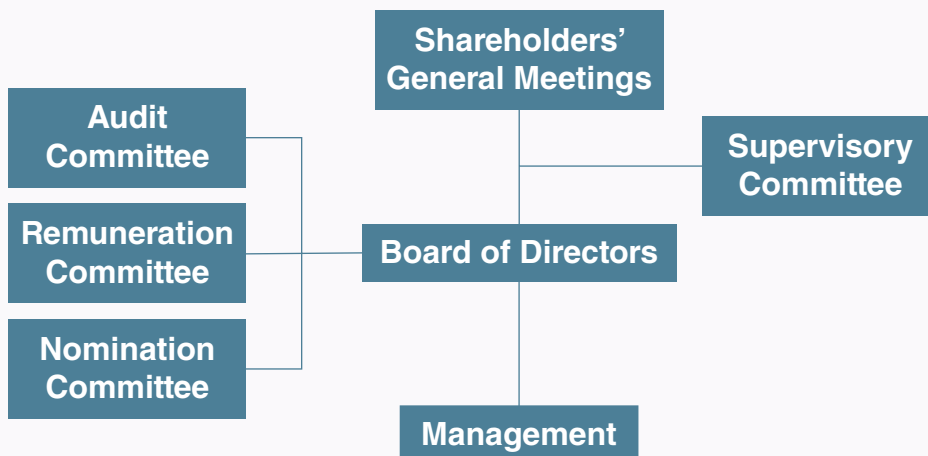
Corporate governance

Good corporate governance is the cornerstone of a company’s sustainable development. Zylox-Tonbridge strictly abides by the *Company Law of the People’s Republic of China*, the *Securities Law of the People’s Republic of China*, the *Code of Corporate Governance for Listed Companies* and other laws and regulations, and formulates the *Articles of Association* as well as various rules and regulations applicable to the development of the Company. It regularly reviews compliance with laws and regulations as well as the implementation of the corporate governance system and policies, and continuously improves them in light of the actual development of the Company to ensure the robustness and effectiveness of governance.

Improve governance structure

The Company’s governance structure is composed of the general meeting of shareholders, the Board of Directors, and the Supervisory Committee. As the highest authority, the general meeting of shareholders has engaged the Supervisory Committee as the supervisory body and the Board of Directors as the decision-making body. The Board of Directors has engaged the management as the executive body. Three committees under the Board of Directors, i.e., the Audit Committee, the Compensation Committee and the Nomination Committee, are responsible for providing support and suggestions for the Board to make efficient and well-informed decisions in a compliant manner. During the Reporting Period, the Company held 1 annual general meeting · 1 extraordinary general meeting, 4 meetings of the Board of Directors and 4 meetings of the Supervisory Committee.

Zylox-Tonbridge governance structure



Enhance governance capacity

The Board of Directors leads and instructs management, both directly or indirectly through committees, including developing strategies, overseeing their implementation, and monitoring the Company's operational, financial and ESG performance, to ensure that the Company operates under a sound internal control and risk management system.

In alignment with the principle of merit-based appointments and diversity, we select the most qualified candidates for the Board of Directors. The Nomination Committee is responsible for reviewing and assessing the composition of the Board of Directors by taking into account diversity, including but not limited to, gender, age, professional qualification, industry experience, cultural and educational backgrounds and ethnicity. We maintain a balanced mix of expertise among skills and experience of the Board members. The current members possess extensive experience in management and strategic development, quality assurance and control, finance and accounting, corporate governance, and medical devices. This diverse skill set greatly contributes to more well-informed and effective corporate governance and decisions. By the end of the Reporting Period, the Board of Directors comprised 9 members, of which 3 were independent directors and 1 female director.

ESG governance

ESG governance structure

The Company has established a three-tier ESG governance structure consisting of the Board of Directors, Senior Management, and ESG Working Group, and has fully incorporated ESG duties into the scope of responsibilities of all levels of the organization to actively address ESG risks and opportunities, promote ESG professional decision-making and implementation of major issues, and ensure that ESG work is carried out in a standardized and orderly manner.

Zylox-Tonbridge ESG governance structure

Board of Directors

The Board of Directors is responsible for evaluating and determining ESG management policies and strategies, and supervising ESG issues. It also assumes full responsibility for the Company's ESG strategies and reporting, the regular review of ESG issues and progress in achieving ESG goals, and the review and approval of the annual ESG report.

Zylox-Tonbridge ESG governance structure

Senior Management	Senior Management is responsible for formulating ESG management policies, strategies and performance indicators. It performs annual planning, management and supervision on ESG work, and evaluates and determines the risks and opportunities related to ESG issues to ensure that the Company has set up appropriate and effective ESG risk management system. Besides, Senior Management shall regularly review ESG goals and commitments and report the progress in ESG work to the Board of Directors.
ESG Working Group	ESG Working Group is composed of the Company's major functional departments, and is responsible for executing the Company's ESG management policies, implementing ESG policies, promoting routine ESG work, preparing annual ESG report, and reporting the progress in ESG work to Senior Management.

Stakeholder engagement

The Company is committed to transparent communication and effective engagement with all stakeholders. We have diversified communication channels to listen to stakeholders' voices. We view their concerns as crucial inputs to improve our sustainability efforts. We also enhance information disclosure to better address the concerns and expectations of stakeholders. The Company's main stakeholders include shareholders and investors, government and regulators, media and non-governmental organizations (NGOs), suppliers, customers, patients, employees and community.

Stakeholders	Demands and expectations	Communication channels
Shareholders and investors	Investment return Information disclosure Compliant operation	Annual report, financial statements and announcement Investor briefing Company's website Meeting, roadshow and investor conference
Governments and regulators	Compliant operation Tax payment per laws Contribution to society	Business Communication Research and Study Policy Implementation
Media and NGOs	Promotion of industry development Ensuring compliance publicity Delivery of brand value	Information Release Company's Website Media Interviews Press conference Communication via meetings

Environmental, Social and Governance Report

Stakeholders	Demands and expectations	Communication channels
Suppliers	Fairness and justice Win-win cooperation	Business communication Regular meetings Field visit Assessment and appraisal
Customers	Contract fulfilment per laws Honest operation High-quality products and services Customer privacy protection	Business communication Customer feedback Exchange and discussion Negotiation and cooperation Customer satisfaction survey
Employees	Employee rights and interests protection Occupational health and safety Staff benefits improvement Equal opportunities and diversification	Labor Union Staff Meeting Development Training Performance assessment Team building
Community	Active engagement in public welfare Promotion of positive energy	Public Welfare Fund Community Service Information Bulletin

Case: “Get Ready for a Better Future”-Zylox-Tonbridge launched 2023 Investor Open Day

On November 29, 2023, Zylox-Tonbridge 2023 Investor Open Day was held in Hangzhou. During the open day, a series of activities were launched, including product display, management sharing, and industry expert exchanges. We also invited visitors to have a close look at and try out our established offerings and innovative products under research. In addition, we engaged in-depth exchanges with investors on product R&D concepts and innovative technologies and processes. This enables them to have a better understanding of the Company’s product development strategy and R&D platform strength. Such open day activities provided an effective platform and channel for communicating with investor, which are conducive to strengthening their cognition of the corporate development and boosting their confidence.



Materiality Assessment

In order to clarify the focus of ESG practices and information disclosure, and determine our ESG priorities, we regularly collect, analyze and assess topics of interest to our stakeholders based on their daily communications, and in conjunction with the ESG Reporting Guide, policy requirements, tracking of industry dynamics, analysis of the Company's operating characteristics and strategic direction, and important ESG concerns of our peers, etc., in order to determine the Company's ESG management priorities. During the Reporting Period, there were no significant changes in the Company's business operation model. Reviewing the results of the previous year's materiality assessment, it was considered that the results were still applicable and therefore continued to be utilized, with the specific ESG materiality assessment process and issue matrix as follows:

Step 1: Identify ESG issues

- Review ESG work and stakeholder feedback
- Benchmark against major concerns in the industry and good practices from peers
- Refer to the criteria for ESG rating



Step 2: Stakeholder communication and research

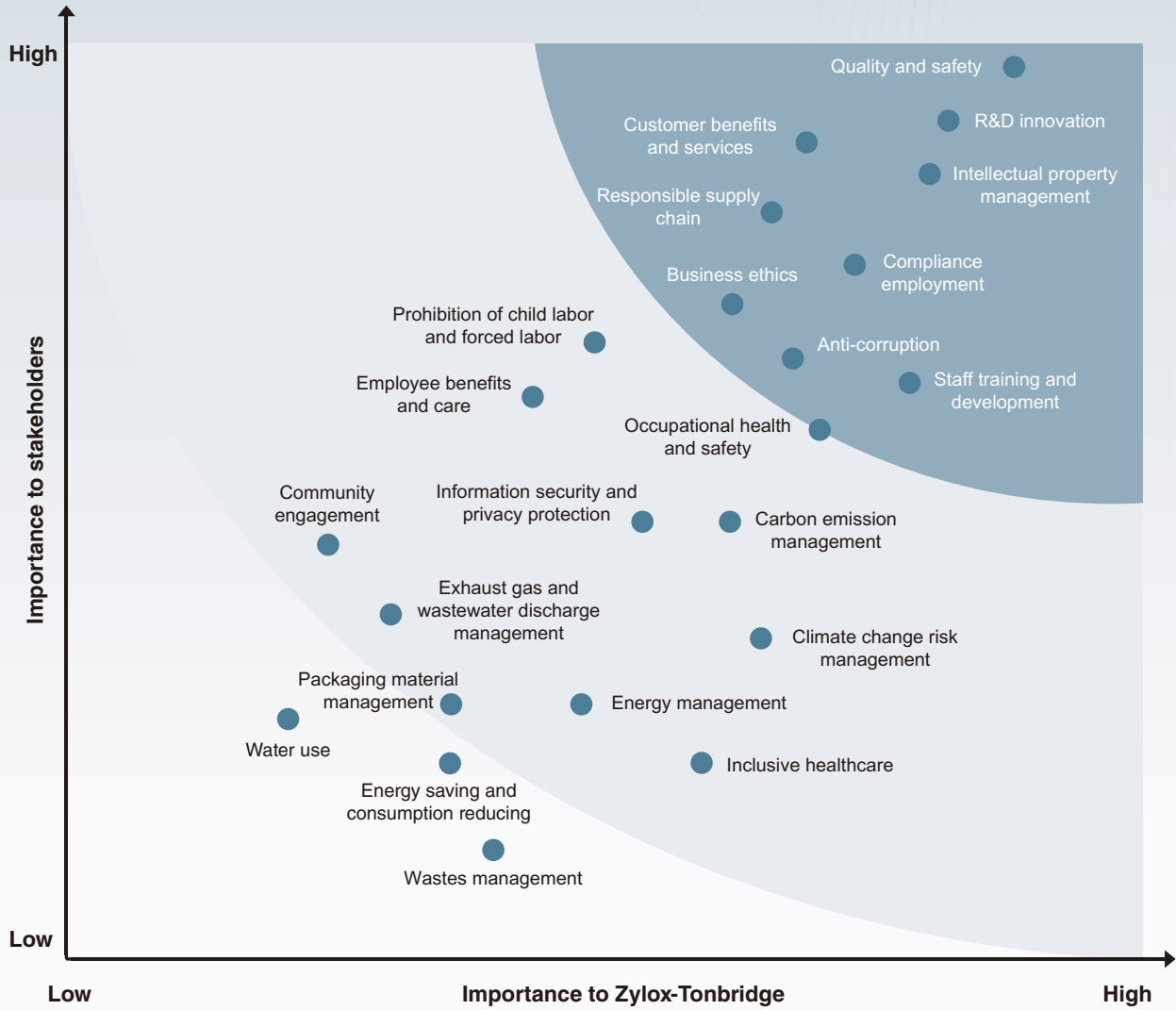
- Visit external stakeholders
- Interview internal stakeholders
- Prioritize material ESG issues



Step 3: Assessment of material issues

- The Board of Directors and ESG Working Group review and confirm the assessment results

Zylox-Tonbridge's assessment matrix for material ESG issues in 2023



Compliance governance

Anti-corruption and business ethics

The Company adheres to the values of “abiding by laws and conducting honest operation” and strictly complies with the *Criminal Law of the People’s Republic of China*, the *Anti-Unfair Competition Law of the People’s Republic of China*, the *Law of the People’s Republic of China Against Money Laundering* and other laws and regulations in its daily operation. We clarify the Company’s code of ethical conduct, establish a comprehensive compliance system, and form a series of policies including the *Anti-corruption and Anti-bribery System*, the *Anti-fraud Management System*, the *Measures and Policies for Anti-money Laundering* and the *Administrative Measures for Trade Secret Protection*, and released the *Zylox-Tonbridge Business Code of Conduct* in this year, providing a solid institutional guarantee for the company’s compliance management.

Integrity Management

We regard integrity and honesty as the foundation of our business and adopt a “zero tolerance” attitude towards any form of corruption, fraud, extortion, malpractice and money laundering. To this end, we manage our employees, suppliers, distributors and other partners in terms of professional conduct and business behavior.

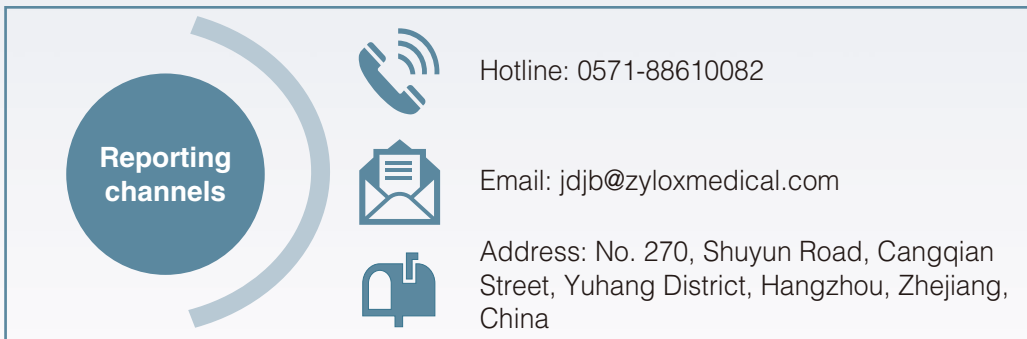
We clarify the code of business conduct and ethics of all employees through the *Employee Handbook*. Our employees are required to sign the *Letter of Commitment to Integrity and Self-discipline* and the confidentiality agreement immediately before on-boarding, while Senior Management staff are required to sign the *Conflict of Interest Questionnaire* to avoid compliance risks. Our compliance policies and systems apply to all employees, and we implement penalties and management measures when violations are detected, forming an effective closed-loop integrity management from top to bottom.

We actively incorporated our business partners into our compliance management system, advocated that suppliers as well as distributors comply with the management policies and compliance system of Zylox Medical, set up terms concerning anti-corruption and anti-bribery in all procurement and sales contracts, and added new *Domestic Distributor Management Provisions* during the Reporting Period, while requiring bidding suppliers to sign the *Letter of Commitment against Unfair Competition* and the *Letter of Commitment for Integrity*, and requiring distributors to sign the *Letter of Commitment for Distributor Compliance* to ensure that partners effectively fulfil their compliance obligations.

Reporting Management

We encourage all employees and all parties in the society to report suspected illegal and unethical clues through telephone hotlines, supervisory mailboxes, letters and other channels, so as to conduct effective supervision of corruption and other behaviors in an all-round way. We have made clear the mechanism for dealing with reporting matters in the *Workflow for Handling Whistle Blowing*. Upon receipt of a report, we will analyze the case and conduct internal and external investigations, and after the investigation is substantiated, we will seriously deal with the case and rectify the situation in accordance with the company's regulations. In addition, we have set out the details of whistleblower protection in the *Measures for Handling Whistle Blowing and Complaints and Protecting Whistle-blowers*, prohibiting the disclosure of whistleblower information and retaliation against whistleblowers under any pretext, and ensuring that whistleblowers' privacy and personal safety are not violated.

During the Reporting Period, no reporting or violation concerning corruption, bribery, blackmail, fraud or money laundering in the Company were received.



The graphic features a central blue circle with the text "Reporting channels" inside. To the right of the circle are three icons: a telephone handset, an envelope, and a mailbox. Next to each icon is its corresponding contact information.

Hotline: 0571-88610082

Email: jdjb@zyloxmedical.com

Address: No. 270, Shuyun Road, Cangqian Street, Yuhang District, Hangzhou, Zhejiang, China

Business ethics training

We endeavor to promote the construction of a corporate culture of integrity and regularly conduct anti-corruption anti-bribery, anti-fraud, conflict of interest and other compliance training for our employees and partners in order to enhance their awareness of integrity and strengthen the soft power of compliance management. During the Reporting Period, all new employees have covered in the anti-fraud trainings.

Case: Zylox-Tonbridge sharing — “Compliance Newsletter & Hot Topic Interpretation”

In 2023, in active response to regulatory requirements for integrity of medical practitioners, the Company’s Compliance Department launched a series of sharing themed on “Compliance Newsletter & Hot Topic Interpretation”. Through internal social platforms such as email, DingTalk or WeChat, we regularly shared industry information such as compliance policies and anti-corruption cases with all employees. For business lines under different functions, the Compliance Department collected and screened information in a targeted manner to meet their specific needs. To make knowledge sharing interesting, we also produced cartoons and promotional videos centering on compliance culture to promote employees’ compliance awareness.

Case: Zylox-Tonbridge launched compliance training for employees

In July 2023, to help employees better understand the Company’s compliance management system, we provided a special training session on compliance system for all marketing employees. During the training, we explained to employees the composition of the system, the requirements of internal policies, and the management details of the newly released *Zylox-Tonbridge Code of Business Conduct*. We also arranged a classroom test after the training to ensure that the employees have a timely and comprehensive understanding of the compliance management requirements, and that the system is fully implemented.



Case: Zylox-Tonbridge launched compliance training for distributors

In March 2023, Zylox-Tonbridge carried out compliance training that centered around business ethics for distributors. During the training, we introduced compliance-related regulations and requirements such as the *Nine Guidelines for Integrity of Medical Practitioners* and the *Notice on Work Focus on Correcting Improper Practices in Pharmaceutical Procurement and Sales and Medical Services*. In addition, we also detailed management requirements for specific business scenarios such as marketing and academic exchange. While strengthening our business ethics management, we continued to expand our compliance management standards to include our partners. By actively collaborating with them, we strive to promote the integrity in the medical industry.



Information security and privacy protection

We attach great importance to information security and privacy protection, strictly comply with laws and regulations such as the *Cybersecurity Law of the People's Republic of China*, the *Personal Information Protection Law of the People's Republic of China* and the *Tort Law of the People's Republic of China*, and actively implement the *Guiding Principles for the Examination of the Registration of Medical Devices for Cybersecurity in China* and other regulatory requirements. The Company has formulated the *Management System for Personal Information Protection*, with the General Manager as the highest-ranking official in charge of information security management, and other departments such as Compliance, Legal, and IT are also in charge of information security monitoring, coordination, and technical control. We have gradually established and improved the information security and privacy protection system in line with our business development, and clarified the management process obtaining, handling, and utilizing personal information of employees, customers and partners. To further safeguard the information security of the enterprise's management and business operation, we have published a legal statement and privacy policy on the Company's official website, and releases Legal Statement¹ and Privacy Policy² on our official website and the "Employee Data Application" process is introduced in the OA system to improve employee knowledge of information security prevention in the workplace, to strengthen the daily behavioral norms, to prevent the leakage of data and private information, and to ensure that the company and customer privacy is fully protected.

¹ <https://www.zyloxtb.com/legal-statement.html>
² <https://www.zyloxtb.com/privacy-policy.html>

Responsible marketing

Zylox-Tonbridge strictly complies with the *Advertising Law of the People's Republic of China*, the *Law of the People's Republic of China on the Protection of Consumers' Rights and Interests*, the *Criteria for the Examination and Publication of Medical Apparatus Advertisements*, the *Medical Devices Regulation (MDR)* and other laws and regulations of the places where it operates, and devotes itself to carrying out publicity and marketing practices in compliance with domestic and foreign laws and regulations, social norms and ethical standards, so as to protect the interests of consumers. In accordance with the *Regulations on the Management of Marketing Activities* and the principles for the preparation of publicity documents, we standardize the workflow for the preparation, evaluation, release and archiving of external publicity documents to ensure the consistency, accuracy and traceability of external publicity and marketing content, and to avoid exaggerated publicity and deceptive or misleading information in external publicity content. At the same time, we follow the *Zylox Medical Brand Visual Identification Manual* and the *Tonbridge Medical Brand Visual Identity Guidelines Manual* to ensure the consistency of the external use of trademarks and prevent the occurrence of incidents of infringement of consumers' rights and interests.

In order to strengthen internal and external quality publicity and education, we publicize the awareness of compliant marketing through various channels and forms such as new employee orientation training, interim meeting and distributor meeting, to guide our employees and partners to form a culture of compliant marketing, and to jointly maintain a fair and favorable market environment.

Case: Zylox-Tonbridge launched compliance marketing training for employees

In June 2023, to strengthen the Company's compliance with marketing regulations, the Legal Department organized a training session entitled "Compliance Marketing Focus & Case Study — How to Advertise in a Standardized Way". During the training, we illustrated the compliance requirements and suggestions for advertising to business and sales employees. This regulated the management of marketing channels and contents, and specified the publicity guidelines necessary in marketing campaigns, which are conducive to efficient and compliant exchanges, and a friendly public opinion environment and brand image.



Protection of intellectual property rights

Zylox-Tonbridge firmly believes that intellectual property protection is the key to robust competitiveness. The Company strictly abides by laws and regulations such as the *Patent Law of the People's Republic of China*, the *Trademark Law of the People's Republic of China* and the *Enterprise Intellectual Property Management Specifications*. We also constantly improve the intellectual property management system. Based on internal policies such as the *Intellectual Property Management System*, we manage and protect intellectual property rights such as patents, trademarks and trade secrets. This can help us safeguard competitive strength and brand reputation, and avoid infringement of others' intellectual property rights. During the Reporting Period, the Company had obtained the Enterprise Intellectual Property Management (GB/T29490-2013) certification.



Certificate of Intellectual Property Management System

In order to stimulate the creative and innovative vitality of all kinds of talents and encourage the output of intellectual property achievements, we give special rewards to the departments, project teams and individuals who have outstanding performance in undertaking and completing the projects under research, winning awards, and declaring patents in accordance with the *Notice on Raising Incentives for Patents*. In addition, to make employees aware of the compliance obligations to protect intellectual property and trade secrets, we organized four special training sessions on intellectual property protection and management for R&D employees. Such training covered IP mining and layout and analysis of patent infringement risks, aiming to enhance their awareness of intellectual property protection. During the Reporting Period, the Company was titled “Hangzhou Patent Pilot Enterprise in 2023”.



Zylox-Tonbridge’s intellectual properties approved in 2023

By the end of the Reporting Period, the Company had acquired 88 patents in total, including 25 patents for inventions and 63 patents for utility models. The numbers of specific intellectual property rights statistics are as follows:

Category	2023	Unit
Patents (in total)	88	Pcs
Patents authorized in 2023	25	Pcs
Patents (Applied in progress)	56	Pcs
Patents for inventions (Applied in progress)	54	Pcs
Patents for utility models (Applied in progress)	2	Pcs
Trademarks (in total)	157	Pcs
Trademarks authorized in 2023	11	Pcs

INNOVATION-DRIVEN DEVELOPMENT

Guided by the innovation-driven and platform-empowered development strategy, Zylox-Tonbridge focuses on cutting-edge technology for high-end medical devices and strengthens independent innovation. We are committed to delivering a comprehensive solution for high-quality medical devices with innovation and solid technology. With these efforts, we actively contribute to the high-quality development of the biomedical industry and the implementation of the Healthy China Initiative.

Lean R&D

R&D management

Taking R&D innovation as the driving force of corporate development, we attach great importance to R&D management. Based on our deep understandings of the industry and R&D strategies, we have created a set of platform-based and efficient R&D innovation system.

- **Management system:** We improve the Regulations on Product Design and Development Management, the Risk Management Control Procedures, and the Regulations on the Sampling Scheme Management for Process Confirmation. Meanwhile, we have formulated the Project Review System and the Product Specification and Model Naming System to ensure effective control over R&D project approval, design, development and operation.
- **R&D layout:** In active response to clinical needs, we optimize product portfolios, while diversifying and innovating products based on our R&D advantages. We have established Hangzhou R&D Manufacturing Center and Zhuhai Innovation Base to improve R&D strength and manufacturing efficiency, thus enhancing the scale effect.
- **Technology platform:** Adhering to efficient R&D, we have built four major R&D and manufacturing technology platforms. Supported by these platforms, we accumulate manufacturing expertise, and refine advanced proprietary technology. We promote the quality and efficiency of R&D with core technology, and enhance the efficiency through high-quality operations, actively preparing for the pooled procurement planning.
- **Collaborative management:** We have established a regular communication mechanism across departments such as R&D, Registration and Operation to break barriers. This has promoted cross-departmental communication and coordination, and improved the efficiency of solving key R&D problems.
- **Digital empowerment:** We integrate R&D management into the OA system for visualization. By optimizing and developing new system modules, we strive for lean, intelligent and standard management.

Zylox-Tonbridge's R&D and Manufacturing Technology Platform



Balloon Forming and Manufacturing Platform:

Complete balloon molding, laser welding, pleating/folding & final assembly lines



Stent Forming and Processing Center:

Ability to process stents in the whole process and corresponding stent testing capabilities



Catheter Forming and Manufacturing Platform:

Produce single-lumen tubes, multi-Lumen tubes, braided reinforced tubes, multi-layer composite tubes, special material tubes and other multi-functional tubes



Braiding & Coiling Catheter Development and Manufacturing Platform:

Conduct research on braiding technologies in terms of various ratios and densities

R&D talents

Through in-house training and talent introduction, we make efforts to nurture specialized talents. We aim to build a high-quality R&D team with international vision to consolidate the foundation for continuous R&D innovation. Based on the need for development of technology platforms and product series, we build up specialized R&D workforce to the greatest extent. By the end of the Reporting Period, among the Company's core R&D employees, those with a bachelor's degree had reached 99%, while those with a master's degree or above had exceeded 50%. We pool high-quality R&D talents to consolidate the foundation for innovation.

In order to stimulate the vitality of talents and create a good environment for innovation, we have clarified and implemented the rewarding policies for each stage of product R&D based on the *Project Incentive System*. During the Reporting Period, we provided milestone incentives for projects under research, with 9 milestones in 6 projects awarded, covering 54 members of core projects.

To strengthen the innovation strength of the R&D team, we have provided special training to all employees at R&D centers and operation centers by integrating online and offline as well as internal and external resources. Such training includes “How to Excel in R&D”, “Project Development Process” and “Application of Quality Function Development (QFD) in Product Design and Development”. Through these training sessions, we improve the comprehensive quality of the team, and consolidate the core competitive advantage.

Special training on R&D innovation



Technical innovation

The Company continues to promote product R&D innovation, as well as the development and implementation of core technologies. Focusing on the peripheral and neurovascular intervention and implantation, we drive long-term development with robust R&D pipelines to facilitate the product substitution through independent innovation. We insist on participating in scientific research projects. During the Reporting Period, we successfully applied for 15 scientific research funds and government grant programs, including the “Spearhead Plan” & “Lingyan Plan” (R&D projects to tackle bottlenecks) for the year of 2024 in Zhejiang, with a cumulative approval amount of approximately RMB9.6 million. 2023, relying on strong R&D capabilities, we were successfully selected as the National Specialized and New “Little Giant” Enterprise and the Zhejiang Hidden Champion in 2023. Meanwhile, we have obtained a number of R&D qualifications and product innovation awards, reflecting that the Company’s R&D innovation competence was highly recognized.

Zylox-Tonbridge innovation awards

Time	Award	Issuer(s)
January 2023	Zhuhai Innovative Product (Coils)	Zhuhai Science and Technology Innovation Bureau
March 2023	Second Prize of Technological Innovation Award of Guangdong Precision Medicine Science and Technology Award	Guangdong Precision Medicine Application Association
July 2023	Zhuhai High-tech Zone Innovative Product (Clot Retrievers)	Zhuhai High-tech Zone Science and Technology Innovation and Industry Development Bureau
July 2023	Zhuhai High-tech Zone Innovative Product (Coils)	Zhuhai High-tech Zone Science and Technology Innovation and Industry Development Bureau

Industry partnership

Industry-academia-research collaboration

For a long time, Zylox-Tonbridge has been committed to an innovative collaboration platform covering “basic research — clinical application — translational medicine — industrial transformation” by working with partners from the industry, universities, and research and medical institutes. Through close cooperation with well-known universities, as well as clinical and scientific research institutes, we aim to build an innovation community. Supported by this collaborative effort, we strive for industrial technology transformation, forward-looking and basic scientific research innovation, and upstream and downstream industry development.

Our partners include scientific research institutes and universities represented by Zhejiang University and University of Shanghai for Science and Technology. We also conduct in-depth cooperation with top domestic clinical research institutes such as the Ninth People’s Hospital Affiliated to Shanghai Jiaotong University School of Medicine and the First Affiliated Hospital of Chongqing Medical University. We are committed to driving industry development in an all-round and multi-dimensional way through innovative industry-academia-research-medicine collaboration, interdisciplinary integration, and multi-scenario exploration. By doing so, we jointly promote capacity building and value sharing, so as to build a new ecosystem for industry development.

Academic promotion and exchange

As an industry leader, Zylox-Tonbridge adheres to the values of “pursuing excellence and win-win cooperation”. While improving product quality and performance, the Company also carries out professional education activities for medical practitioners. Giving full play to our platform advantages, we work with outstanding peers to provide a favorable stage for medical innovation talents, contributing our wisdom and strength to the high-quality development of the medical device industry.

Zylox-Tonbridge technical exchange platforms

Zylox Institute

Zylox Institute is a multidimensional platform to serve the professionals and partners in peripheral vascular intervention field, covering disciplinary exchange, skill cultivation, medical and engineering innovation, teaching on the patients, and social benefits. The institute serves and energizes the backbone force in endovascular therapy by diverse sharing and discussion activities and circumstances, including real-word clinical study, medicine-engineering innovation brainstorm, mining of the latest technology in the world and the horizon widening in product development.

Tonbridge Dialog

Tonbridge Dialog focuses on the latest points in the neurological intervention field with the help of the media platform in neurological intervention. The dialog pays attention to the clinical research at home and abroad and the state-of-the-art academic message. The dialog also releases the expert courses and case review, to help the neurological intervention doctors gain a comprehensive understanding of the latest dynamics in the industry.

Innovation Workshop

With a focus on product innovation, Zylox-Tonbridge held medicine-engineering dialogs on the major academic conferences nationwide. Experts and engineers were invited for the zero-distance discussion over clinical challenges and cutting-edge issues.

Technical Training

Zylox-Tonbridge strives to share advanced medical technologies, promote standardization of surgical procedures and build up clinical skills of young physicians. Therefore, Zylox-Tonbridge organized many academic and co-creation activities, such as offline training on the trans-radial approach for neuro-intervention, training classes on radiofrequency ablation in Hubei and Guangdong, and Young Physician Club for Diagnosis and Treatment of Venous Diseases in Shandong.

Case: “Talks on Venous Diseases” Zylox Medical held 2023 Innovation Salon for Diagnosis and Treatment of Venous Diseases

In March 2023, centered on hot topics about interventional diagnosis and treatment of venous diseases, “Talks on Venous Diseases” 2023 Innovation Salon for Diagnosis and Treatment of Venous Diseases was successfully held in Chengdu. This event marked the first nationwide academic activity on venous diseases, and also the largest conference hosted by Zylox Medical in 2023. The salon covered hot topics such as “new concept of VTE diagnosis and treatment” and “removal strategy for lower-extremity venous thrombosis”. Experts and scholars were invited to engage in deep discussions through decentralized, cross-dimensional, and immersive interactions, promoting exchanges on industry technologies and cutting-edge innovations.



Case: “Shine at OCIN 2023” Zylox-Tonbridge attended 2023 Oriental Conference of Interventional Neuroradiology (OCIN 2023)

In October 2023, Zylox-Tonbridge attended OCIN 2023, which was held in Shanghai by the Shanghai Medical Association, to introduce new products and technologies. We organized exchange activities including the Seminar on the Trans-radial Approach for Intervention and R-DAS Technology, and the BADDASS Case Competition. An exclusive booth was set up for attendees to learn more about our products and engage in deep communication. The conference enabled us to showcase our innovation strengths to industry peers, which greatly contributed to product promotion and application.



In order to help the brand go global, Zylox Medical actively participates in industry exchange activities at home and abroad, engages in international cooperation, supports and participates in academic forums and seminars regarding peripheral and neurovascular intervention, and injects China’s wisdom and vitality into the construction of the world’s health and wellness community.

Case: Zylox-Tonbridge expanded its presence in overseas markets by attending LINNC PARIS 2023 and LINC 2023

In June 2023, Zylox-Tonbridge introduced “Tonbridge Medical” and “Zylox Medical” products at the Live Interventional Neuroradiology, Neurology & Neurosurgery Course Paris 2023 (LINNC PARIS 2023) and the Leipzig Interventional Course 2023 (LINC 2023) respectively. By presenting innovative design and comprehensive solutions, Zylox-Tonbridge demonstrated strong R&D strengths and high product quality. As China’s leading provider of neurovascular and peripheral vascular interventional medical devices, Zylox-Tonbridge was invited to two top academic conferences for the recognition of its products in overseas markets and the ever-increasing brand influence.

Environmental, Social and Governance Report

Responding to the call of enhancing government-enterprise communication, we have become members of many provincial, municipal and district-level industry associations. By participating in training programs and selection activities, we shared our scientific and technological achievements and practical experience, with an aim to build a platform for industry exchanges and drive high-quality industry development.

Engagement in industry associations

China Association for Medical Devices Industry

Zhejiang Provincial Association for Medical Equipment Industry

Guangdong Precision Medicine Application Association

Guangdong Council for the Development Promotion of Small and Medium Enterprises

Cangqian Chamber of Commerce, Yuhang District, Hangzhou

Biopharmaceutics Industry Association, Yuhang District, Hangzhou

Zhuhai Science and Technology Development Promotion Association

Zhuhai High-tech Zone Biomedicine and Medical Device Association

Zhuhai Association for Quality

Zhuhai Enterprises Association for Foreign Economic Cooperation

EXCELLENCE IN QUALITY

Zylox-Tonbridge always pursues excellence in product and service quality. Capitalizing on lifecycle quality management, enhanced service capabilities and supply chain cooperation, the Company improved the whole-process quality control of products from raw materials to terminal sales. In pursuit of excellence, the Company provides high-quality and affordable medical devices and clinical solutions for patients.

Quality first

Quality management

We continuously improve our quality management system and ensure its effective operation in strict accordance with laws and regulations such as the *Regulations on the Supervision and Administration of Medical Devices*, the *Quality Management Standards for Medical Device Production* and the *Measures for the Administration of Registration of Medical Devices*. We have also formulated a series of internal management processes and procedures, including the *Quality Manual*, the *Unqualified Product Control Procedures* and the *Management Provisions on the Preparation of Instruction Manuals*. By introducing the *Registrant Policy* and optimizing the *Risk Management Control Procedures* during the Reporting Period, we ensure effective quality management following high-standard, strict R&D and production management, as well as well-arranged and efficient workflow. During the Reporting Period, our manufacturing centers in Hangzhou and Zhuhai have all passed the ISO 13485 Medical Device Quality Management System Certification, with a coverage rate of 100%. Zhuhai manufacturing center has also obtained the ISO 9001 Quality Management System Certification and the CNAS Accreditation on Laboratory.



Zylox Medical ISO 13485 Medical Device Quality Management System Certification



Tonbridge Medical ISO 13485 Medical Device Quality Management System Certification



Tonbridge Medical ISO 9001 Quality Management System Certification

Environmental, Social and Governance Report

We continue to improve our quality risk management mechanism and have formed a risk management team consisting of R&D Department, Quality Control Department, Quality Inspection Department, Clinical Medicine Department and other departments to ensure the effective implementation of quality management. In addition, based on the *Risk Management Control Program*, we carry out product quality control throughout the life cycle of incoming materials, research and development, process, outgoing storage and recall to ensure product quality and safety at all stages. In order to standardize the process of quality inspection and disposal of nonconforming products, we have formulated the *Unqualified Product Control Procedures* to ensure that the products put into use meet the quality requirements.

In order to comply with applicable quality standards, we regularly conduct internal and external audits to ensure the effective operation of our quality management system. We conduct full-coverage audits of the departments, processes, products and training involved in accordance with the quality annual audit plan and the medical device production quality management system specifications, and regularly commission a third party to conduct clean room environment testing. During the Reporting Period, the Company accepted the external quality audit of Zhuhai Municipal Market Supervision Administration, and actively implemented rectification in response to the findings of the audit, and no major quality problems were found in the internal and external audit activities during the year.

Quality improvement

We make unremitting efforts to improve our quality management capabilities through policy tracking, process optimization, employee training and culture building, to maintain the high standard of quality management.

- **Policy interpretation:** To ensure compliance operations, we closely follow policy updates, track and analyze relevant laws and regulations of operating locations in real time, and conduct quarterly sharing sessions and training on policy interpretation.
- **Process optimization:** To improve the quality and efficiency of inspection, we continue to optimize production processes and introduce advanced equipment. During the Reporting Period, we newly employed one automatic quadratic element equipment, one 09-550NW Particle Counter and one HS-30 Automatic Headspace Sampler, which have significantly improved the efficiency of quality inspection.
- **Employee training:** To enrich employees' business skills, we organized internal and external training on quality management, including "MDSAP Interpretation and Preparation", "CNAS Laboratory Knowledge", "Analysis of Medical Device Usability Design and Registration and Reporting Compliance Requirements" and "Materials Management and Supplier Audit Control for Medical Device Quality Control". We also attended the Xiangzhou Quality Management Enhancement Training for Medical Device Companies to expand the resource sharing platform.

- Culture building:** To foster a positive quality culture, we held the GMP Knowledge Contest to stimulate employees' enthusiasm for learning, and participated in external activities such as Zhuhai Comprehensive Quality Management Knowledge Competition.

Case: Zylox-Tonbridge organized quality awareness training

In 2023, to enhance employees' sense of quality management, a company-wide quality awareness training session was carried out with nearly 100 participants from R&D centers and departments of manufacturing, quality control and production. During the training, we highlighted the importance of quality control in daily production with illustrative cases. We also arranged an online quiz session afterwards to motivate employees to apply comprehensive quality management knowledge and methods and foster a work environment where quality is a priority for all.

During the Reporting Period, the Company won a number of awards for its outstanding quality management capabilities:

Zylox-Tonbridge quality awards

Time	Award	Issuer(s)
July 2023	Second Prize of the Essay Contest (Zhuhai) of the 11th National Brand Story Contest	Zhuhai Association for Quality
September 2023	Excellence Award of Zhuhai Total Quality Management Knowledge Competition Finals	Zhuhai Quality Work Leading Group
September 2023	Excellent Organizational Unit of Zhuhai Total Quality Management Knowledge Competition Finals	Zhuhai Quality Work Leading Group



Second Prize of the Essay Contest (Zhuhai) of the 11th National Brand Story Contest



Excellence Award of Zhuhai Total Quality Management Knowledge Competition Finals



Excellent Organizational Unit of Zhuhai Total Quality Management Knowledge Competition Finals

Clinical ethics

Emphasizing on clinical ethics, the Company strictly complies with laws and regulations such as the *Regulations on the Supervision and Administration of Medical Devices* and the *Quality Management Standards for the Clinical Trials of Medical Devices*. The Company has also formulated management policies, including the *Project Management Regulations of Clinical Medicine Department*, the *Routine Inspection Procedures of Clinical Trials* and the *Writing and Approval of Clinical Trial Protocols*. During the Reporting Period, we revised and issued a series of internal documents including 23 system documents, 6 SOPs and 2 guidelines, and optimized management regulations on clinical trials. In this way, we resolutely safeguard the health, safety and privacy of participants, and ensure that all animal experiments follow relevant management regulations for laboratory animals.

We continue to improve the management of clinical trials and standardize the entire process of clinical trials, including pre-preparation, trial execution, project completion and product registration, through strict screening of trial organizations, establishment of a quality assessment system, strengthening of medical audits, and on-site audits. In order to ensure the quality of clinical trials, we regularly conduct project assessment and site audits to ensure compliance in the clinical execution process. During the Reporting Period, we organized more than 20 on-site audits covering more than 10 projects.

To strengthen professional capabilities of our clinical team, we organized 16 internal and external training sessions on basic knowledge, professional skills, project management and other contents during the Reporting Period. For the training program, we designed courses such as “Interpretation of the Key Points and Determination Principles for Medical Device Clinical Trial Inspections (Draft)”, “Q&A on Inspection” and “Clinical Trial Protocol Design”. A coach will provide guidance for the new employee throughout the learning phase. In addition, to enrich the expertise of our clinical team, we compiled global pharmaceutical R&D regulations and industry updates, including 22 industry news articles and 11 translated international regulations and literatures. Supported by this initiative, we are well-equipped to protect the health and rights of participants in the future.

We highly respect the participants’ right to know and firmly protect their personal information and privacy. Confidentiality obligations of researchers, clinical trial suppliers, sponsors and other parties involved are clearly stipulated in related contracts or agreements. Various measures are employed, including encryption, for clinical data to protect the rights and interests of participants.

With regard to the ethics of animal testing, the Company strictly follows provisions such as the *Guiding Principles for Technical Review of Animal Experiment Research on Medical Devices*, the *Regulation on the Administration of Laboratory Animals* and the *Measures for the Quality Management of Laboratory Animals*, adequately evaluates the necessity of carrying out animal testing, follows the 3R principles of “Replacement, Reduction, and Optimization”, regulates the management process of animal experiments according to the *Management System for Planning and Execution of Animal Experiments*, and maintains animal welfare in accordance with the law. In addition, the Company cooperates with third-party animal experiment centers with the *Laboratory Animal Institution Accreditation Certificate*, and the protocols are designed and implemented by professional personnel to ensure the safety and effectiveness of animal experiments.

During the Reporting Period, no serious adverse events occurred during the Company’s clinical trials.

Quality services

Protection of customer rights and interests

To optimize customer service management, we follow the *Regulations on Handling Customer Complaints* to handle customer complaints and product compensation. Feedbacks are collected through means of hotline, emails and visits to respond to customers' needs promptly and protect their rights and interests. Our quality services have earned their trust and recognition. During the Reporting Period, the Company had received no customer complaints about products.



- Customer complaint email: kszy@zyloxmedical.com
- Customer complaint handling commitment: Reply within 24 hours, and provide a handling plan within 48 hours.

This year, to further improve the service quality and employees' professional skills, we organized a number of activities such as the "2023 Creation Camp" basic training, Product and Professional Knowledge Contest, and training on basic surgical procedures and product knowledge. Furthermore, we held annual distributor meeting and regularly conducted satisfaction survey. Distributors were invited to evaluate the Company from the perspectives of "product", "business cooperation" and "channel service", with 123 valid responses received. The Company got scored 97 points out of 100 points on average in the survey.

Case: "Join Hands for a Shared Future"-Zylox Medical held 2023 National Channel Development Forum

In February 2023, we held a national channel development forum in Zhuhai. We exchanged in-depth information with 140 distributors from around the country on the development of peripheral-vascular interventional industry, our strategic footprint and sales strategy. During the product experiencing, we presented a number of core products and those under development to the participants, and listened carefully to feedback and suggestions on product quality and service standards, so that we could work with our partners to promote high-quality development of the industry and respond to social concerns and expectations with quality products and services.



Environmental, Social and Governance Report

Product recall management

To better protect patients as a responsible enterprise, we attach importance to the management of product quality and safety risks, standardize post-market supervision and management, and continuously improve the recall decision-making mechanism. We strictly abide by the *Management Measures for Monitoring and Reevaluation of Adverse Events of Medical Devices* and other laws and regulations, and have formulated the *Management Measures for Adverse Event Monitoring, Rating and Product Recall*, the *Feedback Control Procedures*, and the *Policy of Handling Brazilian Adverse Events*, defining the recall conditions, process and execution rules for each place of operation.

Recall events are graded according to the severity of the defects of the medical device and appropriate responses are made: the medical device distributors and users will be notified within 1 day for grade 1 recalls, within 3 days for grade 2 recalls or within 7 days for grade 3 recalls. A recall announcement will be issued on a management website based on its grade. After confirming the recall decision, the Company submits an investigation and evaluation report and a recall plan to the pharmaceutical authority within 5 working days. Then we submit the “Recall Plan Implementation Report Form” regularly during the recall, and present a summarized evaluation report on the medical device recall within 10 working days after the recall completes. In this way, we ensure rapid response to adverse events, standardized reporting, effective follow-up and timely correction, prevent reoccurrence of the same or similar quality accidents, and ensure the health and safety of patients and users.

During the Reporting Period, the Company did not recall products for safety and health reasons.

Responsible procurement

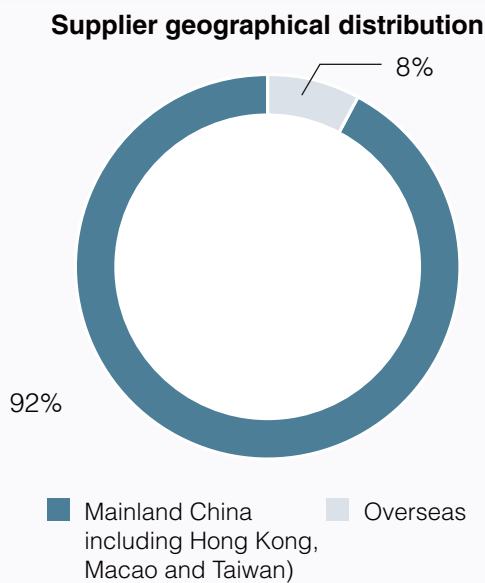
Supplier management

We understand that the quality, resilience and sustainability of supply chain are critical to the long-term development of our business. We strictly abide by the laws and regulations at the place we operate, and we have established a comprehensive management system covering supplier admission, management and evaluation in accordance with the *Supplier Evaluation and Selection Procedure* and other internal policies to ensure the high quality and stability of the supply chain.

For new suppliers, we conduct comprehensive assessment to understand their qualification, productivity, product and service quality and material performance in terms of cost, delivery, service and quality in accordance with a series of evaluation criteria such as the *Supplier Admission Approval Form*, *Supplier Questionnaire*, and *Supplier Sample Evaluation Form*. We also rigorously review their qualification documents, including business license, system certificates, and product inspection reports. During the Reporting Period, we strengthened supplier quality management, set up new positions dedicated to supplier quality engineering, established an internal quality laboratory, and conducted comprehensive on-site reviews of new suppliers of critical materials to ensure raw material quality.

For existing suppliers, we formulate an annual audit plan and conduct regular audits in accordance with the *Supplier Performance Evaluation Form*. For key suppliers, we formulate the *Supplier Site Audit Score Sheet* and set up an audit team consisting of the Purchasing Department, the Quality Department, and the R&D Center to conduct on-site audits in terms of quality management, process flow, production process, production environment, purchasing, storage, and transportation to ensure that the suppliers maintain a high quality of supply. Based on the audit results, we classify our suppliers into four grades: excellent, qualified, probationary and unqualified, and realize efficient management of suppliers through classification and grading. For suppliers that fail the annual audit, we propose rectification and assist them in making timely improvements, and if they still fail to meet the standards after rectification, we will cancel their supply qualification. During the Reporting Period, the Company completed the annual audit program of 259 suppliers and the audit results were all qualified.

By the end of the Reporting Period, the Company had a total of 1,089 cooperative suppliers, divided by region as follows:



Sustainable supply chain

The Company attaches great importance to supply chain stability and resilience, and strives to reduce supply chain risk in order to provide high quality treatment products to patients on a continuous and stable basis. We are actively preventing, monitoring and controlling global supply chain risks such as the extended lead times, supply shortages and reduced capacity in recent years. Based on market research and insight, we are developing local suppliers and standardizing raw materials for centralized procurement. We adjust production and inventory plans based on sales forecasts in a timely manner, to cope with supply chain uncertainty, guarantee stable production and timely delivery, and effectively reduce the risk of potential supply interruption. During the Reporting Period, we optimized logistics management, and established new Italian warehouses. Through the measures such as diversified transportation plan and delivery from multiple production bases, we ensured our business continuity and supply stability, and ensured steady business growth with rapid response capability and risk insight.

While putting secure supply at the core, we also integrate ESG management requirements such as business ethics, environmental responsibility, and social responsibility into supplier management. We fully consider suppliers' performance in environmental protection, workplace safety, labor and human rights, and encourage suppliers to obtain environmental, health and safety system certification, such as ISO 14001 Environmental Management System Certification, ISO 45001 Occupational Health and Safety Management System Certification, FSC (Forest Stewardship Council) Certification. We have developed the *Supplier Code of Conduct* and require all mainland suppliers to sign the *Anti-Competitive Commitment* and the *Integrity Commitment* to improve the performance and sustainability of the supply chain by guiding suppliers to manage the environment, safety and business ethics in a responsible manner. By the end of the Reporting Period, 82 of our suppliers have passed the ISO 9001 Quality Management System Certification, 109 have passed the ISO 13485 Medical Device Quality Management System Certification, and 21 have passed the ISO 14001 Environmental Management System Certification.

PEOPLE-CENTRIC DEVELOPMENT

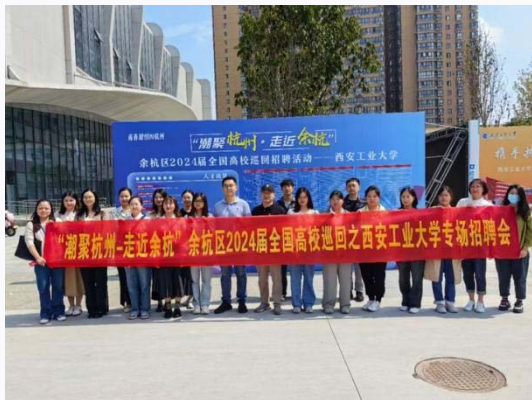
Growing together with employees and embracing co-creation and achievement sharing with society is an important means to achieve sustainable development of a company, and it is always the value pursuit of Zylox-Tonbridge. Zylox-Tonbridge insists on being human-centered, protecting employees' rights and welfare, and emphasizing employees' growth and development. We also pay attention to social demands, and engage in the social welfare undertaking, to conscientiously fulfil corporate responsibilities and share development with all sectors of society.

Talent acquisition and development

Employment

The Company adheres to employment compliance and strictly abides by labor laws and regulations of China and international labor standards such as the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Provisions on the Prohibition of Using Child Labor*. Once irregularities such as child labor and forced labor are reported, we address them strictly according to the *Employee Handbook*, and in severe situation, we will consider terminating the labor relationship with them. During the Reporting Period, there were no child labor and forced labor incidents.

In accordance with the *Recruitment Management System*, we standardize the processes of personnel employment management and recruitment, and improve the effectiveness of recruitment. To attract diverse well-rounded talents, we continue to expand our recruitment channels, recruiting through campus recruitment, social recruitment and internal referrals. To provide opportunities for aspiring graduates and those with great potential, we launch the campus recruitment through various channels, such as our official WeChat account for recruitment, online and offline recruitment publicity, and social media. Our recruitment campaigns cover more than 10 colleges and universities, including Fudan University, Nanjing University and Zhejiang University. Outstanding graduates have injected new vitality into the Company. During the Reporting Period, we actively cooperated and exchanged with colleges and universities. We sponsored the first “Zylox-Tonbridge Cup — Top 10 University Students” recognition event of the Department of Polymer Science and Engineering of Zhejiang University, and launched a training project with Zhuhai Health School to explore the advantages of industry-academia-research collaboration, and promote talent development and innovation in the medical device industry.



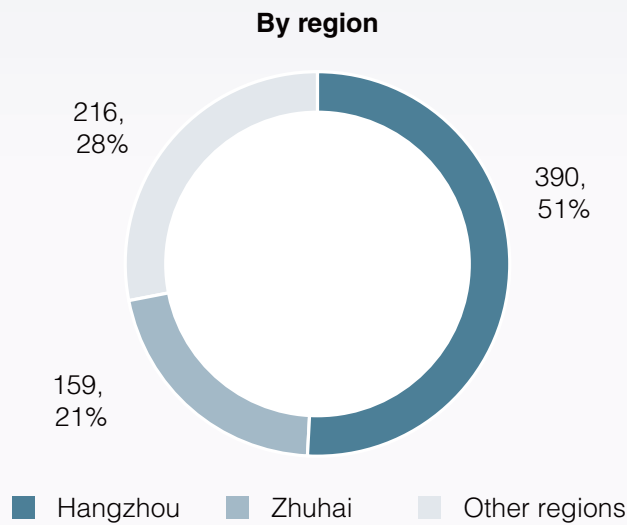
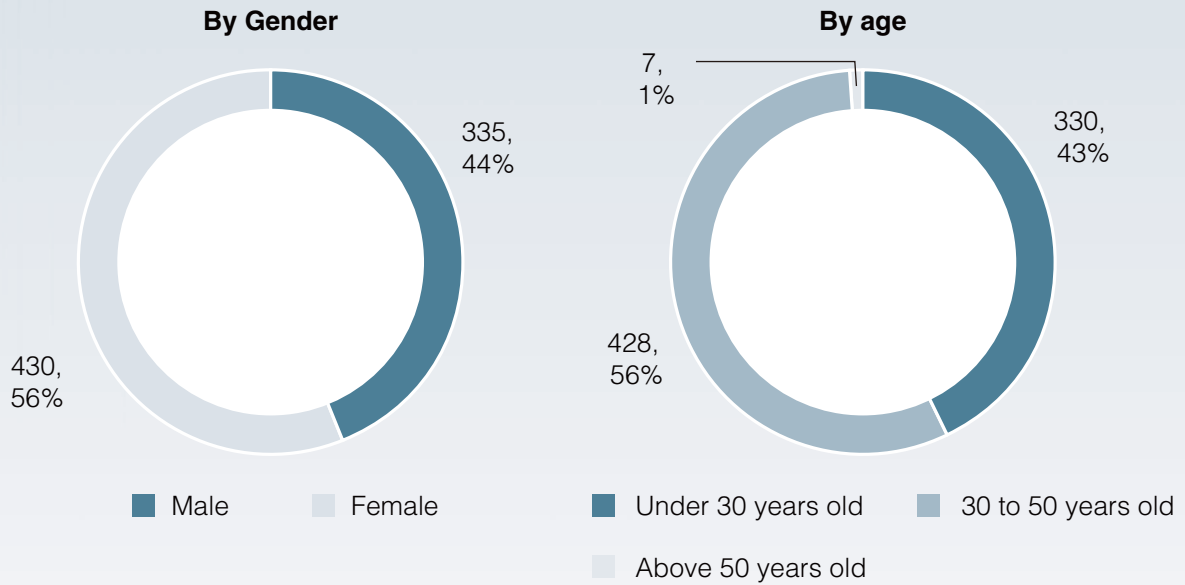
Zylox-Tonbridge National College Recruitment Tour



The 1st “Zylox-Tonbridge Cup — Top 10 University Students” recognition event

Environmental, Social and Governance Report

By the end of the Reporting Period, the Company had 765 employees, all full-time. The detailed employee's distribution is as follows:



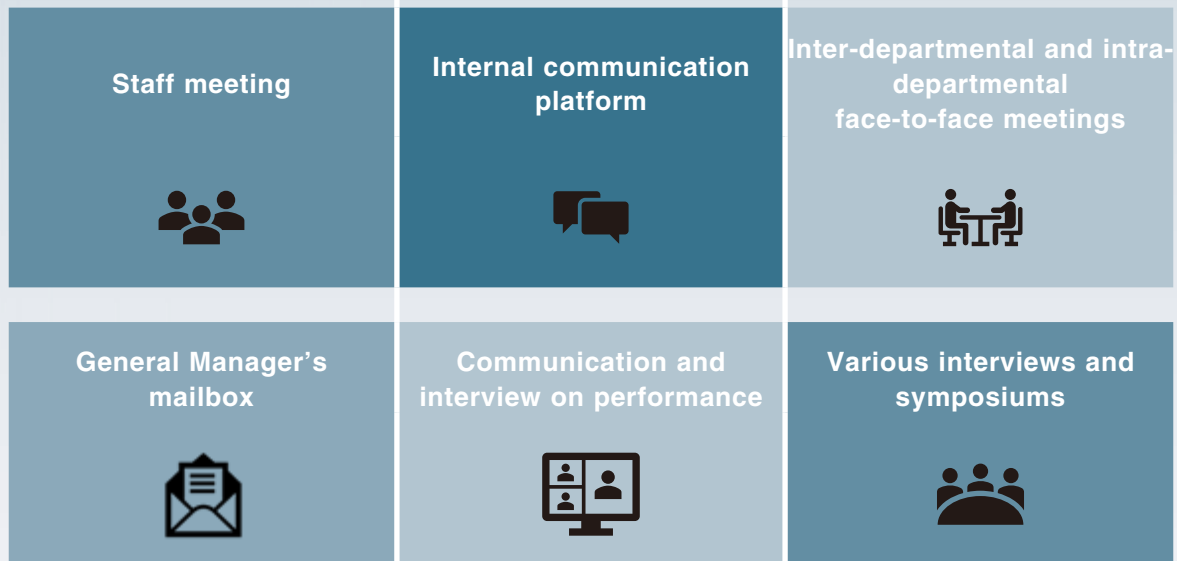
Employee wellbeing

The Company attaches great importance to the protection of employees' rights and interests and strives to create an inclusive working environment. We have continued to improve our employee management system, formulated internal regulations such as the *Personnel Management System*, and systematically upgraded the *Employee Handbook* during the Reporting Period to further define our corporate culture, core values as well as behavioral norms, and to oppose all discriminatory behaviors on the basis of race, ethnicity, geographical or social origin, nationality, descent, religion, sex, age, gender orientation, and marital status.

Our company continuously establishes and improves a competitive salary and welfare system, and formulates a series of internal documents such as the *Performance Management System*, the *Regulations on the Distribution of Employee Benefits*, the *System for Employee Remuneration, Welfare, Leave and Expense Reimbursement* to ensure that the salary is standardized and reasonably distributed, and that we pay the social insurance and housing provident fund for the employees on time in accordance with the requirements of the relevant national and local laws and regulations. We implement the national regulations on statutory holidays to ensure that our employees can fully enjoy statutory holidays, paid annual leave, personal leave, sick leave, marriage leave, maternity and paternity leave, parental leave, and various types of national statutory holidays, and promptly revise the length of maternity, paternity and parental leave in the *Attendance Management Rule* in accordance with the update of national laws and regulations to protect the rights and interests of female employees. In addition, in accordance with the *Attendance Management Rule*, we implement standard working hours and flexible working hours for different positions to increase office flexibility.

We strive to create a unified, inclusive and harmonious workplace for our employees, value their opinions and feedback, and establish an open and transparent channel for employee communication, feedback and advice collection. Departments organize employee communication forums on a monthly or quarterly basis, and conduct follow-up interviews with new employees, special forums for interns, the General Manager's mailbox and other channels to listen to employees' voices in a timely manner, respond to them, and enhance employees' sense of identity and happiness.

Communication channels for our employees



We provide diversified benefits and care for our employees, including annual physical examination, rental subsidy, seniority awards, commercial insurance, holiday gifts, annual travel, etc., as well as humanized service facilities such as cafeteria, reading zone, gym room, yoga room, etc., to help our employees to relax their body and mind after work. In order to enhance the team cohesion of employees, we organize colorful group building and sports activities after work to promote a harmonious and healthy workplace atmosphere.

Case: Zylox-Tonbridge held 2023 Staff Meeting

On March 7, 2023, the Zylox-Tonbridge 2023 Staff Meeting was held. At the meeting, we shared the latest development progress and future prospects of the Company. We also presented our Three-Year Service Award and Five-Year Service Award to outstanding employees. We thanked them for their dedication and enthusiasm over the years and encouraged all employees to continue their efforts to achieve success with the Company.



Case: Zylox-Tonbridge organized "Have fun at the Dragon Boat Festival", a special event for the festival

On June 21, 2023, we organized the "Dragon Boat Festival + Staff Birthday Party" team building event. Employees were invited to enjoy birthday food and dessert. A range of activities such as mugwort flower ring, land dragon boat, dumpling picking, and pitch-pot were held so that employees could relax in leisure time and feel the charm of traditional culture.



Case: Zylox-Tonbridge organized employees to participate in the 2023 Hengqin Marathon

On December 31, 2023, the Hengqin Marathon was officially opened. To promote the spirit of sports, we organized employees to actively take part in the marathon, and encouraged employees to challenge themselves and be tough in the competition, thus exhibiting the company's brand image and spiritual appearance.





A variety of employee activities organized by Zylox-Tonbridge

By the end of the Reporting Period, the employee turnover was as follows:

Staff structure	Employee turnover rate (%)³ in 2023
Total	21.5
By gender	
Male	21.4
Female	21.7
By age	
Under 30 years old	24.3
30 to 50 years old	19.5
Above 50 years old	30.0
By region	
Hangzhou	24.9
Zhuhai	22.4
Other regions	13.9

Employee Development

Career Development

Believing that talents are one of our core strategic resources, we continuously optimize the two-channel career development system of management and profession, opening up cross-professional career development routes, optimizing the job-level promotion and evaluation process, and implementing a mechanism for special promotion, so as to create a better career path for outstanding employees. In addition, we are striving to build a scientific and complete training system, upskill our employees through high-quality training programs, and enhance their competitiveness.

To further optimize the allocation of human resources, we launched the talent inventory program during the Reporting Period, covering key functions such as R&D, quality, procurement and production, and formulated the 3x3 competency model around various dimensions such as competency, job performance and personality for multi-angle talent calibration. Based on the results of the inventory analysis, we further optimized departmental employment planning and personnel development plans to improve the effectiveness of human resources management, promote the utilization of talent reserves and the flow of talent, and ensure the healthy and sustainable development of our workforce.

³ The equation for calculating the employee turnover rate: Employee turnover rate = Number of turnover during the Reporting Period / (Number of turnover during the Reporting Period + Number of staff at the end of the Reporting Period) * 100.

Environmental, Social and Governance Report

Employee training

Focusing on the Company's development and the professional development needs of our employees, we have established a sound training management system, formulated and implemented the *Training Management System*. We also developed the *New Employee Orientation Training Management Policy* and the *External Training Management System* during the Reporting Period. Through employee training plans, we make full use of internal resources and strive to establish internal training mechanisms, standardize external training management, build an employee learning and development system with the characteristics of Zylox-Tonbridge, provide full and equal training and promotion opportunities for all employees, and continuously stimulate employee potential. In addition, we pay attention to the development needs of our employees, and support them in continuing their education by providing them with external training resources and academic education subsidies. We also encourage employees to improve their competitiveness and contribute to the coordinated development of the Company's business.

Training system of Zylox-Tonbridge

Training program

Purpose

Onboarding Program

With new employees as the main target, the training is designed to introduce the company profile, our regulations and code of conduct. The courses include intern training and new hire training camps, aiming to help new employees integrate quickly.

Growth Program

Expert employees are the main target of the training. Based on our training platform "Zylox-Tonbridge Class", various skills training is provided to improve the professional abilities and technical standards of our employees.

Eyas Program

Front-line management employees and reserve talents are the primary target of the training. A series of management training courses for next-level success are organized to enhance staff management skills and organization and coordination abilities, and to help them rapidly develop into qualified and experienced team leaders.

Eagle Program Golden Eagle Program

With middle and senior management employees as the main target, comprehensive quality training for continued success is organized to enhance the overall quality and professional competence of management, and to develop senior leaders with strategic thinking, global perspective and good use of people for the Company.

This year, we made full use of internal training resources: we developed our own team of instructors, and encouraged employees to take the stage, thereby built an internal platform for sharing and exporting experiences. We organize our instructors to carry out monthly training activities across the Company and within a department, and arrange instructor courses and training activities in the training camps for new employees. We also set up instructor platform points in the OA system to encourage employees to share their good habits of lifelong learning through self-evaluation. Through all types of internal training, we unlock and stimulate the potential of teaching and learning, creating a positive atmosphere for everyone to learn and share, and supporting our business development. In addition, we continue to optimize external training resources, keep long-term cooperation with professional third-party training institutions, formulate external training plans and the *Annual Training Schedule* based on business development and departmental needs, to comprehensively strengthen the professional skills of our employees.

Case: Zylox-Tonbridge launched new employee training program

To help new employees integrate as quickly as possible, the Company formulated an exclusive training plan for new employees and conducted a series new employee training of four sessions in 2023. The courses included the Introduction to the Company and Corporate Culture, the Human Resources Management System, the Safety Education Training and others. 75 employees attended the training. As a result, new employees were able to understand the corporate culture, become familiar with the company's business, and strengthen their sense of identity and belonging.



Case: Zylox-Tonbridge sent Teachers' Day blessings to internal instructors to develop a learning organization

In September 2023, we presented holiday cards and flowers to over 30 instructors at the Teachers' Day. We expressed our appreciation for the excellent knowledge sharing and skills transfer provided to all employees. We also hoped to promote the culture of learning and sharing and to help the Company become a good learning organization.



During the Reporting Period, 720 employees had received training, with 10.82 hours of training on average, and the details of the training are as follows:

Index	Proportion of employees receiving training ⁴	Average training hours per person (hours) ⁵
Total	94%	10.82
By gender		
Male	43%	10.39
Female	57%	11.16
By employment type		
Senior management	2%	12.50
Middle management	11%	12.67
Junior employees	88%	10.57

⁴ The proportion of employees receiving training is calculated based on the equation: Proportion of employees receiving training = Number of employees receiving training/Total number of employees * 100; Proportion of employees receiving training by certain category = Number of employees receiving training under this category/Total number of employees under this category * 100

⁵ Training hours of employees is calculated based on the equation: Average training hours per employee = Total training hours/Total number of employees; Average training hours per employee by certain category = Total training hours of employees under this category/Total number of employees under this category

Health and safety

We consider the protection of the health and safety of our employees to be fundamental to our business. We strictly comply with the relevant laws and regulations of our business locations, such as the *Labor Law of the People's Republic of China*, the *Work Safety Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*, and the *Regulations on the Supervision and Administration of Occupational Health in the Workplace*. We continue to build a sound occupational health and safety management system, and establish a safety management structure headed by the General Manager. With dedicated safety officers, we promote standardized safety management in accordance with the *Measures for Management of Safety Objectives*, the *Special Equipment Management Rules*, and the *Award and Punishment Measures for Employee Work Safety*. Our employees in all departments are required to sign the *Statement of Production Safety Management Target Responsibility*. In this way, we strictly implement the responsibility system for work safety and the concept of “zero accidents” to ensure effective safety management.

During the year, we strengthened our safety risk management system under the principle of “safety first, prevention first, comprehensive management”. We formulated a series of rules, such as the *Safety Risk Classification Control and Management Policy*, the *Work Safety Inspection Policy*, the *Safety Inspection and Hazard Management Policy*, and the *Work Safety Risk Prediction and Early Warning Management Policy*. We conducted a safety risk assessment, comprehensively identified and evaluated the hazardous sources in our production area using the Job Hazard Analysis method, and prepared an annual safety risk assessment report. We also upgraded hazardous chemical storage rooms, intermediate warehouses and sterilization rooms, installed gas alarm systems, implemented special management of precursor chemicals, and urged the property management company to conduct monthly inspections of fire safety equipment. With these measures, we tried to strictly prevent safety hazards and protect the health and safety of our employees.

To prevent safety incidents, we have established contingency plans and regularly conducted emergency drills to improve our ability to respond to safety incidents. There was no work-related fatality in the past 3 years. During the Reporting Period, the Company has no lost workdays due to work-related injuries.

For jobs with occupational disease hazards, we provide annual occupational health and safety examinations for employees. We also provide pre-employment training in accordance with the *Occupational Safety Education, Training and Certified Induction Policy*, and equip employees with work uniforms and work protective materials in accordance with job requirements to ensure occupational safety and health. During the Reporting Period, no disorders were found in the medical examinations.

We are committed to strengthening the safety culture. We regularly conduct safety culture activities to improve the health and safety awareness and skills of all employees so that they are aware of safety and health risks in production and operation and reduce work injuries and occupational diseases. During the Reporting Period, we launched “Production Safety Month” activities, conducted safety regulation interpretation and fire prevention training for all employees, and participated in training on “Action 2023 for Investigation and Correction of Major Accident Hazards” organized by the regulator, which improved our awareness of production safety.

Charity

Based on the concept of “Continuous innovation for patients”, Zylox Medical actively utilizes its medical resources and expertise to contribute to the society. Focusing on the field of public healthcare, we have set up the Zylox-Tonbridge Public Charity Fund with our partners. Through this fund, we provide medical assistance and public welfare programs to contribute to the stroke and haemodialysis patient groups, and demonstrate our social responsibility as a corporate citizen by gathering the strength of the industry through practical actions.

Case: Zylox-Tonbridge Public Charity Fund was set up to provide practical support for disadvantaged patients with stroke and those on haemodialysis

In July 2023, Zylox-Tonbridge, together with caring investors and channel partners, set up the Zylox-Tonbridge Public Charity Fund, with the aim of helping patients with financial difficulties to receive timely, effective and high-quality treatment and easing their financial burden in the subsequent recovery process. Since its inception, the fund has raised nearly RMB1.3 million, covering 18 hospitals in 10 provinces and has been launched on the Tencent charitable donation platform. In the future, the fund will focus on regional cooperation and primary healthcare empowerment with the support of medical advisors to promote access to advanced medical technologies in less developed regions.



Case: Zylox-Tonbridge assisted Turkish hospitals in post-earthquake recovery

In February 2023, a devastating earthquake rocked southeast Turkey near the Syrian border. Our partner, the Hatay Mustafa Kemal University (HMKU) Health Practice and Research Hospital located near the epicenter, was completely destroyed. To meet the local patients' medical needs as soon as possible, we offered to provide free replacement services for damaged products with the immediate help of supply chain and logistics partners. Beyond that, we also contacted more local hospitals and partners to assist them in post-earthquake recovery.

GREEN FUTURE

Achieving a sustainable and green development path is a priority for Zylox-Tonbridge. To this end, we strictly comply with all environmental laws and regulations, and integrate sustainability into our production and management systems. We are also working to minimize emissions from waste, improve energy efficiency and make our production processes more resource-efficient, thus contributing to a green and eco-friendly society.

Discharge management

In strict compliance with the *Environmental Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Water Pollution*, the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* and other relevant laws and regulations, we work hard to establish a sound environmental management system. We have established an environmental management structure headed by the general manager. And an environmental protection officer is appointed to handle company-wide environmental matters, along with persons in charge of environmental protection at the departmental level. In doing so, we can ensure that our environmental management policy is implemented effectively. We have formulated and published the *Sewage and Wastewater Management Procedures*, *Solid Waste Pollution Control Procedures*, *Toxic and Hazardous Compounds Control Procedures* and *Rules for Hazardous Chemicals Warehouse Storage*, among others. And all of our internal systems are constantly refined to reflect the latest developments of environmental protection laws and regulations and our operational reality. This ensures that all types of pollutants are discharged to the standards imposed by the country and regions where we operate.

We continue to strengthen emission management. We detect, monitor and manage environmental factors every year, and constantly improve emission prevention and control measures, and plan to set reasonable emission and reduction targets to ensure that exhaust gas, wastewater and waste are emitted compliantly and, at the same time, reduced, thus minimizing the impact on air, water and soil.

Exhaust gas treatment

- Equipment retrofitting: Install high-efficiency filters at the end of the air-conditioning system in the workshop to achieve zero organic emission from exhaust gasses generated in production; install activated carbon adsorption devices at the emission outlets of spraying equipment to lower the concentration of exhaust gasses therefrom
- Process optimization: Optimize the sterilization process to enable centralized sterilization of classified products, which can reduce the emissions by lowering the frequency of sterilization

Wastewater treatment

- Neutralization: Production wastewater is neutralized and treated in a tertiary septic tank before being discharged to a dedicated outfall, and then to the local sewage treatment plant for centralized treatment via the municipal sewage pipe network
- Drainpipe inspection: Inspect drainpipes regularly to prevent sewage spills due to pipe breakage

Waste treatment

- Hazardous wastes: Hazardous wastes such as waste alcohol, waste organic solvents and waste mixed inorganic liquids in the laboratory are collected for regular centralized treatment by a qualified third party
- Non-hazardous wastes: Recycle waste cartons, paper boxes and other non-hazardous wastes for waste reduction
- Garbage sorting: Sort domestic wastes and leave the wastes for treatment by a professional organization on a daily basis

Our exhaust gasses are mainly welding smoke exhaust during production and laboratory exhaust, with low emissions and having no substantial impact on the surroundings. Therefore, we did not disclose related emission data in this report. During the Reporting Period, our emissions-related performance indicators were as follows:

Category	2023	2022
Wastewater emission		
Including: Wastewater emission (ton)	48,131.00	45,159.26
COD emission (ton)	26.62	20.99
Ammonia nitrogen emission (ton)	1.36	1.05
Waste emission		
Total hazardous waste (ton)	2.50	1.07
Hazardous waste intensity (ton/million-yuan revenue)	0.005	0.003
Total non-hazardous waste (ton)	13.94	14.93
Non-hazardous waste intensity (ton/million-yuan revenue)	0.03	0.04

Resource utilization

Strictly abiding by the *Energy Conservation Law of the People's Republic of China*, the *Water Law of the People's Republic of China* and other laws and regulations, we manage resources in a standardized and systematic manner. We pay continuous attention to the use of resources and plan to set targets for energy efficiency and water efficiency. We actively promote energy saving, carbon reduction and green office with continued efforts to optimize the way of resource utilization and the structure of energy use. By taking multiple actions to reduce resource consumption and carbon emissions, we strive to achieve the goal of improving resource efficiency and try to embed sustainability into operation strategy.

Energy management

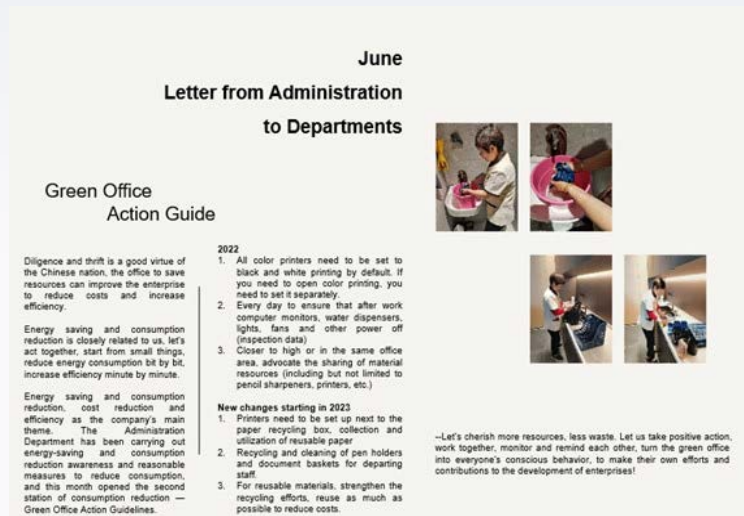
- System upgrade: Establish a sharing system for purified water preparation, air conditioning and gas used in production processes, achieving centralized resource allocation with higher efficiency.
- Equipment upgrade: The upgraded air-conditioning system can save electricity consumption by 10% compared to the traditional water-cooled air-conditioning.
- Routine inspection: Establish a routine inspection mechanism for office areas, with 188 inspections throughout the year; enable the automatic power-off function of lighting fixtures and air-conditioners during non-working hours to reduce non-essential power consumption.
- Energy saving publicity: Develop green office guidelines; post signboards and posters that remind everyone to raise awareness and get engaged in energy saving and carbon reducing. In the year, a total of 12 publicity activities were organized. Establish a mechanism that requires energy saving publicity and training be conducted on a monthly basis. These activities teach employees how to properly use public facilities. In the year, a total of 24 administrative training sessions were held.

Water resource management

- Domestic water management: Post water-saving signs in washrooms, pantries and other areas, and adjust the water flow velocity in living areas to avoid wasting water.
- Production water management: Recycle cooling water to reduce water consumption.
- During our R&D and production processes, we use municipal water mainly for production, cleaning and domestic purposes. During the Reporting Period, we didn't encounter any challenge in sourcing water.

Packaging material management

- Design optimization: Optimize packaging design by reducing excess packaging, simplifying packaging specifications and designing for higher versatility.
- Recycling: Recover and recycle undamaged cartons and other packaging materials to achieve sustainable use of packaging materials.



Zylox-Tonbridge green office guidelines

During the Reporting Period, our energy consumption and greenhouse gas emissions were as follows:

Category	2023	2022
Energy consumption⁶		
Direct energy consumption	1,389.01	674.19
Gasoline (MWh)	49.39	55.90
Natural gas (MWh) ⁷	1,339.62	618.29
Indirect energy consumption	5,281.12	4,336.67
Purchased electricity (MWh)	5,281.12	4,336.67
Total energy consumption (MWh)	6,670.13	5,010.86
Energy consumption intensity (MWh/million-yuan revenue)	13.64	15.00
Greenhouse gas emissions⁶		
Total greenhouse gas emissions (tCO ₂ e)	3,291.74	3,069.87
Including: Scope 1 emissions (tCO ₂ e)	279.92	137.29
Scope 2 emissions (tCO ₂ e)	3,011.82	2,932.58
Greenhouse gas emission intensity (tCO ₂ e/million-yuan revenue)	6.24	9.19
Water consumption		
Tap water consumption (ton)	53,981.83	50,150.40
Tap water consumption intensity (ton/million-yuan revenue)	102.29	150.11
Packaging material consumption		
Total consumption of packaging materials (ton)	15.50	14
Consumption intensity of packaging materials (ton/million-yuan revenue)	0.03	0.04

⁶ The calculation methods and emission factors for energy consumption and greenhouse gasses in 2023 mainly refer to the standard *General Rules for Calculating Comprehensive Energy Consumption* (GB/T 2589–2020) of the State Administration for Market Supervision and Regulation and the State Standardization Administration, *Greenhouse Gas Emission Accounting Methods and Reporting Guidelines for enterprises in other industrial sectors (Trial)* of the National Development and Reform Commission, *Notice on Carrying out Work in Reporting and Management of Greenhouse Gas Emissions of Enterprises in the Power Generation Industry from 2023 to 2025* of the Ministry of Ecology and Environment. Please refer to the Company's 2022 Annual Report for the calculation methodology and emission factors for energy consumption and greenhouse gasses in 2022.

⁷ Natural gas consumption increases in 2023 compared to 2022 due to the Company's energy use restructuring and overall capacity increase.

Climate change response

As we know, climate change is a threat to our development and human wellbeing and health. To address the challenge, China has proposed its “dual carbon” goals to peak carbon emissions by 2030 and achieve carbon neutrality by 2060. In response, we take an active attitude to identify and analyze the climate-related risks and their impacts by taking into account the acute and chronic risks under physical risks as well as policy and legal risk, technology risk, market risk and reputation risk under transition risks. The results are presented in a list of climate change risks, which is the basis for our solutions. Being active can make our business more resilient to the impact of climate change.

Risk categories	Potential impacts	Responses
Physical risks	Acute physical risks • Disruption to daily operations and supply chain as a result of extreme weather events results in reduced or disrupted capacity	• Increase inventory levels in advance based on production demand and develop alternate suppliers
	Chronic physical risks • Climate change may increase the risk of unpredictable infectious diseases. This in turn reduces the availability of the workforce and productivity	• Develop emergency plans to ensure smooth production and operation
Transition risks	Policies and laws • Failure to comply with laws and regulations may result in adverse consequences, such as fines, government investigations, loss of stakeholder confidence, competitive disadvantage or additional compliance costs	• Dive deep into policies, laws and regulations and actively communicate with regulatory authorities to understand the latest policy requirements
	Technologies • Failure to develop safe, effective and sustainable products and to address unmet healthcare needs or develop disruptive new technologies may lead to loss of market share, underperformance and lack of stakeholder confidence	• Empower the R&D team to support ongoing R&D investment, product development, regulatory approvals and new product launches to build the product pipeline

Risk categories	Potential impacts	Responses
Market	<ul style="list-style-type: none"> Failure to effectively identify, react to, or plan for changes in market conditions, market competition, and customer needs may lead to poor decision-making and underperformance 	<ul style="list-style-type: none"> Endeavor to make our products superior in quality and performance, research and develop differentiated products, and keep abreast of the latest technology while adapting our marketing strategy to meet the demand
Reputation	<ul style="list-style-type: none"> Failure to implement an appropriate ESG plan can impair the ability to respond to long-term risks, with a range of reputational and commercial implications 	<ul style="list-style-type: none"> The Company's Board of Directors and ESG Working Group provide ongoing oversight and guidance on strategy and execution

To successfully manage extreme weather events caused by climate change and prevent resulting acute physical risks such as typhoons, thunderstorms, floods and cold waves, we are closely monitoring the meteorological forecasts for the locations in which we operate. We have also formulated the *Safety Precautions Against Disaster Weather* and the *Control Procedures for the Identification and Evaluation of Environmental Factors*, and established a mechanism for the prevention, monitoring and early warning of extreme weather events, trying to reduce the possible adverse impacts. During the Reporting Period, we optimized our logistics and transportation processes. Concretely, we made LCL shipments and maritime transportation our first choice, which helped increase the volume of single shipments while reducing the frequency. Besides, we set up our first overseas warehouse in Italy to significantly improve the efficiency of distribution in overseas markets and reduce the mileage of long-distance transportation, thereby reducing the carbon emissions alongside. In addition, we actively promote photovoltaic rooftop projects, organize activities on the theme of energy saving and carbon reduction, strengthen climate change awareness and action, and implement the concept of green and low-carbon operations.

Environmental, Social and Governance Report

Case: Zylox-Tonbridge participated in the voluntary tree planting activity organized by Zhuhai Hi-tech Zone

As a response to the *Decisions of the CPC Guangdong Provincial Committee on Further Promoting the Green and Beautiful Guangdong Campaign for Ecological Development*, Zhuhai Hi-tech Zone organized a voluntary tree planting activity on April 15, 2023 that called for national endeavor for tree planting. Acting upon the call, we participated in tree planting and forest protection activities and subscribed to 5 mu (1 mu=0.0667 hectares) of mountain forest in proportion to the area of compulsory tree planting and afforestation, contributing to ecological protection.

Case: Zylox-Tonbridge organized employees to “walk along the rose-like route in the West Lake” on the World Earth Day

We organized a green walk activity on April 22, 2023, the 54th World Earth Day. During the event, our employees visited the attractions of the West Lake by walking along the rose-like route. They not only enjoyed the beauty of nature, but also raised their awareness of green and low carbon transition. This event attracted 27 participants, and the total distance walked was about 19 kilometers.



Case: Hangzhou Zylox-Tonbridge Industrial Park Photovoltaic Project

In December 2023, Zylox-Tonbridge actively promoted the construction of clean energy by installing photovoltaic power generation panels on the roof of the office building of the Company's industrial park, and will realize grid-connected power generation in 2024. We continue to optimize the company's energy consumption structure and increase the use of renewable energy, laying the foundation for the company's green and low-carbon transformation.



APPENDIX I: HKEX ESG GUIDE INDEX

Subject Areas, Aspects, General Disclosures and KPIs	Sections in ESG Report
<p>Aspect Disclosure Requirement</p>	
<p>A. Environmental</p>	
<p>Aspect A1: Emissions</p>	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p> <p><i>Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gasses include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulfur hexafluoride. Hazardous wastes are those defined by national regulations.</i></p>
<p>KPI A1.1 The types of emissions and respective emissions data.</p>	<p>GREEN FUTURE</p>
<p>KPI A1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).</p>	
<p>KPI A1.3 Total hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).</p>	
<p>KPI A1.4 Total non-hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).</p>	
<p>KPI A1.5 Description of emissions target(s) set and steps taken to achieve them.</p>	
<p>KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.</p>	

Subject Areas, Aspects, General Disclosures and KPIs	Sections in ESG Report
<p>Aspect A2: Use of Resources</p>	<p>General Disclosure</p> <p>Policies on the efficient use of resources, including energy, water and other raw materials.</p> <p><i>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</i></p> <p>KPI A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).</p> <p>KPI A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).</p> <p>KPI A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.</p> <p>KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.</p> <p>KPI A2.5 Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced.</p>
<p>Aspect A3: The Environment and Natural Resources</p>	<p>General Disclosure</p> <p>Policies on minimizing the issuer's significant impacts on the environment and natural resources.</p> <p>KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.</p>
<p>Aspect A4: Climate Change</p>	<p>General Disclosure</p> <p>Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.</p> <p>KPI A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.</p>

GREEN FUTURE

GREEN FUTURE

Subject Areas, Aspects, General Disclosures and KPIs

B. Social

**Aspect B1:
Employment**

General Disclosure

Information on:

- (a) the policies; and
- (b) compliance with relevant laws and regulations that have a significant impact on the issuer

relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

KPI B1.1 Total workforce by gender, employment type (for example, full-or parttime), age group and geographical region.

KPI B1.2 Employee turnover rate by gender, age group and geographical region.

**PEOPLE-
CENTRIC
DEVELOPMENT**

**Aspect B2:
Health and
Safety**

General Disclosure

Information on:

- (a) the policies; and
- (b) compliance with relevant laws and regulations that have a significant impact on the issuer

relating to providing a safe working environment and protecting employees from occupational hazards.

KPI B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.

KPI B2.2 Lost days due to work injury.

KPI B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.

**PEOPLE-
CENTRIC
DEVELOPMENT**

Subject Areas, Aspects, General Disclosures and KPIs	Sections in ESG Report
<p>Aspect B3: Development and Training</p>	<p>General Disclosure</p> <p>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</p> <p><i>Note: Training refers to vocational training. It may include internal and external courses paid by the employer</i></p> <p>KPI B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).</p> <p>KPI B3.2 The average training hours completed per employee by gender and employee category.</p>
<p>Aspect B4: Labor Standards</p>	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to preventing child and forced labor.</p> <p>KPI B4.1 Description of measures to review employment practices to avoid child and forced labor.</p> <p>KPI B4.2 Description of steps taken to eliminate such practices when discovered.</p>

PEOPLE-CENTRIC DEVELOPMENT

PEOPLE-CENTRIC DEVELOPMENT

Subject Areas, Aspects, General Disclosures and KPIs	Sections in ESG Report
Aspect B5: Supply Chain Management	EXCELLENCE IN QUALITY
General Disclosure	
Policies on managing environmental and social risks of the supply chain.	
KPI B5.1 Number of suppliers by geographical region.	
KPI B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	
KPI B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	INNOVATION-DRIVEN DEVELOPMENT EXCELLENCE IN QUALITY
KPI B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	
Aspect B6: Product Responsibility	
General Disclosure	
Information on:	
(a) the policies; and	
(b) compliance with relevant laws and regulations that have a significant impact on the issuer	
relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	
KPI B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	
KPI B6.2 Number of products and service related complaints received and how they are dealt with.	
KPI B6.3 Description of practices relating to observing and protecting intellectual property rights.	
KPI B6.4 Description of quality assurance process and recall procedures.	
KPI B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.	

Subject Areas, Aspects, General Disclosures and KPIs	Sections in ESG Report
<p>Aspect B7: Anti-corruption</p>	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to bribery, extortion, fraud and money laundering.</p> <p>KPI B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.</p> <p>KPI B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.</p> <p>KPI B7.3 Description of anti-corruption training provided to directors and staff.</p>
<p>Aspect B8: Community Investment</p>	<p>General Disclosure</p> <p>Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.</p> <p>KPI B8.1 Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).</p> <p>KPI B8.2 Resources contributed (e.g. money or time) to the focus area.</p>

**SOUND
OPERATION FOR
SUSTAINABLE
DEVELOPMENT**

**PEOPLE-
CENTRIC
DEVELOPMENT**

Independent Auditor's Report

To the Shareholders of **Zylox-Tonbridge Medical Technology Co., Ltd.**
(incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of Zylox-Tonbridge Medical Technology Co., Ltd. (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 155 to 235, comprise:

- the consolidated balance sheet as at December 31, 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated 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 IFRS Accounting Standards 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 International Standards on Auditing ("**ISAs**"). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("**IESBA Code**"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

The key audit matter identified in our audit is related to revenue recognition.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Revenue recognition</p> <p>Refer to Note 6 to the consolidated financial statements.</p> <p>For the year ended December 31, 2023, revenue from sales of medical devices was approximately RMB526.45 million. Sales are recognized when control of the products is transferred, being when the products are delivered to the customer or picked up by the customer at the Group's warehouse, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.</p> <p>We focused on this area due to the large volume of revenue transactions generated from a number of customers and significant audit effort was spent in this area.</p>	<p>Our procedures in relation to the revenue recognition included:</p> <ol style="list-style-type: none"> 1) We assessed appropriateness of the revenue recognition policy of the Group by reviewing the sales contracts entered with the customers on a sample basis. 2) We understood, evaluated, and tested the relevant controls in respect of the Group's revenue recognition process. 3) We tested the occurrence and accuracy of revenue transactions recognized in relation to the sales of medical devices by examining, on a sample basis, the relevant supporting documents including sales orders, goods delivery notes and invoices. 4) We confirmed the balances of trade receivables and advance from customers with selected customers, considering the significance of the balances and the nature and characteristics of those customers. 5) We tested sales transactions recorded before and after the balance sheet date, on a sample basis, by reconciling recognized revenue with the goods delivery notes to assess whether revenue was recognized in the correct reporting periods.

Based on our audit procedures performed, we found that the Group's revenue recognized was supported by the evidence that we obtained.

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Chiu Kong, Edmond.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, March 21, 2024

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2023

	Note	Year ended December 31,	
		2023 RMB'000	2022 RMB'000
Revenue	6	527,754	334,090
Cost of sales	7	(142,766)	(81,421)
Gross profit		384,988	252,669
Selling and distribution expenses	7	(163,827)	(140,137)
Administrative expenses	7	(114,088)	(109,337)
Research and development expenses	7	(261,013)	(233,461)
Other income	9	14,851	12,165
Other expenses	9	(1,599)	(1,339)
Other (losses)/gains — net	10	(15,820)	11,066
Net impairment losses on financial assets		(15)	(24)
Operating loss		(156,523)	(208,398)
Finance income	11	79,040	95,565
Finance costs	11	(1,251)	(722)
Finance income — net		77,789	94,843
Loss before income tax		(78,734)	(113,555)
Income tax expense	12	—	—
Loss and total comprehensive loss for the year attributable to the equity holders of the Company		(78,734)	(113,555)
Loss per share attributable to the equity holders of the Company			
Basic and diluted loss per share (in RMB per share)	13	(0.24)	(0.34)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at December 31, 2023

	Note	As at December 31,	
		2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	538,540	290,243
Right-of-use assets	15	39,820	48,136
Intangible assets	16	9,686	9,637
Prepayments and other receivables	19	4,278	10,645
Financial assets at fair value through profit or loss	21	33,310	43,361
Term deposits	22	1,032,886	789,075
Total non-current assets		1,658,520	1,191,097
Current assets			
Inventories	18	166,542	119,244
Prepayments, other receivables and other current assets	19	38,588	81,025
Trade receivables	20	1,182	1,014
Financial assets at fair value through profit or loss	21	68,744	110,229
Term deposits	22	355,546	545,140
Cash and cash equivalents	22	1,086,579	1,205,302
Restricted cash	22	—	645
Total current assets		1,717,181	2,062,599
Total assets		3,375,701	3,253,696
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	23	332,401	332,401
Share premium	23	2,270,033	2,270,033
Other reserves	24	1,014,452	928,685
Treasury shares	23	(87,594)	(33,793)
Accumulated losses		(481,907)	(403,173)
Total equity		3,047,385	3,094,153
Liabilities			
Non-current liabilities			
Deferred revenue	27	8,674	—
Lease liabilities	15	1,859	7,459
Total non-current liabilities		10,533	7,459

Consolidated Balance Sheet

As at December 31, 2023

	Note	As at December 31,	
		2023 RMB'000	2022 RMB'000
Current liabilities			
Trade and other payables	26	233,886	126,652
Contract liabilities	6	19,922	9,601
Borrowings	28	50,000	—
Lease liabilities	15	4,018	6,543
Investment in forward foreign exchange contract	17	—	278
Other current liabilities	30	9,957	9,010
Total current liabilities		317,783	152,084
Total liabilities		328,316	159,543
Total equity and liabilities		3,375,701	3,253,696

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 155 to 235 were approved by the Board of Directors on March 21, 2024 and were signed on its behalf.

Jonathon Zhong Zhao
Director

Yang Xie
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2023

	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Treasury shares RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance as at January 1, 2022		332,401	2,270,033	841,007	(9,149)	(289,618)	3,144,674
Comprehensive income:							
Loss for the year		—	—	—	—	(113,555)	(113,555)
Transactions with equity holders of the Company:							
Purchase of treasury shares	23	—	—	—	(24,644)	—	(24,644)
Share-based compensation expenses	25	—	—	87,678	—	—	87,678
Balance as at December 31, 2022		332,401	2,270,033	928,685	(33,793)	(403,173)	3,094,153
Balance as at January 1, 2023		332,401	2,270,033	928,685	(33,793)	(403,173)	3,094,153
Comprehensive income:							
Loss for the year		—	—	—	—	(78,734)	(78,734)
Transactions with equity holders of the Company:							
Purchase of treasury shares	23	—	—	—	(53,801)	—	(53,801)
Share-based compensation expenses	25	—	—	85,767	—	—	85,767
Balance as at December 31, 2023		332,401	2,270,033	1,014,452	(87,594)	(481,907)	3,047,385

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended December 31, 2023

	Note	Year ended December 31,	
		2023 RMB'000	2022 RMB'000
Cash flows generated from/(used in) operating activities			
Cash generated from/(used in) operations	31(a)	5,974	(165,662)
Interest received		92,466	74,339
Net cash generated from/(used in) operating activities		98,440	(91,323)
Cash flows used in investing activities			
Purchase of property, plant and equipment and intangible assets		(190,919)	(134,735)
Purchase of land use right		—	(10,546)
Purchase of term deposits		(868,177)	(2,741,496)
Proceeds from the maturity or redemption of term deposits		800,766	2,930,000
Purchase of financial assets at fair value through profit or loss	3.3(c)	(179,000)	(398,790)
Proceeds from sales of financial assets at fair value through profit or loss	3.3(c)	222,022	260,522
Proceeds for disposal of property, plant and equipment		393	—
Receipt of government grants related to assets	27	8,674	—
Net cash used in investing activities		(206,241)	(95,045)
Cash flows used in financing activities			
Cash paid for purchase of treasury shares	23	(53,801)	(24,644)
Principal elements of lease payments	31(c)	(6,410)	(4,891)
Interest elements of lease payments	15(c) 31(c)	(548)	(722)
Proceeds from borrowings	31(c)	50,000	—
Interest paid for borrowings	31(c)	(703)	—
Net cash used in financing activities		(11,462)	(30,257)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		1,205,302	1,418,359
Exchange gain on cash and cash equivalents		540	3,568
Cash and cash equivalents at end of the year	22	1,086,579	1,205,302

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

1 General information

Zylox-Tonbridge Medical Technology Co., Ltd. (the “**Company**”, or “**Zylox-Tonbridge Medical**”) was incorporated in Hangzhou, Zhejiang Province of the People’s Republic of China (the “**PRC**”) on November 6, 2012 as a limited liability company. On March 2, 2021, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC and changed its registered name from “Zhejiang Zylox Medical Device Co., Ltd.” to “Zylox-Tonbridge Medical Technology Co., Ltd.”

The Company and its subsidiaries (together, the “**Group**”) are providing solutions to patients and physicians with the product portfolio covering peripheral-vascular interventional devices and neurovascular interventional devices in the PRC and other countries.

The Company’s shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on July 5, 2021.

These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

These consolidated financial statements have been approved for issue by the Board of Directors on March 21, 2024.

2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with IFRS accounting standards and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with IFRS accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 below.

2 Basis of preparation (Continued)

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing January 1, 2023:

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

The amendments listed above did not have material impact on the amounts recognized in prior periods or for the current periods.

(b) New Standards, amendments to standards and interpretations not yet adopted

Certain amendments to accounting standards and interpretations that have been issued but not yet effective and not been early adopted by the Group for the reporting period are as follows:

	New standards, amendments	Effective for annual periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IAS 1	Non-current liabilities with covenants	January 1, 2024
Amendments to IFRS 16	Leases on sale and leaseback	January 1, 2024
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	January 1, 2024
Amendments to IAS 21	Lack of Exchangeability	January 1, 2025
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the related impact of the above amendments to standards which are relevant to the Group's operation. There are no other standards that are not yet effective and that are expected to have a material impact on the Group's financial performance and position.

For the year ended December 31, 2023

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the management of the Group. The Group currently does not use any derivative financial instruments to hedge certain risk exposure.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group entities' Functional Currency. Functional Currency of the Group is RMB.

The Group mainly operates in the PRC with most of the transactions settled in RMB. The Group currently does not have a foreign currency hedging policy. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group's exposure to foreign exchange risk mainly arises from certain cash and cash equivalents and term deposits denominated in USD and HKD. As at December 31, 2023, if the USD or HKD strengthened/weakened by 5% against the RMB with all other variables held constant, net loss for the year would have been RMB12,254,000 lower/higher (2022: RMB8,632,000).

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets and liabilities, except for cash and cash equivalents (Note 22), term deposits (Note 22), borrowings (Note 28) and lease liabilities (Note 15). Those carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk.

The Group's interest rate risk mainly arises from borrowings. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. As at December 31, 2023, the Group's borrowings were borrowings that carried at fixed rates, which exposed the Group to fair value interest rate risk.

Management does not anticipate significant impact to interest-bearing assets and liabilities resulted from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk mainly arises from cash and cash equivalents, restricted cash and term deposits, trade receivables and other receivables. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet.

(i) Risk management

To manage this risk, cash and cash equivalents, restricted cash and term deposits are mainly placed with state-owned banks or reputable commercial banks which are high-credit-quality financial institutions.

To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties. The credit period granted to the customers is usually around 10 to 90 days and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors.

For other financial assets carried at amortized cost, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences.

The entity is also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss (“**FVPL**”). The maximum exposure at the end of the reporting period is the carrying amount of these investments.

(ii) Impairment of financial assets

The Group’s financial assets that are subject to the expected credit loss assessment, include cash and cash equivalents, restricted cash and term deposits, trade receivables and other receivables.

For the year ended December 31, 2023

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Cash and cash equivalents, restricted cash and term deposits

The Group expects that there is no significant credit risk associated with cash and cash equivalents, restricted cash and term deposits since they are deposited at state-owned banks or reputable commercial banks which are high-credit-quality financial institutions. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because they have a low risk of default, and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. Cash and cash equivalents, restricted cash and term deposits are also subject to the impairment requirements of IFRS 9, while the identified impairment loss was immaterial.

Trade receivables

For trade receivables, management makes periodic assessments as well as individual assessment on the recoverability based on historical settlement records and past experience and adjusts for forward-looking information. The Group has applied simplified approach in calculating expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

The expected loss rates are based on payment pattern of debtors with similar risk profiles and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product index (“**GDP**”), consumer price index (“**CPI**”) and producer price index of (“**PPI**”) the country in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

For the year ended December 31, 2023

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables (Continued)

The loss allowance as at December 31, 2023 was determined as follows for trade receivables.

	As at December 31, 2023		
	Gross carrying amount RMB'000	Expected credit loss rate	Loss allowance RMB'000
Within 3 months	941	1.10%	(10)
3 to 6 months	103	3.68%	(4)
Over 6 months	158	3.68%	(6)
	1,202	1.66%	(20)

The loss allowance as at December 31, 2022 was determined as follows for trade receivables.

	As at December 31, 2022		
	Gross carrying amount RMB'000	Expected credit loss rate	Loss allowance RMB'000
Within 3 months	956	1.57%	(15)
Over 6 months	76	3.60%	(3)
	1,032	1.74%	(18)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Movements in allowance for impairment of trade receivables are as follows:

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
At beginning of the year	(18)	(12)
Increase in loss allowance	(2)	(6)
At end of the year	(20)	(18)

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 3 years past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other receivables

Management has assessed that during the year ended December 31, 2023, other receivables has not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management.

The loss allowance as at December 31, 2023 and 2022 was determined as follows for other receivables.

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Expected credit loss rate	0.39%	0.39%
Gross carrying amounts — other receivables	10,317	6,836
Loss allowance	(40)	(27)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Other receivables (Continued)

Movements on the Group's allowance of impairment of other receivables are as follows:

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
At beginning of the year	(27)	(9)
Increase in loss allowance	(13)	(18)
At end of the year	(40)	(27)

Other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 3 years past due.

Impairment losses on other receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

The table below analyzes the Group's non-derivative financial liabilities that will be settled into relevant maturity grouping based on the remaining period at each balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The following table presents the Group's contractual maturities of financial liabilities as at December 31, 2023:

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
As at December 31, 2023				
Trade and other payables (excluding accrued taxes other than income tax and staff salaries and welfare payables)	163,143	—	—	163,143
Borrowings (including interests)	50,821	—	—	50,821
Lease liabilities (including interests)	4,235	1,548	383	6,166
	<u>218,199</u>	<u>1,548</u>	<u>383</u>	<u>220,130</u>

The following table presents the Group's contractual maturities of financial liabilities as at December 31, 2022:

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
As at December 31, 2022				
Trade and other payables (excluding accrued taxes other than income tax and staff salaries and welfare payables)	56,492	—	—	56,492
Lease liabilities (including interests)	7,147	4,880	2,991	15,018
	<u>63,639</u>	<u>4,880</u>	<u>2,991</u>	<u>71,510</u>

3 Financial risk management (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

The Group monitors capital (including share capital, share premium, capital reserve and other reserves) by regularly reviewing the gearing ratio, which is calculated by dividing the sum of borrowings and lease liabilities by total equity. As a part of this review, the Company considers the cost of capital and the risks associated with the issued share capital and share premium. In the opinion of the directors of the Company, the Group's capital risk is low.

As at December 31, 2023 and 2022, the gearing ratio was as follows:

	As at December 31,	
	2023	2022
Gearing ratio	1.83%	0.45%

3.3 Fair value estimation

(a) Fair value hierarchy

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(a) Fair value hierarchy (Continued)

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The following table presents the Group's assets that were measured at fair value as at December 31, 2023:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial Assets:				
Financial assets at FVPL	—	—	102,054	102,054

The following table presents the Group's assets that were measured at fair value as at December 31, 2022:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial Assets:				
Financial assets at FVPL	—	—	153,590	153,590
Financial Liabilities:				
Investment in forward foreign exchange contract (Note 17)	—	(278)	—	(278)

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the years ended December 31, 2023 and 2022.

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The fair value of the financial assets which are measured at amortized cost, approximate their carrying amount as at December 31, 2023 and 2022.

There were no changes in valuation techniques during the years ended December 31, 2023 and 2022.

(c) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the years ended December 31, 2023 and 2022:

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Opening balance	153,590	10,515
Additions	179,000	398,790
Disposals	(222,022)	(260,522)
(Losses)/gains recognized in profit or loss (Note 10)	(8,514)	4,807
Closing balance	102,054	153,590

The finance department of the Group manages the valuation exercise of the investments on a case by case basis. Least once half year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(c) Fair value measurements using significant unobservable inputs (level 3) (Continued)

The following table summarizes the quantitative information about the significant unobservable inputs (except the latest financing information of funding companies) used in recurring level 3 fair value measurements.

Description	As at December 31, 2023 RMB'000	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Investment in a trust product	50,330	Expected return rate	4.2%	The higher the expected return rate, the higher the fair value.
Investment in a venture fund	24,417	Expected volatility	45.9%~85.2%	The higher the expected volatility, the lower the fair value.
		Discount for lack of marketability ("DLOM")	49.0%	The higher the DLOM, the lower the fair value.
		Risk-free rate	2.5%~4.4%	The higher the risk-free rate, the lower the fair value.
Investment in convertible bond	18,414	Discount Rate	30.0%	The higher the discount rate, the lower the fair value.
Strategic investment	8,893	Discount for lack of marketability ("DLOM")	40.0%	The higher the DLOM, the lower the fair value.

Description	As at December 31, 2022 RMB'000	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Wealth management products	110,229	Expected return rate	1.0%~3.4%	The higher the expected return rate, the higher the fair value.
Investment in a venture fund	24,661	Expected volatility	46.0%~91.3%	The higher the expected volatility, the higher the fair value.
		Risk-free rate	2.8%~4.0%	The higher the risk-free rate, the lower the fair value.
Strategic investment	18,700	Discount for lack of marketability ("DLOM")	44.3%	The higher the DLOM, the lower the fair value.

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(c) Fair value measurements using significant unobservable inputs (level 3) (Continued)

If the fair values of financial assets at FVPL held by the Group had been 10% higher/lower, the loss before income tax for the year ended December 31, 2023 would have been RMB10,205,000 lower/higher (2022: RMB15,359,000).

4 Critical accounting estimates

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Group's accounting policies.

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Research and development expenses

Development costs incurred on the Group's pipeline products are capitalized 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. Development costs which do not meet these criteria are expensed when incurred. Management will assess the progress of each of the research and development projects and determine the criteria are met for capitalization. All development expenses were expensed when incurred during the year.

(b) Recognition of share-based compensation expenses

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. At the end of each reporting period, the Group revise estimated number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

5 Segment

The management of the Company has determined the operating segment based on the reports reviewed by the chief operating decision-maker (the “**CODM**”). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company. On this basis, the Group has determined that it only has one operating segment which is the sales of neurovascular and peripheral-vascular interventional devices during the year.

(a) Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group’s revenue during the years ended December 31, 2023 and 2022 is set out below:

	Year ended December 31,	
	2023 RMB’000	2022 RMB’000
Customer A	237,026	137,947
Customer B	236,177	149,564
	473,203	287,511

(b) Geographical information

(i) Revenue from external customers

	Year ended December 31,	
	2023 RMB’000	2022 RMB’000
The PRC	513,482	326,294
Others	14,272	7,796
	527,754	334,090

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

(ii) Non-current assets

All of the non-current assets of the Group are physically located in the PRC.

For the year ended December 31, 2023

6 Revenue

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
At a point in time		
— Revenue from sales of goods	526,452	334,090
— Others	1,302	—
	<u>527,754</u>	<u>334,090</u>
	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Revenue from sales of goods		
— Neurovascular interventional devices	381,799	233,398
— Peripheral-vascular interventional devices	144,653	100,692
	<u>526,452</u>	<u>334,090</u>

(a) The Group recognized the following liabilities related to the contracts with customers:

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Contract liabilities	<u>19,922</u>	<u>9,601</u>

Contract liabilities represent advance from customers and are recognized when payments are received before the transfer of goods. Management expects that the transaction price allocated to the unsatisfied contracts as at December 31, 2023 and 2022 will be recognized as revenue within one year.

(b) Revenue recognized that was included in the balance of contract liabilities at the beginning of the year:

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Revenue from sales of goods	<u>9,601</u>	<u>3,420</u>

For the year ended December 31, 2023

6 Revenue (Continued)

(c) Accounting policy of revenue recognition

Revenue is recognized when, or as, obligations under the terms of a contract are satisfied, which occurs when control of the promised products or services is transferred to customers. Revenue is measured as the amount of consideration the Group expects to receive in exchange for transferring products or services to a customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Depending on the terms of the contract and the laws applicable, control of the goods and services may be transferred over time or at a point in time.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with using the same approach as for trade receivables. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due. There is normally no significant cost to obtain contract.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The following is a description of the accounting policy for the principal revenue stream of the Group.

During the year ended December 31, 2023, revenue of the Group arose from sale of medical devices. Sales are recognized when control of the products has been transferred, being when the products are delivered to the customer or picked up by the customer at the Group's warehouse, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been transferred to the customer or be picked up by the customer at the Group's warehouse, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

For the year ended December 31, 2023

7 Expenses by nature

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Employee benefits expenses (Note 8)	327,223	308,896
Raw materials and consumables used		
— Cost of sales	89,317	53,785
— Research and development expenses	32,587	31,594
Testing and clinical trial fees	91,266	50,967
Market development expenses	37,389	30,737
Depreciation of property, plant and equipment (Note 9) (Note 14)	25,938	16,897
Professional services	21,328	23,440
Utilities and office expenses	20,742	21,708
Traveling and transportation expenses	14,190	9,163
Depreciation of right-of-use assets (Note 15)	6,769	6,086
Less: Depreciation of right-of-use assets capitalized in property, plant and equipment (Note 14(i))	(440)	(247)
Taxes and surcharges	5,403	2,445
Amortization of intangible assets (Note 16)	2,922	2,786
Auditor's remuneration		
— Audit service	2,580	2,580
— Non-audit service	820	820
Others	3,660	2,699
Total cost of sales, selling and distribution expenses, administrative expenses and research and development expenses	681,694	564,356

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For the year ended December 31, 2023

8 Employee benefits expenses

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Wages, salaries, housing benefits, other social insurance and employee welfare	158,248	127,274
Share-based compensation expenses (Note 25)	85,767	87,678
Discretionary bonuses	73,641	84,921
Pension cost — defined contribution plan (i)	9,567	9,023
	327,223	308,896

- (i) As stipulated by rules and regulations in mainland China, the Group has participated in state-sponsored defined contribution retirement plans for its employees in mainland China. The Group has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to the retired employees.

During the years ended December 31, 2023 and 2022, no forfeited contributions were utilized by the Group to reduce its contributions.

9 Other income and expenses

Other income

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Government grants (i)	11,105	9,419
Rental income	2,899	2,746
Dividends from financial assets at FVPL	504	—
Other	343	—
	14,851	12,165

For the year ended December 31, 2023

9 Other income and expenses (Continued)**Other expenses**

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Depreciation of property, plant and equipment (Note 14)	(691)	(601)
Other expenses	(908)	(593)
Depreciation of right-of-use assets (Note 15)	—	(145)
	(1,599)	(1,339)

- (i) The government grants mainly represent subsidies received from the government in relation to the support on certain research and development projects. There are no unfulfilled conditions or other contingencies attached to these grants.

10 Other (losses)/gains — net

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Foreign exchange (losses)/gains — net	(260)	19,626
Net fair value (losses)/gains from financial assets at fair value through profit or loss	(8,514)	4,807
Losses on disposal of property, plant and equipment	(591)	(9,320)
Donations	(5,862)	(2,315)
Others	(593)	(1,732)
	(15,820)	11,066

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

11 Finance income — net

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Finance income:		
Bank interest income	79,040	95,565
Finance costs:		
Interest expense on bank borrowings	(703)	—
Interest expense on lease liabilities (Note 15(c))	(548)	(722)
	(1,251)	(722)
Finance income — net	77,789	94,843

12 Income tax expense

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Current income tax expense	—	—
Deferred income tax expense	—	—
	—	—

The Group's principal applicable taxes and tax rates are as follows:

(i) Mainland China

Pursuant to the PRC Corporate Income Tax Law and the respective regulations (the “**CIT Law**”), the Group is subject to enterprise income tax at a rate of 25% on the taxable income other than the Company and its subsidiary, Ton-Bridge Medical Technology Co., Ltd. (“**Ton-Bridge Medical Technology**”). The Company and Ton-Bridge Medical Technology were accredited as “High and New Technology Enterprise” (“**High-New Tech Enterprise**”) and are eligible for a corporate income tax rate of 15% for the years ended December 31, 2023 and 2022.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that has been effective from 2021 onwards, manufacturing enterprises are entitled to claim 200% of their research and development expenses incurred as tax deductible expenses.

12 Income tax expense (Continued)

(i) Mainland China (Continued)

The tax losses will normally expire within 5 years. Pursuant to the relevant regulations on extending the expiry date of tax losses of High-New Tech Enterprise, the expiry date of the unused tax losses of the Company and Ton-Bridge Medical Technology extended from 5 years to 10 years.

(ii) Hong Kong

Hong Kong profits tax rate is 8.25% for assessable profits on the first HKD2,000,000 and 16.5% for any assessable profits in excess. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the year ended December 31, 2023.

According to the Hong Kong tax laws and regulations, the tax losses would be carried forward and deducted for income tax purposes, without expiry date.

No deferred tax asset has been recognized in respect of the tax losses and temporary differences due to the unpredictability of future profit streams.

A reconciliation of the expected income tax calculated at the applicable tax rate and loss before income tax, with the actual income tax is as follow:

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Loss before income tax	(78,734)	(113,555)
Tax calculated at statutory tax rates applicable to each Group entity	(15,876)	(22,005)
Tax effect of:		
Expenses not deductible for tax purpose	2,034	1,779
Extra deduction for research and development expenses	(33,081)	(32,961)
Temporary differences not recognized as deferred tax assets	12,336	8,907
Previously unrecognized tax losses now recouped to reduce current tax expense	(391)	—
Tax losses not recognized as deferred tax assets	34,978	44,280
Income tax expense	—	—

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

12 Income tax expense (Continued)

(iii) Unrecognized tax losses and temporary differences

The Group has not recognized any deferred tax assets in respect of the following items:

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Deductible losses (a)	179,677	230,602
Deductible temporary differences	81,393	61,751
	261,070	292,353

- (a) As at December 31, 2023 and 2022, the Group had unused tax losses of approximately RMB1,114,372,000 and RMB941,392,000 that can be carried forward against future taxable income, respectively. No deferred income tax asset has been recognized in respect of such tax losses due to the unpredictability of future taxable income. Except for the Company's subsidiary Zylox Tonbridge Medical Limited, whose tax losses will be carried forward indefinitely, the Group's tax losses carried forward will expire between 2024 and 2033.

13 Loss per share

Basic loss per share is calculated by dividing the loss of the Group attributable to equity holders of the Company by weighted average number of ordinary shares outstanding during the financial year excluding treasury shares.

For the years ended December 31, 2023 and 2022, the Group has potential dilutive shares related to the shares held for Pre-IPO Share Option Scheme (Note 25(b)). Due to the Group's losses, the potential ordinary shares are not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, the diluted loss per share is the same as basic loss per share.

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

	Year ended December 31,	
	2023	2022
Loss attributable to equity holders of the Company (RMB'000)	(78,734)	(113,555)
Weighted average number of ordinary shares in issue during the year (thousand)	328,711	330,388
Basic and diluted loss per share (RMB)	(0.24)	(0.34)

For the year ended December 31, 2023

14 Property, plant and equipment

	Buildings RMB'000	Office equipment and furniture RMB'000	Equipment and instruments RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Landscape RMB'000	Total RMB'000
As at January 1, 2022								
Cost	139,250	5,874	33,399	3,973	5,849	13,965	5,963	208,273
Accumulated depreciation	(582)	(1,652)	(13,457)	(1,046)	—	(13,167)	(99)	(30,003)
Net book value	138,668	4,222	19,942	2,927	5,849	798	5,864	178,270
Year ended December 31, 2022								
Opening net book value	138,668	4,222	19,942	2,927	5,849	798	5,864	178,270
Additions	—	1,484	16,900	1,093	117,668	1,669	—	138,814
Disposals	—	(6)	(77)	—	(9,260)	—	—	(9,343)
Transfer upon completion	16,887	98	13,216	—	(36,269)	6,068	—	—
Depreciation charge (Note 7) (Note 9)	(5,523)	(1,500)	(6,631)	(990)	—	(1,661)	(1,193)	(17,498)
Closing net book value	150,032	4,298	43,350	3,030	77,988	6,874	4,671	290,243
As at December 31, 2022								
Cost	156,137	7,376	63,205	5,066	77,988	21,702	5,963	337,437
Accumulated depreciation	(6,105)	(3,078)	(19,855)	(2,036)	—	(14,828)	(1,292)	(47,194)
Net book value	150,032	4,298	43,350	3,030	77,988	6,874	4,671	290,243

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

14 Property, plant and equipment (Continued)

	Buildings RMB'000	Office equipment and furniture RMB'000	Equipment and instruments RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Landscape RMB'000	Total RMB'000
As at January 1, 2023								
Cost	156,137	7,376	63,205	5,066	77,988	21,702	5,963	337,437
Accumulated depreciation	(6,105)	(3,078)	(19,855)	(2,036)	—	(14,828)	(1,292)	(47,194)
Net book value	<u>150,032</u>	<u>4,298</u>	<u>43,350</u>	<u>3,030</u>	<u>77,988</u>	<u>6,874</u>	<u>4,671</u>	<u>290,243</u>
Year ended December 31, 2023								
Opening net book value	150,032	4,298	43,350	3,030	77,988	6,874	4,671	290,243
Additions	3,983	710	4,654	54	266,453	224	—	276,078
Disposals	—	(8)	(346)	—	—	(798)	—	(1,152)
Transfer upon completion	—	—	10,101	—	(21,483)	11,382	—	—
Depreciation charge (Note 7) (Note 9)	(6,457)	(1,738)	(10,957)	(1,032)	—	(5,252)	(1,193)	(26,629)
Closing net book value	<u>147,558</u>	<u>3,262</u>	<u>46,802</u>	<u>2,052</u>	<u>322,958</u>	<u>12,430</u>	<u>3,478</u>	<u>538,540</u>
As at December 31, 2023								
Cost	160,120	7,979	76,313	5,120	322,958	32,243	5,963	610,696
Accumulated depreciation	(12,562)	(4,717)	(29,511)	(3,068)	—	(19,813)	(2,485)	(72,156)
Net book value	<u>147,558</u>	<u>3,262</u>	<u>46,802</u>	<u>2,052</u>	<u>322,958</u>	<u>12,430</u>	<u>3,478</u>	<u>538,540</u>

- (i) During the years ended December 31, 2023 and 2022, the Group has capitalized the depreciation of right-of-use assets amounting to RMB440,000 and 247,000 respectively.
- (ii) As at December 31, 2023, the carrying amount of buildings without building ownership certificate was RMB147,558,000 (2022: RMB150,032,000). The property ownership certificate was obtained in February 2024.

For the year ended December 31, 2023

14 Property, plant and equipment (Continued)

- (a) Depreciation of property, plant and equipment has been charged to the consolidated statement of comprehensive income as follows:

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Cost of sales (Note 7)	10,145	4,816
Research and development expenses (Note 7)	9,503	5,986
Administrative expenses (Note 7)	6,006	5,864
Other expenses (Note 9)	691	601
Selling and distribution expenses (Note 7)	284	231
Total	26,629	17,498

(b) Accounting policy for property, plant and equipment

Property, plant and equipment are stated at historical cost or acquisition cost less accumulated depreciation and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvement, the shorter lease term as follows:

— Buildings	10–40 years
— Equipment and instruments	3–10 years
— Office equipment and furniture	3–5 years
— Motor vehicles	4–5 years
— Leasehold improvements	Shorter of remaining lease term or estimated useful lives
— Landscape	5 years

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

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For the year ended December 31, 2023

14 Property, plant and equipment (Continued)

(b) Accounting policy for property, plant and equipment (Continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 39.5).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in "Other (losses)/gains — net" in the consolidated statement of comprehensive income.

Construction in progress represents property, plant and equipment under construction or pending installation and is stated at historical cost or acquisition cost less provision for impairment loss, if any. Cost includes the costs of construction and acquisition as well as capitalized borrowing costs during the periods of construction and installation. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and intangible assets and depreciated in accordance with the policy as stated above.

15 Right-of-use assets

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Right-of-use assets		
— Land use rights (a)	34,105	34,836
— Buildings (b)	5,715	13,300
	39,820	48,136

15 Right-of-use assets (Continued)

(a) Land use rights

- (i) The Group's interests in land use rights represent prepaid operating lease payments for land located in the PRC and the lease term is 50 years. The movements of land use rights are analyzed as follows:

	Land use rights RMB'000
As at January 1, 2022	
Cost	26,035
Accumulated amortization	(1,207)
Net book value	<u>24,828</u>
Year ended December 31, 2022	
Opening net book value	24,828
Addition	10,546
Amortization charge (Note 7)	(538)
Closing net book value	<u>34,836</u>
As at December 31, 2022	
Cost	36,581
Accumulated amortization	(1,745)
Net book value	<u>34,836</u>
As at January 1, 2023	
Cost	36,581
Accumulated amortization	(1,745)
Net book value	<u>34,836</u>
Year ended December 31, 2023	
Opening net book value	34,836
Addition	—
Amortization charge (Note 7)	(731)
Closing net book value	<u>34,105</u>
As at December 31, 2023	
Cost	36,581
Accumulated amortization	(2,476)
Net book value	<u>34,105</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

15 Right-of-use assets (Continued)

(b) Buildings

- (i) The Group leases offices mainly for own use. Information about leases for which the Group is a lessee is presented below:

	Buildings RMB'000
As at January 1, 2022	
Cost	21,126
Accumulated depreciation	(11,839)
Net book value	<u>9,287</u>
Year ended December 31, 2022	
Opening net book value	9,287
Additions	11,280
Early termination of lease	(1,574)
Depreciation charge (Note 7) (Note 9)	(5,693)
Closing net book value	<u>13,300</u>
As at December 31, 2022	
Cost	21,205
Accumulated depreciation	(7,905)
Net book value	<u>13,300</u>
As at January 1, 2023	
Cost	21,205
Accumulated depreciation	(7,905)
Net book value	<u>13,300</u>
Year ended December 31, 2023	
Opening net book value	13,300
Additions	1,245
Early termination of lease	(2,792)
Depreciation charge (Note 7)	(6,038)
Closing net book value	<u>5,715</u>
As at December 31, 2023	
Cost	18,030
Accumulated depreciation	(12,315)
Net book value	<u>5,715</u>

For the year ended December 31, 2023

15 Right-of-use assets (Continued)**(b) Buildings (Continued)**

(ii) Lease liabilities recognized in the balance sheets:

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Lease liabilities		
— current	4,018	6,543
— non-current	1,859	7,459
	5,877	14,002

(iii) Present value of lease liabilities due:

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Within 1 year	4,018	6,543
Between 1 and 2 years	1,496	4,580
Between 2 and 5 years	363	2,879
	5,877	14,002

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For the year ended December 31, 2023

15 Right-of-use assets (Continued)

- (c) Depreciation charge of right-of-use assets and other amounts that have been recognized in the financial statements are as follows:

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Depreciation charge recognized in:		
Cost of sales (Note 7)	2,728	2,078
Research and development expenses (Note 7)	1,387	1,731
Selling and distribution expenses (Note 7)	1,179	887
Administrative expenses (Note 7)	1,035	1,143
Other expenses (Note 9)	—	145
	6,329	5,984
Depreciation charge capitalized in:		
Property, plant and equipment (Note 7)	440	247
	6,769	6,231
Other amounts recognized in:		
Interest expense (Note 11)	548	722
Expense relating to short-term leases	1,477	705
	(1,423)	(852)
The cash outflow for leases as operating activities	(6,958)	(5,613)
The cash outflow for leases as financing activities		

For the year ended December 31, 2023

16 Intangible assets

	Non-proprietary technologies RMB'000	Software RMB'000	Technologies under research and development RMB'000	Patents	Total RMB'000
As at January 1, 2022					
Cost	26,670	—	—	—	26,670
Accumulated amortization	(21,781)	—	—	—	(21,781)
Net book value	4,889	—	—	—	4,889
Year ended December 31, 2022					
Opening net book value	4,889	—	—	—	4,889
Additions	—	554	6,980	—	7,534
Amortization charge (Note 7)	(2,667)	(119)	—	—	(2,786)
Closing net book value	2,222	435	6,980	—	9,637
As at December 31, 2022					
Cost	26,670	554	6,980	—	34,204
Accumulated amortization	(24,448)	(119)	—	—	(24,567)
Net book value	2,222	435	6,980	—	9,637
As at January 1, 2023					
Cost	26,670	554	6,980	—	34,204
Accumulated amortization	(24,448)	(119)	—	—	(24,567)
Net book value	2,222	435	6,980	—	9,637
Year ended December 31, 2023					
Opening net book value	2,222	435	6,980	—	9,637
Additions	—	2,042	—	929	2,971
Amortization charge (Note 7)	(2,222)	(654)	—	(46)	(2,922)
Closing net book value	—	1,823	6,980	883	9,686
As at December 31, 2023					
Cost	26,670	2,596	6,980	929	37,175
Accumulated amortization	(26,670)	(773)	—	(46)	(27,489)
Net book value	—	1,823	6,980	883	9,686

For the year ended December 31, 2023

16 Intangible assets (Continued)

- (a) Amortization of intangible assets has been charged to the consolidated statement of comprehensive income as follows:

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Research and development expenses (Note 7)	2,543	2,688
Administrative expenses (Note 7)	379	98
	2,922	2,786

(b) Accounting policy for research and development

Research and development costs comprise all costs that are directly attributable to research and development activities (relating to the design and testing of new or improved high end medical instruments) or that can be allocated on a reasonable basis to such activities. Research and development costs are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the medical instruments so that it will be available for use or sale;
- management intends to complete the medical instruments, and use or sell it;
- the ability to use or sell the medical instruments;
- it can be demonstrated how the medical instruments will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and the ability to use or sell the medical instruments; and
- the expenditure attributable to the medical instruments during its development can be reliably measured.

Other development expenditures that do not meet these criteria are charged to expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

For the year ended December 31, 2023

17 Financial instruments by category

Financial assets

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Financial assets at amortized cost		
Cash and cash equivalents (Note 22)	1,086,579	1,205,302
Term deposits (Note 22)	1,388,432	1,334,215
Prepayment, other receivables and other current assets (excluding non-financial assets) (Note 19)	10,277	6,809
Trade receivables (Note 20)	1,182	1,014
Restricted cash (Note 22)	—	645
	2,486,470	2,547,985

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Financial assets at FVPL (Note 21)	102,054	153,590

Financial liabilities

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Financial liabilities at amortized cost		
Trade and other payables (excluding non-financial liabilities) (Note 26)	163,143	56,492
Borrowings (Note 28)	50,000	—
Lease liabilities (Note 15)	5,877	14,002
	219,020	70,494

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Financial liabilities at FVPL	—	278

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

18 Inventories

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Raw materials	104,835	77,899
Finished goods	50,817	29,324
Work in progress	10,890	12,021
	166,542	119,244

As at December 31, 2023 and 2022, no inventory provision was provided as the inventory's net realizable value was higher than its carrying amounts.

(a) Accounting policy for inventories

Inventories including raw materials, work in progress and finished goods are stated at the lower of cost and net realizable value. Costs comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs of purchased inventory are determined after deducting discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

For the year ended December 31, 2023

19 Prepayments, other receivables and other current assets

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Included in non-current assets		
Prepayments:		
Prepayments for purchase of property, plant and equipment	3,137	7,474
Prepayments for purchase of intangible assets	—	1,242
Other receivables:		
Deposits for leases	1,141	1,929
Total	4,278	10,645
Included in current assets		
Prepayments:		
Prepayments for purchase of goods	17,133	43,807
Prepayments for purchase of service	5,256	22,603
Other receivables:		
Deposits for industrial land project performance guarantee and leases	3,444	3,196
Rental related receivable	3,363	998
Dividends from financial assets at FVPL	504	—
Others	1,865	713
Less: loss allowance	(40)	(27)
Others:		
Value-added tax recoverable	7,063	9,735
Total	38,588	81,025

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

20 Trade receivables

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Trade receivables from contracts with customers (a)	1,202	1,032
Less: loss allowance	(20)	(18)
	<u>1,182</u>	<u>1,014</u>

(a) As at December 31, 2023 and 2022, trade receivables of the Group were mainly from overseas customers.

The Group applies the IFRS 9 simplified approach to measure expected credit losses which use a life time expected loss allowance for all trade receivables. Note 3.1 provides for details about the calculation of the allowance.

As at December 31, 2023 and 2022, the aging analysis of the trade receivables based on invoice date were as follows:

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Up to 3 months	941	956
3 to 6 months	103	—
Over 6 months	158	76
	<u>1,202</u>	<u>1,032</u>

The carrying amounts of the Group's trade receivables are denominated in RMB and approximate their fair values. The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables mentioned above.

As at December 31, 2023, a provision of RMB20,000 was made against the gross amounts of trade receivables.

For the year ended December 31, 2023

21 Financial assets at fair value through profit or loss

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Included in non-current assets		
Investment in a venture fund (a)	24,417	24,661
Strategic investment (b)	8,893	18,700
	33,310	43,361
Included in current assets		
Investment in a trust product (c)	50,330	—
Investment in convertible bond (d)	18,414	—
Wealth management products (e)	—	110,229
	68,744	110,229
	102,054	153,590

- (a) On September 1, 2021, the Company entered into an agreement with a venture fund which makes investments in the healthcare sector. The Company subscribed for non-voting participating shares of the fund.
- (b) On January 17, 2022, the Company signed an investment agreement with a private company as a strategic investor. The Company agreed to make cash contribution in the amount of RMB18,000,000 to subscribe for 8% of the registered capital and all contribution were paid for the year ended December 31, 2022. Fair value losses of approximately RMB9,807,000 have been recognized in "Other (losses)/gains — net" for this investment for the year ended December 31, 2023.
- (c) On September 27, 2023, the Company purchased a one-year trust product with 4.2% expected rate of return per year.
- (d) On April 4, 2023, the Company entered into an agreement to purchase a convertible note issued at a cash consideration of RMB20,000,000. The principal and interest of the note shall be repayable within 16 months unless the Company choose to convert it into equity investment at pre-determined conversion condition. The management designated the above note as financial asset at FVPL.
- (e) As at December 31, 2023, the balance of wealth management products was nil as the Group redeemed all wealth management products before year end.

The Group managed and evaluated the performance of these investments on a fair value basis, in accordance with the Group's risk management and investment strategy and hence they are designated as financial assets at FVPL as at December 31, 2023. The fair values of these investments are measured using a valuation technique with unobservable inputs. The major assumptions used in the valuation refer to Note 3.3(c).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

22 Cash and cash equivalents, restricted cash and term deposits

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Cash in bank and other financial institution	2,475,011	2,540,162
Less: term deposits with initial term of over three months (a)	(1,388,432)	(1,334,215)
Less: restricted cash (b)	—	(645)
	1,086,579	1,205,302
	As at December 31,	
	2023 RMB'000	2022 RMB'000
Cash and cash equivalents, restricted cash and term deposits are denominated in:		
— RMB	2,252,757	2,391,159
— USD	153,746	126,665
— HKD	66,758	22,261
— EUR	1,750	77
	2,475,011	2,540,162

- (a) The directors of the Company considered that the carrying amount of the term deposits with initial terms of over three months approximated to their fair value as at December 31, 2023.

Term deposits with remaining maturity period over 1 year are classified as “non-current assets”.

- (b) Restricted cash

As at December 31, 2022, RMB645,000 was restricted guarantee deposits pledged to the bank for investment in forward foreign exchange contract.

For the year ended December 31, 2023

23 Share capital, share premium and treasury shares

	Number of Ordinary shares	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Total RMB'000
As at January 1, 2022	332,401,001	332,401	2,270,033	(9,149)	2,593,285
Purchase of treasury shares (a)	—	—	—	(24,644)	(24,644)
As at December 31, 2022	332,401,001	332,401	2,270,033	(33,793)	2,568,641
Purchase of treasury shares (a)	—	—	—	(53,801)	(53,801)
As at December 31, 2023	332,401,001	332,401	2,270,033	(87,594)	2,514,840

(a) Movements in the treasury shares

	Number of shares	Value RMB'000
Opening balance as at January 1, 2022	(485,500)	(9,149)
Acquisition of shares	(2,226,000)	(24,644)
Balance as at December 31, 2022	(2,711,500)	(33,793)
Acquisition of shares	(5,644,000)	(53,801)
Balance as at December 31, 2023	(8,355,500)	(87,594)

24 Other reserves

	Capital reserve RMB'000	Share-based compensation expenses RMB'000	Others RMB'000	Total RMB'000
As at January 1, 2022	656,572	139,383	45,052	841,007
Share-based compensation expenses (Note 25)	—	87,678	—	87,678
As at December 31, 2022	656,572	227,061	45,052	928,685
As at January 1, 2023	656,572	227,061	45,052	928,685
Share-based compensation expenses (Note 25)	—	85,767	—	85,767
As at December 31, 2023	656,572	312,828	45,052	1,014,452

For the year ended December 31, 2023

25 Share-based payments

(a) Employee Incentive Scheme and H Share Scheme

(i) Employee Incentive Scheme

Certain eligible employees of the Group were granted with shares of the Company through Hangzhou Fujiang Investment Partnership (Limited Partnership), Zhuhai Tongqiao Investment Center (Limited Partnership), Zhuhai Guichuang Equity Investment Center (Limited Partnership) and Huzhou Guiqiao Enterprise Management Partnership (Limited Partnership) as rewards for their services and in exchange for their full-time devotion and professional expertise. A total number of 1,630,284 shares were awarded to certain employees for the year ended 2023.

(ii) H Share Scheme

The Board has resolved at a meeting of the Board held on August 30, 2021 to propose the adoption of the H Share Scheme. The H Share Scheme has been approved by the Shareholders at the extraordinary general meeting held on September 23, 2021. The H Share Scheme is a share award of H Shares and the Trust scheme established by the Company to award certain eligible employees. As at December 31, 2023, the Company appointed the trustee to purchase a total number of 6,244,500 H shares in the amount of RMB64,719,000 pursuant to the H share scheme, of which, 3,964,063 shares were awarded to certain employees for the year ended December 31, 2023.

(iii) Under these employee incentive schemes, the employees were required to complete a service period and meet specified performance targets, if any.

The fair value of services received in return for a share award granted is measured by reference to the fair value of the share award granted less the consideration received by the Group. The fair value of the share award granted during the year ended December 31, 2023 was measured using the share price as at the grant date, which was HK\$7.61, HK\$8.48, HK\$10.08 and HK\$10.90 respectively (2022: HK\$8.50).

(iv) Movements in the number of shares granted but not vested for the years ended 2023 and 2022 are as follows:

	Year ended December 31,	
	2023	2022
	'000	'000
At the beginning of year	14,292	12,678
Granted during the year	5,594	7,054
Vested during the year	(14,699)	(5,276)
Forfeited during the year	(315)	(164)
At the end of year	4,872	14,292

For the year ended December 31, 2023

25 Share-based payments (Continued)

(b) Pre-IPO Share Option Scheme

On January 18, 2021, the Board of Directors ratified and adopted an equity-settled Pre-IPO Share Option Scheme with an aggregate of 4,788,547 shares of the Company. All the options were granted to certain eligible employees of the Group (collectively, the “Grantees”) in June 2021 and will be vested in batches on vesting dates and shall be subject to the Group’s and the relevant Grantee’s performance target.

(i) The movements in the number of share options outstanding and their related exercise prices under the Pre-IPO Share Option Scheme are as follows:

	Exercise price per share option <i>RMB</i>	2023 Number of options	2022 Number of options
As at January 1	2.13	4,692,777	4,692,777
Granted during the year	—	—	—
Forfeited during the year	—	—	—
As at December 31	2.13	4,692,777	4,692,777
Vested and exercisable at December 31	—	4,692,777	2,863,552

(ii) Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price per share <i>RMB</i>	Share options December 31, 2023	Share options December 31, 2022
June 10, 2021	January 17, 2031	2.13	4,692,777	4,692,777

The remaining contractual life of outstanding share options was approximately 7 years and 8 years as at December 31, 2023 and 2022.

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For the year ended December 31, 2023

25 Share-based payments (Continued)

(b) Pre-IPO Share Option Scheme (Continued)

(iii) Fair value of options granted

The fair value at grant date is independently determined using binomial model, the significant inputs were listed as below:

	Pre-IPO Share Option Scheme
Expected price volatility	59%
Expected option life (year)	10
Risk free interest rate	3.38%
Fair value of ordinary shares (RMB)	25.68–25.90

The volatility factor estimated was based on the historical share price movement of the comparable companies for the period close to the expected time to exercise.

(c) Expenses arising from share-based payment transactions

Total expense for the share-based payments has been charged to the consolidated statement of comprehensive income as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Selling and distribution expenses	32,498	19,441
Administrative expenses	26,089	20,112
Research and development expenses	25,995	47,717
Cost of sales	1,185	408
Total	85,767	87,678

25 Share-based payments (continued)

(d) Accounting policy for share-based payments

The Group operates an equity-settled share-based compensation plan, under which the entity receives services from eligible employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of equity instruments is recognized as an expense on the consolidated financial statements. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions; (e.g. the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions; (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period.

Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

26 Trade and other payables

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Trade payables (a)	27,508	10,735
Payables for purchase of property, plant and equipment	118,853	36,742
Staff salaries and welfare payables	64,431	61,227
Payables to suppliers of service	14,935	7,520
Accrued taxes other than income tax	6,312	8,933
Others	1,847	1,495
	233,886	126,652

(a) The aging analysis of trade payables based on invoice date at the respective balance sheet dates is as follows:

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Within 1 year	27,508	10,735

27 Deferred revenue

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Included in non-current liabilities		
Government grants related to assets:	8,674	—

Government grants include subsidies in relation to the construction of plant and equipment. The amount will be transferred to income on a systematic basis upon the commencement of depreciation of relevant assets.

For the year ended December 31, 2023

28 Borrowings

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Current		
Bank borrowings — secured	50,000	—

(a) In June and July of 2023, the Group entered into loan agreements with total amounts of RMB50,000,000 and all the amounts were drawn down. The interests will be paid monthly at a rate of 3.05% per annum. Certain self-developed patents of the Group have been pledged as collateral under loan agreements.

(b) As at December 31, 2023 and 2022, the Group's borrowings were repayable as follows:

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Within 1 year	50,000	—

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

29 Deferred income tax

(a) Deferred tax assets

	As at December 31,		
	2023 RMB'000	2022 RMB'000	
The balance comprises temporary differences attributable to:			
Lease liabilities	961	2,510	
Other	45	129	
	1,006	2,639	
Set-off of deferred tax liabilities pursuant to set-off provisions	(1,006)	(2,639)	
Net deferred tax assets	—	—	
Movements	Lease liabilities RMB'000	Other RMB'000	Total RMB'000
As at January 1, 2022	1,546	50	1,596
— to profit or loss	964	79	1,043
As at December 31, 2022	2,510	129	2,639
As at January 1, 2023	2,510	129	2,639
— to profit or loss	(1,549)	(84)	(1,633)
As at December 31, 2023	961	45	1,006

For the year ended December 31, 2023

29 Deferred income tax (Continued)**(b) Deferred tax liabilities**

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
The balance comprises temporary differences attributable to:		
Right-of-use assets	1,006	2,639
Set-off of deferred tax assets pursuant to set-off provisions	(1,006)	(2,639)
Net deferred tax liabilities	—	—
Movements		Right-of-use assets
		RMB'000
As at January 1, 2022		1,596
— to profit or loss		1,043
As at December 31, 2022		2,639
As at January 1, 2023		2,639
— to profit or loss		(1,633)
As at December 31, 2023		1,006

30 Other current liabilities

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Provisions for sales rebates	7,368	7,762
Others	2,589	1,248
	9,957	9,010

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

31 Cash generated from/(used in) operation

(a) Reconciliation of loss before income tax to net cash used in operations

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Loss for the year before income tax	(78,734)	(113,555)
Adjustments for:		
— Depreciation of property, plant and equipment (<i>Note 7</i>) (<i>Note 9</i>)	26,629	17,498
— Amortization of intangible assets and depreciation of right-of-use assets (<i>Note 7</i>) (<i>Note 9</i>)	9,251	8,770
— Net impairment losses on financial assets	15	24
— Losses on disposal of property, plant and equipment and other non-current assets	591	9,125
— Share-based compensation expenses (<i>Note 25</i>)	85,767	87,678
— Net fair value losses/(gains) from financial assets at fair value through profit or loss (<i>Note 10</i>)	8,514	(4,807)
— Finance income — net (<i>Note 11</i>)	(77,789)	(94,843)
— Net fair value (gains)/losses on investment in forward foreign exchange contract	(278)	278
— Net foreign exchange gains	(772)	(3,294)
	(26,806)	(93,126)
Changes in working capital:		
— Restricted cash	645	(645)
— Inventories	(47,298)	(61,972)
— Trade receivables	(170)	(574)
— Prepayments, other receivables and other current assets	43,212	(46,109)
— Trade and other payables	36,391	36,764
	32,780	(72,536)
Cash generated from/(used in) operations	5,974	(165,662)

(b) Non-cash investing and financing activities

For the years ended December 31, 2023 and 2022, the Group did not have any material non-cash investing and financing activities.

For the year ended December 31, 2023

31 Cash generated from/(used in) operation (Continued)**(c) Changes in liabilities from financing activities**

	Liabilities Lease Liabilities RMB'000	Borrowings RMB'000
As at January 1, 2023	14,002	—
Financing cash flows	(6,958)	49,297
New leases	1,245	—
Other changes		
Interest expenses (Note 11)	548	703
Early termination of lease	(2,960)	—
As at December 31, 2023	<u>5,877</u>	<u>50,000</u>

	Liabilities Lease Liabilities RMB'000	Borrowings RMB'000
As at January 1, 2022	9,405	—
Financing cash flows	(5,613)	—
New leases	11,280	—
Other changes		
Interest expenses (Note 11)	722	—
Other non-cash movements	(1,792)	—
As at December 31, 2022	<u>14,002</u>	<u>—</u>

32 Commitments and contingent liabilities**(a) Capital commitments**

Capital expenditures contracted for at each balance sheet date, but not yet incurred are as follows:

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Investment in a venture fund	144,562	9,402
Property, plant and equipment	100,602	25,460
	<u>245,164</u>	<u>34,862</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

32 Commitments and contingent liabilities (Continued)

(b) Operating lease commitments

Minimum lease payments under non-cancellable leases (short-term or low-value lease) for at the end of each reporting period but not recognized in the financial statements are as follows:

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Operating lease contract	890	1,017

(c) The Group had no material contingent liabilities as at December 31, 2023 and 2022.

33 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

There were no significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended December 31, 2023 and 2022.

(a) Key management compensation

Key management includes directors, supervisors and senior management. The compensation paid or payable to key management for employee services is shown below:

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Share-based compensation expenses	29,632	34,048
Discretionary bonuses	8,613	16,313
Wages, salaries, housing benefits, other social insurance and employee welfare	9,139	9,129
Pension cost — defined contribution plan	99	74
	47,483	59,564

34 Dividend

No dividend has been paid or declared by the Company during each of the years ended December 31, 2023 and 2022 respectively.

For the year ended December 31, 2023

35 Subsequent events

In March 2024, the Company has entered into a series of licensing and investment agreements (the “**Agreements**”) with an innovative medical device company. Based on the Agreements, the Company will invest US\$15.0 million in two tranches with US\$7.5 million in each tranche, subject to the achievement of certain milestones and satisfaction of other closing conditions, by subscribing newly issued common shares and preferred shares of investee.

36 Balance sheet and reserves movements of the Company

Balance Sheet of the Company

	Note	As at December 31,	
		2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	37	420,065	308,463
Property, plant and equipment		170,662	171,347
Right-of-use assets		13,562	15,598
Intangible assets		2,304	2,513
Prepayments and other receivables		142	3,589
Financial assets at fair value through profit or loss	21	33,310	43,361
Term deposits		976,280	689,047
Total non-current assets		1,616,325	1,233,918
Current assets			
Inventories		77,341	60,340
Prepayments, other receivables and other current assets		585,273	469,456
— Due from subsidiaries		567,606	446,705
— Due from third parties		17,667	22,751
Trade receivables		1,536	1,008
— Due from subsidiaries		596	—
— Due from third parties		940	1,008
Financial assets at fair value through profit or loss	21	68,744	110,229
Term deposits		289,174	545,140
Cash and cash equivalents		791,811	913,527
Restricted cash	22	—	645
Total current assets		1,813,879	2,100,345
Total assets		3,430,204	3,334,263
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	23	332,401	332,401
Share premium	23	2,270,033	2,270,033
Other reserves		917,485	844,419
Treasury shares	23	(87,594)	(33,793)
Accumulated losses		(147,563)	(132,253)
Total equity		3,284,762	3,280,807

Notes to the Consolidated Financial Statements

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36 Balance sheet and reserves movements of the Company (Continued)

Balance Sheet of the Company (Continued)

	Note	As at December 31,	
		2023 RMB'000	2022 RMB'000
Liabilities			
Non-current liabilities			
Lease liabilities		—	520
Total non-current liabilities		—	520
Current liabilities			
Trade and other payables		73,929	44,066
Contract liabilities		14,857	2,217
Borrowings	28	50,000	—
Lease liabilities		716	2,466
Other current liabilities		5,940	3,909
Investment in forward foreign exchange contract	17	—	278
Total current liabilities		145,442	52,936
Total liabilities		145,442	53,456
Total equity and liabilities		3,430,204	3,334,263

The balance sheet of the Company was approved by the Board of Directors on March 21, 2024 and was signed on its behalf.

Jonathon Zhong Zhao
Director

Yang Xie
Director

For the year ended December 31, 2023

36 Balance sheet and reserves movements of the Company (Continued)

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Other reserves RMB'000	Treasury shares RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance as at January 1, 2022	2,270,033	775,223	(9,149)	(131,356)	2,904,751
Comprehensive income:					
Loss for the year	—	—	—	(897)	(897)
Transactions with equity holders of the Company:					
Purchase of treasury shares	—	—	(24,644)	—	(24,644)
Share-based compensation expenses	—	69,196	—	—	69,196
Balance as at December 31, 2022	2,270,033	844,419	(33,793)	(132,253)	2,948,406
Balance as at January 1, 2023	2,270,033	844,419	(33,793)	(132,253)	2,948,406
Comprehensive income:					
Loss for the year	—	—	—	(15,310)	(15,310)
Transactions with equity holders of the Company:					
Purchase of treasury shares	—	—	(53,801)	—	(53,801)
Share-based compensation expenses	—	73,066	—	—	73,066
Balance as at December 31, 2023	2,270,033	917,485	(87,594)	(147,563)	2,952,361

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

37 Material subsidiaries

- (a) The Group's principal subsidiaries at December 31, 2023 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly or indirectly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Company name	Country/place and date of incorporation/ establishment and kind of legal entity	Issued ordinary/ Registered share capital	Effective interests held by the Group % as at the date of this report as at December 31,		Direct or Indirect	Principal activities and place of operation
			2023	2022		
Ton-Bridge Medical Technology	The PRC, February 26, 2016, limited liability company	RMB230,000,000	100%	100%	Direct	Research and development and production of neurovascular medical devices in Mainland China
Zylox Tonbridge Medical Limited	Hong Kong, March 17, 2021, limited liability company	USD2,000,000	100%	100%	Direct	Importation of materials and purchase of services in Hong Kong
Zhejiang Zylox Medical Technology Co., Ltd.	The PRC, July 22, 2021, limited liability company	RMB50,000,000	100%	100%	Direct	Technical consultation and services, research and development, production and sales of medical devices in Mainland China
Ton-Bridge Medical Technology (Suzhou) Co., Ltd.	The PRC, August 24, 2021, limited liability company	RMB10,000,000	100%	100%	Indirect	Research and development, production and sales of medical devices in Mainland China
Shanghai Zhaowen Medical Technology Co., Ltd. (i)	The PRC, September 22, 2021, limited liability company	RMB30,000,000	—	100%	Direct	Technical consultation and services, research and development of medical devices in Mainland China
Hangzhou Guiqiao Medical Technology Co., Ltd.	The PRC, October 9, 2021, limited liability company	RMB30,000,000	100%	100%	Direct	Research and development, production and sales of medical devices in Mainland China

For the year ended December 31, 2023

37 Material subsidiaries (Continued)**(a)** (Continued)

Company name	Country/place and date of incorporation/ establishment and kind of legal entity	Issued ordinary/ Registered share capital	Effective interests held by the Group % as at the date of this report as at December 31,		Direct or Indirect	Principal activities and place of operation
			2023	2022		
Zhiyu Medical Technology (Guangzhou) Co., Ltd.	The PRC, October 9, 2021, limited liability company	RMB5,000,000	100%	100%	Indirect	Research and development, production and sales of medical devices in Mainland China
Zenith Medical Technologies Pte. Ltd.	Singapore, November 21, 2022, limited liability company	USD9,000,000	100%	100%	Direct	Investment holding
Zenith Medical Technologies B.V.	Netherlands, December 1, 2022, limited liability company	EUR1	100%	100%	Indirect	Sales of medical devices in Europe
Jiangsu Tongchuang Medical Technology Co., Ltd.	The PRC, June 25, 2023, limited liability company	USD20,000,000	100%	—	Indirect	Research and development, production and sales of medical devices in Mainland China

(i) The company was deregistered on 23 August 2023.

(ii) None of the subsidiaries had issued any debt securities at the end of the year.

Notes to the Consolidated Financial Statements

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37 Material subsidiaries (Continued)

(b) Investments in subsidiaries

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Interests in subsidiaries	364,661	277,848
Deemed capital contribution to subsidiaries (i)	55,404	30,615
	420,065	308,463

- (i) The amounts represent the equity-settled share-based payments in respect of the respective share options granted by the Company to certain employees of the specified subsidiaries for employees' services rendered to the respective subsidiaries under the Company's employee option plan as disclosed in Note 25(a) and 25(b). Since the subsidiaries have no obligation to reimburse such expense, the amounts are treated as deemed capital contribution by the Company to the subsidiaries and included in the Company's cost of investments in subsidiaries.

For the year ended December 31, 2023

38 Benefits and interests of directors

(a) Directors', supervisors' and chief executive's emoluments

The remuneration of each director and supervisor paid or payable for the years ended December 31, 2023 and 2022 respectively is set out below:

	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Share-based compensation expenses RMB'000	Pension cost — defined contribution plan RMB'000	Social security costs, housing benefits and employee welfare RMB'000	Total RMB'000
For the year ended December 31, 2023							
Chairman of the Board							
Jonathon Zhong Zhao (趙中)	—	3,000	2,093	12,296	—	—	17,389
Non-executive directors							
Steven Dasong Wang (王大松)	—	—	—	—	—	—	—
Stephen Hui Wang (王暉)	—	—	—	—	—	—	—
Dongfang Li (李東方) (i)	—	—	—	—	—	—	—
Executive directors							
Yang Xie (謝陽)	—	2,000	2,000	6,405	39	81	10,525
Zheng Li (李崢)	—	2,000	2,370	3,900	42	58	8,370
Independent Non-executive directors							
Jian Ji (計劍)	200	—	—	—	—	—	200
Hongze Liang (梁洪澤)	200	—	—	—	—	—	200
Yun Qiu (邱斌)	200	—	—	—	—	—	200
	<u>600</u>	<u>7,000</u>	<u>6,463</u>	<u>22,601</u>	<u>81</u>	<u>139</u>	<u>36,884</u>
Supervisors							
Jie Liang (梁婕) (iii)	—	806	809	3,592	39	81	5,327
Tao Liu (劉濤) (iv)	—	1,082	—	565	85	93	1,825
Hongbo Wang (王宏波)	—	398	351	641	42	58	1,490
Chang'an Ma (馬長安) (v)	—	399	156	43	39	75	712
	<u>600</u>	<u>9,685</u>	<u>7,779</u>	<u>27,442</u>	<u>286</u>	<u>446</u>	<u>46,238</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

38 Benefits and interests of directors (Continued)

(a) Directors', supervisors' and chief executive's emoluments (Continued)

	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Share-based compensation expenses RMB'000	Pension cost — defined contribution plan RMB'000	Social security costs housing benefits and employee welfare RMB'000	Total RMB'000
For the year ended December 31, 2022							
Chairman of the Board							
Jonathon Zhong Zhao (趙中)	—	3,000	3,000	15,179	—	—	21,179
Non-executive directors							
Steven Dasong Wang (王大松)	—	—	—	—	—	—	—
Stephen Hui Wang (王輝)	—	—	—	—	—	—	—
Dongfang Li (李東方) (i)	—	—	—	—	—	—	—
Hai Lu (陸海) (ii)	—	—	—	—	—	—	—
Executive directors							
Yang Xie (謝陽)	—	2,000	1,289	5,736	35	75	9,135
Zheng Li (李崢)	—	2,000	8,217	6,653	39	54	16,963
Independent Non-executive directors							
Jian Ji (計劍)	200	—	—	—	—	—	200
Hongze Liang (梁洪澤)	200	—	—	—	—	—	200
Yun Qiu (邱斌)	200	—	—	—	—	—	200
	<u>600</u>	<u>7,000</u>	<u>12,506</u>	<u>27,568</u>	<u>74</u>	<u>129</u>	<u>47,877</u>
Supervisors							
Jie Liang (梁捷) (iii)	—	656	632	3,500	35	75	4,898
Hongbo Wang (王宏波)	—	316	281	1,174	39	54	1,864
Tao Liu (劉濤) (iv)	—	660	300	565	60	80	1,665
Chunhui Men (門春輝) (vi)	—	—	—	—	—	—	—
	<u>600</u>	<u>8,632</u>	<u>13,719</u>	<u>32,807</u>	<u>208</u>	<u>338</u>	<u>56,304</u>

38 Benefits and interests of directors (Continued)

(a) Directors', supervisors' and chief executive's emoluments (Continued)

- (i) Mr. Dongfang Li (李東方) was appointed as a non-executive director since May 18, 2022.
- (ii) Dr. Hai Lu (陸海) was appointed as a non-executive director since March 2, 2021 and resigned as a non-executive director on May 18, 2022.
- (iii) Ms. Jie Liang (梁婕) was appointed as an employee supervisor on March 2, 2021 and resigned as employees' supervisor on November 17, 2023.
- (iv) Mr. Tao Liu (劉濤) was appointed as an employee supervisor on May 18, 2022.
- (v) Mr. Chang'an Ma (馬長安) was appointed as an employee supervisor on November 17, 2023.
- (vi) Mr. Chunhui Men (門春輝) was appointed as a shareholders' representative supervisor on March 2, 2021, and he resigned as a shareholders' representative supervisor on May 18, 2022.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

38 Benefits and interests of directors (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 3 and 3 directors for the years ended December 31, 2023 and 2022 respectively. Their emoluments are reflected in the analysis presented in Note 38(a). The emoluments to the remaining 2 and 2 individuals for the years ended December 31, 2023 and 2022 respectively are as follows:

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Share-based compensation expenses	18,136	11,932
Discretionary bonuses	3,844	8,995
Salaries, wages, housing fund and other social insurance	2,593	2,575
Pension cost — defined contribution plan	87	65
	24,660	23,567

The emoluments fell within the following bands:

	Year ended December 31,	
	2023	2022
Emolument bands		
HK\$12,000,001–HK\$12,500,000	1	—
HK\$12,500,001–HK\$13,000,000	—	1
HK\$13,500,001–HK\$14,000,000	—	1
HK\$14,500,001–HK\$15,000,000	1	—
	2	2

38 Benefits and interests of directors (Continued)

(c) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the years ended December 31, 2023 and 2022.

(d) Directors' termination benefits

None of the directors received or will receive any termination benefits during the years ended December 31, 2023 and 2022.

(e) Consideration provided to third parties for making available directors' services

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

(f) Information about loans, quasi-loans and other dealings in favor of directors, bodies corporate controlled by or entities connected with directors

There were no loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors during the years ended December 31, 2023 and 2022.

(g) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended December 31, 2023 and 2022.

For the year ended December 31, 2023

39 Summary of other potentially material accounting policies

This note provides a list of other potentially material accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of the Company and its subsidiaries.

39.1 Principles of consolidation

39.1.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

39.1.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Group on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

39.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as executive directors of the Company.

39 Summary of other potentially material accounting policies (Continued)

39.3 Foreign currency translations

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**Functional Currency**"). The consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other (losses)/gains.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognized in other comprehensive income.

For the year ended December 31, 2023

39 Summary of other potentially material accounting policies (Continued)

39.4 Intangible assets

(a) *Non-proprietary technologies*

Non-proprietary technologies are initially recorded at cost and are amortized on a straight-line basis over their useful lives of 10 years. The Group determined the non-proprietary technologies (Note 16) to have a useful life of 10 years based on periods that the Group's in-house research and development capabilities and manufacturing process can benefit from the non-proprietary technologies.

(b) *Technologies under research and development*

Technologies acquired are recognized at fair value at the acquisition date. Technologies have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of technologies over their estimated useful lives from the point at which the asset is ready for use. The Group determined the acquired technologies to have a useful life based on periods that acquired technologies can generate economic benefits under current business needs.

(c) *Software and patents*

Separately acquired software and patents are shown at historical cost less accumulated amortization and accumulated impairment if any. These intangible assets have a finite useful life and amortization is calculated using the straight-line method to allocate the cost of these intangible assets over their estimated useful lives, and recorded as amortization in the consolidated statement of comprehensive income.

The Group amortizes software and patents with a limited useful life using the straight-line method over the following periods:

— Software	2–3 years
— Patents	10–20 years

39 Summary of other potentially material accounting policies (Continued)

39.5 Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

39.6 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- (i) Those to be measured subsequently at fair value (either through other comprehensive income ("**OCI**"), or through profit or loss), and
- (ii) Those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("**FVOCI**").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

For the year ended December 31, 2023

39 Summary of other potentially material accounting policies (Continued)

39.6 Investments and other financial assets (Continued)

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- (i) Amortized cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.
- (ii) FVOCI: Assets that are held for collection of contractual cash flows and for sale, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in "Other gains — net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "Other gains — net", and impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

39 Summary of other potentially material accounting policies (Continued)

39.6 Investments and other financial assets (Continued)

(iii) Measurement (Continued)

Debt instruments (Continued)

- (iii) FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net in the consolidated statement of comprehensive income within “Other gains — net” in the period in which it arises.

During the years ended December 31, 2023 and 2022, no amount has been recognized in respect of financial assets at FVOCI.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group’s management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the group’s right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other (losses)/gains in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment of financial assets

The Group assesses the expected credit losses associated with its debt instruments carried at amortized cost on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

At each reporting date, the Group shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Impairment on other receivables from third parties and related parties are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If no significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as 12-month expected credit losses.

For the year ended December 31, 2023

39 Summary of other potentially material accounting policies (Continued)

39.7 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet where the Group currently has a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

39.8 Trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 39.6 (iv) for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

39.9 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash in bank and deposits held at call with financial institutions (excluding term deposits with term over 3 months).

39.10 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group purchases the Company's equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity as "treasury shares" until the shares are canceled or reissued.

39 Summary of other potentially material accounting policies (Continued)

39.11 Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

39.12 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

39.13 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

For the year ended December 31, 2023

39 Summary of other potentially material accounting policies (Continued)

39.14 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

39 Summary of other potentially material accounting policies (Continued)

39.15 Employee benefits

(a) Pension, housing funds, medical insurances and other social insurances obligations

Employees of the Group's subsidiaries which operate in the PRC are covered by various government-sponsored defined-contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas (the "**PRC Pension Scheme**"). The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group.

Employees of the Group are entitled to participate in various government supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period.

The Group also participates in a pension scheme under the rules and regulations of Mandatory Provident Fund Scheme (the "**MPF Scheme**") for all its qualifying employees in Hong Kong. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD30,000. Contributions to the MPF Scheme vest immediately.

There were no forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) to offset existing contributions under the defined contribution schemes.

(b) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheets.

For the year ended December 31, 2023

39 Summary of other potentially material accounting policies (Continued)

39.16 Leases as lessee

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implied in the lease, if that rate can be determined, or the respective incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

39 Summary of other potentially material accounting policies (Continued)

39.16 Leases as lessee (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are subject to impairment (Note 39.5). Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of less than 12 months without a purchase option.

39.17 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

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

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

39.18 Interest income

Interest income from financial assets at FVPL is included in the "Other gains — net" on these assets.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

For the year ended December 31, 2023

39 Summary of other potentially material accounting policies (Continued)

39.19 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

39.20 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

39 Summary of other potentially material accounting policies (Continued)

39.21 Loss per share

(a) *Basic loss per share*

Basic loss per share is calculated by dividing:

- The loss attributable to equity holders of the company;
- By the weighted average number of ordinary shares outstanding during the financial year (excluding treasury shares).

(b) *Diluted loss per share*

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account:

- The after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Definitions

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board
“BGC — balloon guiding catheter”	a large lumen catheter with a compliance balloon at the distal tip of the catheter, intending to facilitate the insertion and guidance of an intravascular catheter
“Board of Directors” or “Board”	our board of Directors
“CE Mark”	a certification mark that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area
“CG Code”	the “Corporate Governance Code” in force during the year ended December 31, 2023 as contained in Appendix 14 to the then applicable Listing Rules (i.e. the new Appendix C1 to the Listing Rules with effect from December 31, 2023)
“China” or “PRC”	the People’s Republic of China, which for the purpose of this report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“Company”, “our Company”, “Group”, “our Group”, “We” “our” or “us”	Zylox-Tonbridge Medical Technology Co., Ltd. (歸創通橋醫療科技股份有限公司), a limited liability company incorporated in the PRC on November 6, 2012 and the H Shares of which are listed on the Hong Kong Stock Exchange (stock code: 2190) and which includes its subsidiaries (from time to time) as required by the context
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Core Products”	Thrombite CRD and UltraFree DCB, the designated “core products” as defined under Chapter 18A of the Listing Rules
“CRD — clot retriever device”	a minimally invasive device to capture and remove the clot blocking blood vessels to treat neurovascular diseases such as acute ischemic stroke
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“DCB — drug-coated balloon”	angioplasty balloons (usually semi-compliant) coated with a cytotoxic chemotherapeutic agent
“Director(s)”	the director(s) of the Company or any one of them

“Domestic Share(s)”	ordinary share(s) issued by our Company, with a nominal value of RMB1.0 each, which are subscribed for or credited as paid in Renminbi
“DVT — deep vein thrombosis”	occurring when a blood clot forms in one or more of the deep veins in the body, usually in the leg
“Employee Incentive Platforms”	Hangzhou Fujiang Investment Partnership (Limited Partnership) (杭州涪江投資合夥企業(有限合夥)), Zhuhai Guichuang Equity Investment Center (Limited Partnership) (珠海歸創股權投資中心(有限合夥)), Zhuhai Tongqiao Investment Center (Limited Partnership) (珠海通橋投資中心(有限合夥)) and Ningbo Guiqiao Enterprise Management Partnership (Limited Partnership) (寧波歸橋企業管理合夥企業(有限合夥)) (formerly known as Huzhou Guiqiao Enterprise Management Partnership (Limited Partnership)* (湖州歸橋企業管理合夥企業(有限合夥)))
“EUR”	Euro
“Global Offering”	the Hong Kong Public Offering and the International Offering (each as defined in the Prospectus)
“H Share(s)”	the overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which are listed on the Stock Exchange
“H Share Scheme”	the 2021 H Share Award and Trust Scheme adopted by the Company on September 23, 2021
“HKD” or “HK\$”	Hong Kong dollars and cents, both are the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards
“ischemic stroke”	a stroke caused by a blockage in an artery that supplies blood to the brain
“IVC — inferior vena cava”	a large vein that carries the deoxygenated blood from the lower and middle body into the right atrium of the heart
“IVCF — inferior vena cava filter”	a medical device implanted into the inferior vena cava to prevent blood clots from moving through blood into the lungs
“IVCS — iliac vein compression syndrome”	a syndrome in which the iliac vein is compressed by the iliac artery that spans from its front, resulting in changes such as intraluminal adhesion, luminal stenosis, or occlusion of the vein, which in turn causes obstruction of the iliac vein flow, producing a range of clinical symptoms

Definitions

“KOL(s)”	Key Opinion Leader(s), renowned physicians that are able to influence their peers’ medical practice
“Latest Practicable Date”	April 7, 2022, being the latest practicable date prior to the printing of this report for the purpose of ascertaining certain information contained herein
“Listing” or “IPO”	the listing of the H Shares on the Main Board of the Stock Exchange on July 5, 2021
“Listing Date”	the date on which our H Shares are listed and from which dealings are permitted to take place on the Stock Exchange, being July 5, 2021
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended or supplemented from time to time)
“Main Board”	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with GEM of the Hong Kong Stock Exchange
“Model Code”	the “Model Code for Securities Transactions by Directors of Listed Issuers” in force during the year ended December 31, 2023 as contained in Appendix 10 to the then applicable Listing Rules (i.e. the new Appendix C3 to the Listing Rules with effect from December 31, 2023)
“NMPA”	National Medical Products Administration of the People’s Republic of China
“Nomination Committee”	the nomination committee of the Board
“Over-allotment Option”	the over-allotment option which had been granted by the Company to the relevant underwriters to allot and issue up to an aggregate of 9,000,000 additional H Shares, representing 15% of the offer shares initially available under the Global Offering
“PE — pulmonary embolism”	a blockage in one of the pulmonary arteries in the lungs. Caused by blood clots that travel to the lungs from deep veins in the legs or, rarely, from veins in other parts of the body
“PRC Company Law”	the Company Law of the People’s Republic of China (中華人民共和國公司法)
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme of our Company approved and adopted by the Board on January 18, 2021, as amended from time to time

“Prospectus”	the prospectus issued by the Company dated June 22, 2021
“PTA — percutaneous transluminal angioplasty”	a percutaneous interventional procedure that can open up blocked peripheral arteries using a catheter with a balloon at the end of it, allowing blood to circulate unobstructed
“Remuneration Committee”	the remuneration committee of the Board
“Reporting Period”	the one-year period from January 1, 2023 to December 31, 2023
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (as amended from time to time)
“Shareholder(s)”	the shareholder(s) of the shares of the Company
“Single Largest Group of Shareholders”	refers to Dr. Jonathon Zhong Zhao (趙中), Dr. Shengping Sam Zhong (鍾生平), Dr. Zheng Li (李崢), Ms. Na Wei (衛娜), Zhuhai Tongqiao Investment Center (Limited Partnership) (珠海通橋投資中心(有限合夥)), Hangzhou Fujiang Investment Partnership (Limited Partnership) (杭州涪江投資合夥企業(有限合夥)), Zhuhai Guichuang Equity Investment Center (Limited Partnership) (珠海歸創股權投資中心(有限合夥)), Ningbo Guiqiao Enterprise Management Partnership (Limited Partnership) (寧波歸橋企業管理合夥企業(有限合夥)) (formerly known as Huzhou Guiqiao Enterprise Management Partnership (Limited Partnership)* (湖州歸橋企業管理合夥企業(有限合夥))), WEA Enterprises, LLC and Huzhou Yuyihui Investment Partnership (Limited Partnership) (湖州語意慧投資合夥企業(有限合夥)) (formerly known as Nanjing Yuyihui Investment Partnership (Limited Partnership) (南京語意慧投資合夥企業(有限合夥)))
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Supervisor(s)”	member(s) of the supervisory committee of the Company
“Supervisory Committee”	the supervisory committee of the Company

Definitions

“Trustee”	Futu Trustee Limited, being the trustee appointed by the Company for the purpose of the H Share Scheme
“Unlisted Foreign Shares”	ordinary share(s) issued by the Company, with a nominal value of RMB1.0 each, which is/are subscribed for or credited as paid in a currency other than Renminbi, held by foreign investors and not listed on any stock exchange
“USD”	United States dollars, the lawful currency of the United States of America
“VCD — vascular closure device”	a medical device used to achieve hemostasis of the small hole in the artery after a cardiovascular procedure of endovascular surgery requiring a catheterization
“%”	percent