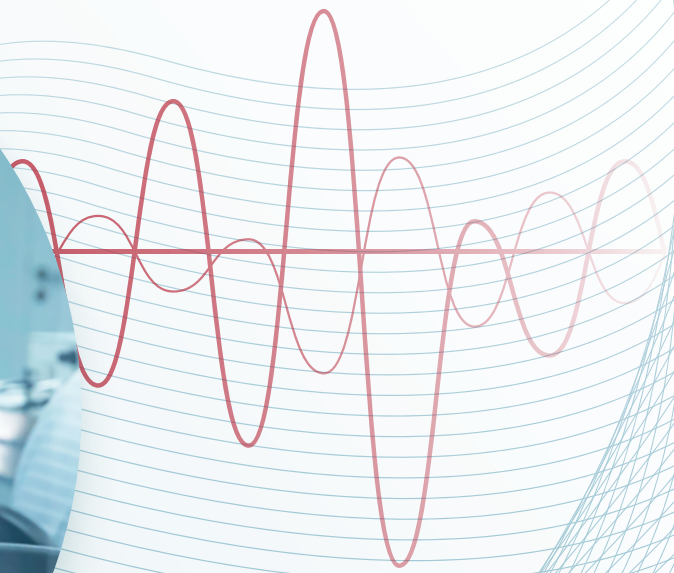
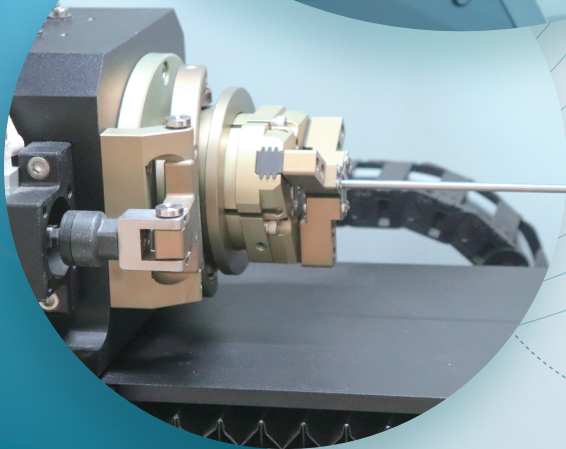




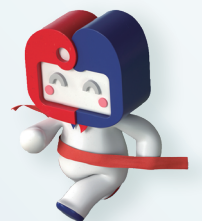
歸創通橋醫療科技股份有限公司
ZYLOX-TONBRIDGE MEDICAL TECHNOLOGY CO., LTD.

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

Stock Code : 2190



2022
Annual Report



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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)
(appointed on May 18, 2022)
Dr. Steven Dasong Wang (王大松)
Dr. Hai Lu (陸海) (resigned on May 18, 2022)

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)
(appointed on September 5, 2022)
Mr. Kai Cheong Willie Cheung (張啟昌)
(resigned on September 5, 2022)

AUTHORIZED REPRESENTATIVES

Dr. Jonathon Zhong Zhao (趙中)
Ms. Sau In Kwan (關秀妍)
(appointed on September 5, 2022)
Mr. Kai Cheong Willie Cheung (張啟昌)
(resigned on September 5, 2022)

SUPERVISORS

Ms. Jie Liang (梁婕) (*Chairlady*)
Mr. Tao Liu (劉濤) (appointed on May 18, 2022)
Ms. Hongbo Wang (王宏波)
Mr. Chunhui Men (門春輝)
(resigned on May 18, 2022)

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

1st & 2nd Floors, Building 1
No. 18 Keji Avenue
Yuhang Street
Yuhang District
Hangzhou, Zhejiang, China

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

1st & 2nd Floors, Building 1
No. 18 Keji Avenue
Yuhang 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
195 Hushu South Road
Gongshu District
Hangzhou, China

Industrial and Commercial Bank of China
Hangzhou Kechuang Branch
998 Wenyi West Road
Yuhang District
Hangzhou, China

COMPLIANCE ADVISER

Rainbow Capital (HK) Limited
Room 5B, 12/F, Tung Ning Building
No. 2 Hillier Street
Sheung Wan
Hong Kong

HONG KONG LEGAL ADVISER

Sidley Austin
39th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

PRC LEGAL ADVISER

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

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,

Reflecting on a historic year that was beyond anyone's imagination, I am very proud of our more than 700 employees who weather through tremendous challenges during 2022 together as a company. It turned out to be an opportunity to demonstrate our resilience and strength in an unprecedented time. From our sales and marketing team who are on front lines with physicians and patients, to our colleagues in R&D and manufacturing, we pursued our core mission "innovation for quality life" with great determination and commitment.

A year of determination, despite uncertainty

Despite the impact of the COVID-19 pandemic, particularly impacts in the second and fourth quarter in 2022, we reported revenue of RMB334.1 million in 2022, representing an increase of 87.8% as compared to 2021. The continued fast growth in revenue was mainly attributed to i) the continuous penetration of our products and increased efficiency of sales and distribution network; and ii) improved recognition of product quality for our continuously growing product portfolio.

In the meantime, we continue to drive our business growth toward achieving profitability in the near future. Our non-IFRS adjusted net loss has decreased significantly to RMB25.9 million in 2022 from RMB100.7 million in 2021.

Continue investing for long-term growth and remain focused

Despite the continued downturn in the capital market and fast-paced changes of industry regulations, we continue to invest in our talent and product pipeline with our cash and other financial resources, which amounted to approximately RMB2.5 billion as of December 31, 2022. In 2022, we conducted more than ten clinical studies and obtained five NMPA approvals. As of the date of this report, with additional six NMPA approvals obtained in 2023, we have a total of 25 products launched in China. We expect to obtain more than ten NMPA approvals each year over the next three years, with which we target to gain a considerable market share for neurovascular and peripheral-vascular intervention medical devices and become one of the leading domestic medical device companies in this field.

Localization in the international market; small steps with vast potential

After a few years of operating international business remotely from China, we set up our European local team in September 2022, aiming to establish direct and long-term relationship with local partners, who are mainly physicians and hospitals. Our European VP of sale and marketing has more than twenty years of experience in the vascular medical device industry, and is currently expanding the team to enhance our technical education capability by leveraging our CE-approved, high-quality product portfolio and quality. The international business contributed a revenue of RMB7.8 million in 2022, representing a 125.2% growth from RMB3.5 million in 2021. With increased investment and dedication, we expect the revenue contribution from our international business to grow steadily in the future.



Carry out the mission regardless challenges

Our mission is to become one of the leading medical device companies in China. Continuous improvements to our operation, talented employee and organization will position us to deliver a long-term sustainable growth. Despite unprecedented challenges we are going to face, we are confident in our ability to build strengths and accelerate our growth beyond the market. As the industry's competitive landscape evolves, we believe we will stand out and achieve a leading position in the next three to five years.

Zylox-Tonbridge is a company with a purpose. We strive to provide all patients, regardless of their race, age and affluence, with high quality and affordable medical products that are the fruits of medical science and technology advancement. It is my honor and privilege to stand alongside my colleagues and to be part of such important work to provide reliable medical products for doctors and patients.

Dr. Jonathon Zhong Zhao

Chairman and Chief Executive Officer



Financial Summary

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Revenue	334,090	177,912	27,631	4,917
Gross profit	252,669	131,881	16,287	1,192
Loss before income tax	(113,555)	(199,689)	(100,468)	(66,647)
Loss and total comprehensive loss for the year attributable to the equity holders of the Company	(113,555)	(199,689)	(100,468)	(66,647)
Non-IFRS adjusted net loss for the year ^{Note}	(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

	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Non-current assets	1,191,097	224,078	133,829	81,776
Current assets	2,062,599	3,024,208	370,142	125,284
Total assets	3,253,696	3,248,286	503,971	207,060
Non-current liabilities	7,459	6,509	27,646	7,998
Current liabilities	152,084	97,103	51,631	33,387
Total liabilities	159,543	103,612	79,277	41,385
Total equity	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, 2022 substantially rely on a limited number of commercialized products, including Thrombite® CRD, 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.

Risks Relating to Our Financial Position and Need for Additional Capital

- We have incurred net losses since our inception and may incur net losses for the foreseeable future.
- We may need to obtain additional financing to fund our operations, and we had net cash outflows from our operating activities during the Reporting Period.



Principal Risks and Uncertainties

- 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.



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

We continued to maintain our fast growing trend in terms of product development and commercialization in 2022, despite the headwinds caused by the COVID-19 pandemic and the expanding coverage of the provincial volume-based procurement (VBP).

During the Reporting Period, we achieved a revenue of RMB334.1 million, representing an increase of 87.8% as compared to 2021, among which 69.9% was derived from the neurovascular interventional products business and 30.1% was derived from the peripheral interventional products business. The significant growth of our revenue was attributable to several factors, including (i) the sales revenue from products approved before December 31, 2021, including Thrombite® CRD, UltraFree® DCB, intracranial support catheter and neurovascular embolization coils, increased by 84.2% for the year ended December 31, 2022 due to the strong adoption of commercialized products by hospitals and physicians; (ii) a more effective and efficient sales, marketing and distribution network; and (iii) a continuously expanded product portfolio with five products launched in 2022, such as Carotid Rx PTA Balloon Catheter, Endovenous Radiofrequency Ablation (RFA) Catheter, Retrievable Inferior Vena Cava Filter, which contributed to more than 1.9% of total revenue for the year ended December 31, 2022.

1(a) We expanded our commercial footprints in China to increase the market penetration of the commercialized products and thus the sales.

We have strived to build an extensive sales network to improve our capability to serve physicians and patients across China. Leveraging our physician-oriented marketing capability, we launched various offline and online marketing campaigns to allow physicians across the country to share and promote comprehensive treatment solutions based on our large product portfolio. As at the date of this report, we have established an extensive distribution network covering over 3,300 hospitals across 31 provinces and municipalities in China.

Living a mission to provide patients with affordable and quality medical devices, we embraced the volume-based procurement (VBP) policy by participating in the VBP bidding strategically and actively. In 2022, our self-developed neurovascular embolization coils won the bids in several provincial VBPs. Even as a relatively late comer to the market, the product was still categorized in the Group A (the group with a larger procurement volume) of the Anhui provincial VBP and won the bids in Group A with a relatively advantageous ranking among the domestic companies. For the provincial VBPs in Jiangsu, Fujian and 21-province alliance, we won the bid as the first place in the competing group with relatively competitive prices. This gives us the opportunity to access every hospital covered by the provincial VBP, and we expect our products to serve tens of thousands of patients with intracranial aneurysms.

1(b) We continue to invest in the international market to accelerate the development of overseas business by building our local sales and marketing teams in overseas markets.

Considering the different market dynamics and the challenges of maintaining in-depth and close relationship with local partners and physicians, we started to build our own overseas sales network. In the second half of 2022, we appointed a new vice president of sales and marketing in Europe, the Middle East and Africa, who has more than twenty years of sales and marketing experience in vascular medical device industry and is fully responsible for our marketing endeavors in the above regions. With a sales growth of 125.2% for revenue from outside of the PRC compared to 2021, we continued to expand our local sales and marketing teams in overseas markets. By increasing local presence, we hope we will build a stronger partnership with local physicians and enhance our brand influence.

2. We strived to advance our R&D to enhanced our product offerings.

With our strong R&D capability and integrated technology platform, we continue to advance our product R&D progress while weathering COVID-19 pandemic impact in 2022, particularly in the fourth quarter of 2022. As at the date of this report, we have a total of 25 products approved by the NMPA and eight products with CE Marks, which makes us one of the leading companies with the most comprehensive product portfolios in the vascular interventional medical device industry in China.

During the Reporting Period, we obtained NMPA approvals for five products and completed patient enrollment for the clinical trials of five products. Since December 31, 2022 and up to the date of this report, we also obtained NMPA approvals for six products. In the meantime, 12 product candidates are at clinical stage and 12 product candidates are at the registrational stage.

3. We enhanced our in-house manufacturing capabilities by utilizing technology platforms and applying shared technologies across businesses segments and product lines.

The fundamental know-how in the manufacturing process (including both R&D and mass production stages) is a key differentiator for players in the interventional medical device industry. With continuous dedication to high product quality and manufacturing efficiency, we continue to improve our R&D and manufacturing platforms, such as the balloon forming and manufacturing platform, the braiding and coiling catheter development and manufacturing platform and the stent forming and processing center. Our integrated development and manufacturing process enables smooth collaborations and accelerates the development process during the full product life cycle and therefore helps us improve our quality and cost efficiency. Our current main manufacturing centers are located in Hangzhou and Zhuhai and both are expanding with larger scale, advanced manufacturing capability and efficiency. As a result, our gross profit margin increased from 74.1% in 2021 to 75.6% in 2022.

With increased revenue scale and operational efficiency, we were able to continue to reduce our net loss despite increased R&D expenses. Our net loss decreased from RMB199.7 million in 2021 to RMB113.6 million in 2022. Excluding the impact of share-based compensation, we generated a non-IFRS adjusted net loss of RMB25.9 million in 2022, as compared to a non-IFRS adjusted net loss of RMB100.7 million in 2021.

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 developed a total of 57 products and product candidates, including 25 products approved in China and eight products approved in Europe.

Management Discussion and Analysis

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

Product Portfolio for Neurovascular Interventional Devices in China Market:

	Product	Stage				Expected Commercial Launch Year
		Design	Type Testing	Clinical	Registrational & Approval	
Intracranial Ischemic Stroke	Thrombite® Clot Retriever Device (Thrombite® CRD) ★	[Completed]				Launched
	Clot Retriever Device II	[Completed]		Exempted from clinical trial requirement	[Completed]	2023
	Balloon Guiding Catheter (BGC)	[Completed]		Exempted from clinical trial requirement	[Completed]	Launched
	Aspiration Catheter	[Completed]				2023
	Aspiration Pump System	[Completed]		Exempted from clinical trial requirement	[Completed]	Launched
Intracranial Stenosis	Intracranial PTA balloon catheter (Rx)	[Completed]		Exempted from clinical trial requirement	[Completed]	Launched
	Second Generation Intracranial PTA balloon catheter (Rx)	[Completed]		Exempted from clinical trial requirement	[Completed]	2024
	Microcatheter for Intracranial Stent	[Completed]		Exempted from clinical trial requirement	[Completed]	2023
	Intracranial Drug Coated Balloon Catheter	[Completed]				2024
	Intracranial Stent	[Completed]				2025
Intracranial Hemorrhagic Stroke	Neurovascular Embolization Coils	[Completed]				Launched
	Mechanical Detachable Coil II	[Completed]		Exempted from clinical trial requirement	[Completed]	2023
	Microcatheter for Coiling	[Completed]		Exempted from clinical trial requirement	[Completed]	Launched
	Microcatheter for Flow Diverter	[Completed]		Exempted from clinical trial requirement	[Completed]	2023
	Flow Diverter	[Completed]				2024
	Self-expandable Intracranial Stent	[Completed]				2025
	Drug Coated Self-expandable Intracranial Stent	[Completed]				2025
Intracranial Access	SilverSnake® Intracranial Support Catheter	[Completed]		Exempted from clinical trial requirement	[Completed]	Launched
	Microcatheter for Clot Retriever	[Completed]		Exempted from clinical trial requirement	[Completed]	Launched
	Distal Access Catheter	[Completed]		Exempted from clinical trial requirement	[Completed]	Launched
	SilverSnake® Standard Intracranial Support Catheter	[Completed]		Exempted from clinical trial requirement	[Completed]	Launched
	Neurovascular Guidewire	[Completed]		Exempted from clinical trial requirement	[Completed]	Launched
	Intermediate Catheter	[Completed]		Exempted from clinical trial requirement	[Completed]	Launched
	Radial Access Catheter	[Completed]		Exempted from clinical trial requirement	[Completed]	2024
	Radial Access Distal Support Catheter	[Completed]		Exempted from clinical trial requirement	[Completed]	2024
Carotid Artery Stenosis	Carotid Rx PTA Balloon Catheter	[Completed]		Exempted from clinical trial requirement	[Completed]	Launched
	Embolic Protection System	[Completed]		Exempted from clinical trial requirement	[Completed]	2023
	Carotid Stent	[Completed]				2024

★ Core Product; further R&D includes post-approval study, product improvement and indication expansion

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

	Product	Stage				Expected Commercial Launch Year	
		Design	Type Testing	Clinical	Registrational & Approval		
Arterial	UltraFree® Drug Coated PTA Balloon Catheter (UltraFree® DCB) ★	[Progress bar: 100%]				Launched	
	Second Generation UltraFree® Drug Coated PTA Balloon Catheter	[Progress bar: 100%]		Exempted from clinical trial requirement	[Progress bar: 100%]	2023	
	PTA Balloon Catheter	[Progress bar: 100%]		Exempted from clinical trial requirement	[Progress bar: 100%]	Launched	
	Second Generation PTA Balloon Catheter	[Progress bar: 100%]		Exempted from clinical trial requirement	[Progress bar: 100%]	Launched	
	Peripheral Drug-Eluting Stent System	[Progress bar: 100%]		[Progress bar: 100%]	[Progress bar: 100%]	2025	
	Balloon Expandable Covered Stent	[Progress bar: 100%]		[Progress bar: 100%]	[Progress bar: 100%]	2027	
	Endovascular Snare	[Progress bar: 100%]		Exempted from clinical trial requirement	[Progress bar: 100%]	Launched	
	PTA Scoring Balloon Catheter	[Progress bar: 100%]		Exempted from clinical trial requirement	[Progress bar: 100%]	2024	
	Multi-spot Stent System	[Progress bar: 100%]		[Progress bar: 100%]	[Progress bar: 100%]	2024	
	Drug Coated PTA Balloon Catheter-BTK	[Progress bar: 100%]		[Progress bar: 100%]	[Progress bar: 100%]	2024	
	Long Tapered PTA Balloon Catheter	[Progress bar: 100%]		Exempted from clinical trial requirement	[Progress bar: 100%]	2023	
	IVL System	[Progress bar: 100%]		[Progress bar: 100%]	[Progress bar: 100%]	2025	
	Venous	Snare Retrieval Kit for IVC Filter	[Progress bar: 100%]		Exempted from clinical trial requirement	[Progress bar: 100%]	Launched
		Endovenous Radiofrequency Ablation (RFA) Catheter	[Progress bar: 100%]		Exempted from clinical trial requirement	[Progress bar: 100%]	Launched
Radiofrequency Generator		[Progress bar: 100%]		Exempted from clinical trial requirement	[Progress bar: 100%]	Launched	
PTA Balloon Catheter Large Diameter		[Progress bar: 100%]		Exempted from clinical trial requirement	[Progress bar: 100%]	Launched	
Infusion Catheter		[Progress bar: 100%]		Exempted from clinical trial requirement	[Progress bar: 100%]	2023	
Peripheral Venous Stent System		[Progress bar: 100%]		[Progress bar: 100%]	[Progress bar: 100%]	2023	
Peripheral Thrombectomy System		[Progress bar: 100%]		[Progress bar: 100%]	[Progress bar: 100%]	2024	
Retrievable Inferior Vena Cava Filter		[Progress bar: 100%]				Launched	
Hemodialysis Access	High Pressure PTA Balloon Catheter	[Progress bar: 100%]		Exempted from clinical trial requirement	[Progress bar: 100%]	Launched	
	Second Generation High Pressure PTA Balloon Catheter	[Progress bar: 100%]		Exempted from clinical trial requirement	[Progress bar: 100%]	Launched	
	Drug Coated PTA Balloon Catheter-AV Fistula	[Progress bar: 100%]		[Progress bar: 100%]	[Progress bar: 100%]	2024	
Aortic Intervention	Thoracic Aorta Stent Graft System	[Progress bar: 100%]		[Progress bar: 100%]	[Progress bar: 100%]	2025	
Peripheral Embolization Intervention	Peripheral Detachable Embolization Coils	[Progress bar: 100%]		[Progress bar: 100%]	[Progress bar: 100%]	2024	
Radiological Intervention	TIPS Access Set	[Progress bar: 100%]		Exempted from clinical trial requirement	[Progress bar: 100%]	Launched	
	TIPS Endoprosthesis	[Progress bar: 100%]		[Progress bar: 100%]	[Progress bar: 100%]	2024	
Vascular Closure Devices	Suture-mediated Closure System	[Progress bar: 100%]		[Progress bar: 100%]	[Progress bar: 100%]	2023	
	Vascular Closure System	[Progress bar: 100%]		[Progress bar: 100%]	[Progress bar: 100%]	2024	

★ Core Product; further R&D includes post-approval study, product improvement and indication expansion

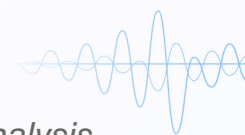
Product Portfolio for Overseas Market

Product	Phase			Expected Commercial Launch Year
	Preclinical	Clinical Trials	Registration & Approval	
Peripheral-vascular Interventional Devices	ZENFLUXION® Drug Coated PTA Balloon Catheter	CE	Exempted from clinical trial requirement	CE Launched
	ZENFLUXION® Drug Coated PTA Balloon Catheter II	MDR Registration Preparation		2026
	PTA Balloon Catheter	CE	Exempted from clinical trial requirement	CE Launched
	Second Generation PTA Balloon Catheter	MDR Registration Submitted	Exempted from clinical trial requirement	2024
	Peripheral Stent System	CE	Exempted from clinical trial requirement	CE Launched
	Peripheral Drug-Eluting Stent System	CE	Exempted from clinical trial requirement	CE Launched
	High Pressure PTA Balloon Catheter	CE	Exempted from clinical trial requirement	CE Launched
		MDR Registration Preparation	Exempted from clinical trial requirement	2025
	Peripheral Venous Stent System	MDR Registration Preparation		2024
	IVL System	MDR Clinical Preparation		2025
Neurovascular Interventional Devices	Thrombite® Clot Retriever Device	CE	Exempted from clinical trial requirement	CE Launched
	Aspiration Catheter	CE	Exempted from clinical trial requirement	CE Launched
	Microcatheter for Clot Retriever	CE	Exempted from clinical trial requirement	CE Launched
		MDR Registration Submitted		2024
	Neurovascular Embolization Coils	FDA 510K Registration Submitted		2024
	Flow Diverter	MDR Clinical Preparation		2024

CE Considering that clinical evaluation has been provided, under the EU MDD directive, the product has obtained CE marking without clinical trials

Our Neurovascular 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 obtained NMPA registration certificates for 13 neurovascular interventional products and five product candidates are at clinical stage. We expect to have 15 more neurovascular interventional products approved by the NMPA by the end of 2025.



Intracranial Ischemic Stroke Treatment

In the field of ischemic neurovascular diseases, in particular intracranial ischemic stroke, we have five product offerings, among which we have launched Thrombite® CRD, intracranial support catheter and balloon guiding catheter (BGC) successfully as a complete three-piece solution to physicians. We have strategically developed a suite of products covering the full procedure cycle for major vascular diseases, offering seamless treatment solutions with better prognosis. 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) clot-retrieval modality. We believe our BADDASS approach with the three-piece suite of Thrombite® CRD, intracranial support catheter and BGC will result in higher first-time recanalization rate of intracranial blood vessels, shorter recanalization time and lower escape rate at the distal end of the thrombus, which can effectively improve the procedure success rate, reduce operation time and occurrence of post procedure complications. We are one of the few domestic interventional device companies that can provide a complete three-piece solution.

Thrombite® Clot Retriever Device (Thrombite® CRD)

We are improving the adoption of Thrombite® CRD by introducing the holistic three-piece treatment package and the BADDASS 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.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR CLOT RETRIEVER DEVICE II SUCCESSFULLY.

Intracranial Hemorrhagic Stroke Treatment

In the field of intracranial hemorrhagic stroke, we have two launched products and are developing five product candidates, including five treatment products and two microcatheters.

Neurovascular Embolization Coils

Our neurovascular embolization coil is extra soft and imposes minimal pressure to the aneurysm wall, thus reducing the risk of aneurysm rupture or other injury and is also easier to be detached from the delivery system with our unique mechanical detachment mechanism. We received the NMPA approval in the fourth quarter of 2021 as expected and have started commercialization in China subsequently. We also submitted applications for the CE Mark and FDA 510K registration in the first half of 2022.

Mechanical Detachable Coil II (Second Generation Neurovascular Embolization Coils)

We have upgraded our neurovascular embolization coils to improve their basket-forming performance. Expected to be launched in 2023, the second-generation neurovascular embolization coils come in more specifications and sizes, offering more options for physicians when dealing with different size of intracranial aneurysms.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR MECHANICAL DETACHABLE COIL II SUCCESSFULLY.

Flow Diverter

We have completed the patient enrollment for two clinical trials for the flow diverter for two indications in China, namely giant unruptured intracranial aneurysms and small unruptured intracranial aneurysms. Both studies have achieved significant progress in less than one year despite the negative impact of the COVID-19 pandemic, showing our strong capability in R&D and clinical trial execution. We will use domestic clinical trial data, supplemented by European clinical data, to apply for the CE Mark and support further commercialization of our flow diverter in European market in the future.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR FLOW DIVERTER SUCCESSFULLY.

Our Peripheral-Vascular Products

With 12 NMPA approved products and 15 product candidates in China, we have a comprehensive peripheral-vascular interventional product portfolio covering a full spectrum of arterial and venous products including stents, balloons, catheters and filters. We have five products at the registration stage and seven at the clinical trial stage as at the date of this report. We expect to have 14 more peripheral-vascular interventional products approved by the NMPA by the end of 2025.

Peripheral Arterial Vascular Diseases Treatment

Our peripheral arterial vascular diseases treatment pipeline includes a total of 12 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.

The indication expansion of UltraFree® DCB includes the following:

- Drug Coated PTA Balloon Catheter — BTK: We initiated the clinical trial preparation in the second half of 2021 and are in the process of patient enrollment.
- Drug Coated PTA Balloon Catheter — Dialysis Access: We finished the patient enrollment in 2022 and are in the process of patient follow-up.

Second Generation UltraFree® DCB

We have been continuously improving the performance of our UltraFree® DCB, by increasing its flexibility for better crossing, navigation and dilatation performance. For the second generation of UltraFree® DCB, we have improved the materials of the balloon and optimized the structural design of the catheter, strengthening the support of the catheter lumen and enhancing the pushability and bending resistance of the catheter. We have filed for the NMPA registration for the second generation UltraFree® DCB.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR SECOND GENERATION ULTRAFREE® DCB SUCCESSFULLY.

Balloon Expandable Covered Stent

The product integrates a number of innovative technologies accumulated by us in the key areas of balloon, stent and ePTFE membrane, which can better meet the clinical treatment needs in China. Balloon expandable covered stent is characterized by various clinical advantages, such as reliable delivery, precise positioning, stable release and variable diameter, which is an ideal device for the treatment of difficult diseases such as aortoiliac occlusive disease and subclavian artery occlusion. Currently, only imported products are available in China. We have submitted type testing in early 2023 and expect to launch the product in the market in China in 2027.

Long Tapered PTA Balloon Catheter

The product has the longest balloon length of 300mm in its class and a diameter gradient of 0.5–1.5mm at both ends of the balloon, making it suitable for single, precise, easy, effective and safe interventional treatment of lower extremity atherosclerosis diseases. The product is expected to outperform imported brands in terms of specifications, together with the product performance to meet physicians' needs for the treatment of more complex diseases. We expect to launch the product line in the market in China by the end of 2023.

Peripheral Venous Vascular Diseases Treatment

Our peripheral venous vascular diseases treatment pipeline includes a total of eight products and product candidates, including our retrievable inferior vena cava filter (ZYLOX Octoplus®) and peripheral venous stent system.

Inferior Vena Cava Filter (ZYLOX Octoplus®)

ZYLOX Octoplus® features 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 over 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 Octoplus® was approved by the NMPA in December 2022.

Peripheral Venous Stent System

We have filed for the NMPA registration for the product and expect to receive NMPA approval in 2023. We are preparing for the CE MDR registration and expect to launch this product in Europe in 2024.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR PERIPHERAL VENOUS STENT SYSTEM SUCCESSFULLY.

Our Vascular Closure Product

In addition, our product portfolio also includes two vascular closure device candidates which makes us the first domestic medical device company that has developed suture-mediated vascular closure device candidate.

Suture-mediated Closure System

Our suture-mediated closure system is used to suture the femoral artery access site after diagnostic/therapeutic interventional procedures and is applicable to procedures with bore sizes ranging between 5F and 29F. We are in the process of patient enrollment.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR SUTURE-MEDIATED CLOSURE SYSTEM SUCCESSFULLY.

Our Platform

As we build our pipeline, we have developed an integrated platform for the discovery, development, manufacture and commercialization of interventional medical devices for neurovascular and peripheral-vascular diseases.

Sales, Marketing and Distribution

To mitigate the impact of the COVID-19 pandemic, we timely adjusted our sales and marketing strategies, such as organizing more educational programs and meetings online and at local levels, even at hospital levels, to reduce the impact of travel restrictions. In the meantime, we accelerated our penetration into hospitals in lower-tier cities, which we have been focusing on since the early stage of our product commercialization in 2021. We also proactively work with our national and regional distributors to adjust our distribution strategies to accommodate restrictions and inconvenience caused by the COVID-19 pandemic.

Revenue from both business units experienced significant growth. The revenue from sales of neurovascular interventional products increased by 107.9% as compared to 2021, primarily because (i) our products had extensive market penetration and our sales recovered rapidly as the COVID-19 pandemic gradually alleviated in most parts of China after the first half of 2022. Most of the revenue from sales of neurovascular interventional products was derived from products that had penetrated almost all provinces and regions and that had entered into a large number of hospitals; and (ii) a significant portion of revenue came from products for ischemic stroke. The sales of ischemic stroke products grew substantially because of our substantial effort in adjusting our business strategy to accommodate the rapidly changing market condition.

Revenue from sales of peripheral-vascular interventional products increased by 53.4% as compared to 2021 because of our continuous efforts in gaining market access, increasing hospital penetration and expanding distribution network.

With a proven track record of commercializing 25 products domestically and eight products in Europe, we had established an extensive distribution network covering over 3,300 hospitals across 31 provinces and municipalities in China as at December 31, 2022. Over the years, we have developed strong collaborations with and established a well-recognized brand among KOLs, leading physicians and hospitals in China in the field of neuro-and peripheral-vascular intervention. With a combination of increased sales and marketing efficiency and increased scale of sales along with increasing number of newly launched products, the selling and distribution expenses as a percentage of total revenue has significantly decreased from 53.5% for the year ended December 31, 2021, to 41.9% for the year ended December 31, 2022.

R&D

We have established leading in-house R&D technology platforms to facilitate continuous innovation and technological breakthroughs. Our expertise in fundamental technology know-how cross different disciplines enables rapid prototyping and expedites the transformation of prototypes to ready-to-commercialize products. We have an integrated product innovation process, covering product design to mass production, and have successfully leveraged our internal platforms to deliver quality products. For example, we launched the self-developed Carotid Rx PTA Balloon Catheter and PTA Balloon Catheter — large diameter in China in April 2022. The two products are developed and manufactured on our balloon forming and manufacturing platform on which we have produced all our balloon catheter products with consistent high quality and efficiency. Benefitting from our continuous efforts in building an advanced program in developing various balloon catheters to meet the needs in neurovascular and peripheral-vascular intervention, we have witnessed that the newly launched products continue the excellent performance of our earlier commercialized products, which we believe will facilitate our products' adoption among physicians.

With our extensive clinical and registration experience and established strong collaboration with leading physicians and hospitals, despite the headwinds of the COVID-19 pandemic, we are conducting clinical trials at a steady pace. In 2022, we completed patient enrollment for the clinical trials of five products. As at the date of this report, we have 12 products candidates at the clinical trial stage.

Manufacturing

The manufacturing process of vascular interventional products is complex and technologically challenging. Over the years, we have accumulated extensive expertise and know-how in developing and manufacturing vascular interventional products and obtained a number of patents for our proprietary technologies. Our manufacturing expertise and know-how combined with advanced technologies applied during our manufacturing process ensure the quality and efficiency of our production. We are in expanding our production capacity with an additional area of approximately 13,000 sq.m. in Hangzhou and are constructing a new innovation center in Zhuhai with an area of approximately 58,000 sq.m. The Zhuhai center integrates functions of manufacturing, R&D and administration, and is expected to have various production lines for products such as intracranial stent and neurovascular embolization coils.

Impact of the COVID-19 Pandemic

An outbreak of a respiratory disease COVID-19 was first reported in December 2019 and continues to expand globally. Significant rises in COVID-19 cases have been reported since then, causing governments around the world to implement unprecedented measures such as city lockdowns, travel restrictions, quarantines and business shutdowns. Despite the foregoing, we achieved a revenue of RMB334.1 million in 2022, representing an increase of 87.8% as compared to 2021. The pandemic did not have material adverse effect on the Group's commercialization in China and Europe in 2022. We do not expect our planned commercialization in China or Europe will be adversely affected by COVID-19.



II. FINANCIAL REVIEW

Overview

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

Revenue

The Group's revenue for the year ended December 31, 2022 was RMB334.1 million, representing an increase of 87.8% compared to RMB177.9 million for the year ended December 31, 2021. The increase was primarily attributable to (i) the sales revenue from products approved before December 31, 2021, including Thrombite® CRD, UltraFree® DCB, SilverSnake intracranial support catheter, neurovascular embolization coils, Intracranial balloon catheter and PTA balloon catheter, increased by 84.2% for the year ended December 31, 2022 due to the strong adoption of commercialized products by hospitals and physicians; (ii) a continuously expanded product portfolio with five products launched in 2022, such as Carotid Rx PTA Balloon Catheter, Endovenous Radiofrequency Ablation (RFA) Catheter, Retrievable Inferior Vena Cava Filter, which contributed to more than 1.9% of our total revenue for the year ended December 31, 2022; and (iii) revenue from our international business increased by over 125.2% as compared to 2021 as a result of our continuous investment in overseas markets, including, for example, setting up local sales and marketing team.

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

Revenue	Year ended December 31, 2022		Year ended December 31, 2021		Year to year change %
	RMB'000	Proportion	RMB'000	Proportion	
Neurovascular interventional devices	233,398	69.9%	112,271	63.1%	107.9%
Peripheral-vascular interventional devices	100,692	30.1%	65,641	36.9%	53.4%
Total	334,090	100.0%	177,912	100.0%	87.8%

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

Revenue	Year ended December 31, 2022		Year ended December 31, 2021		Year to year change %
	RMB'000	Proportion	RMB'000	Proportion	
The PRC	326,294	97.7%	174,450	98.1%	87.0%
Others	7,796	2.3%	3,462	1.9%	125.2%
Total	334,090	100.0%	177,912	100.0%	87.8%

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 and office expenses and others.

The Group's cost of sales for the year ended December 31, 2022 was RMB81.4 million, representing an increase of 76.9% compared to RMB46.0 million for the year ended December 31, 2021. The increase was primarily attributable to increase in raw materials and consumables used for sales of our products in line with increased commercialization of our marketed products in 2022, and the increase in employee benefits expenses as a result of 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 91.6% from RMB131.9 million for the year ended December 31, 2021 to RMB252.7 million for the year ended December 31, 2022. Gross profit margin is calculated as gross profit divided by revenue. The gross profit margin of the Group increased from 74.1% for the year ended December 31, 2021 to 75.6% for the year ended December 31, 2022, mainly attributable to (i) a decreased cost of raw materials due to increased purchase quantity; and (ii) continuously improved manufacturing efficiency and higher yield rate, which was partially offset by an increase in depreciation of buildings and equipments due to increased manufacturing capacity.

R&D Expenses

The Group's R&D expenses for the year ended December 31, 2022 was RMB233.5 million, representing an increase of 38.9% compared to RMB168.1 million for the year ended December 31, 2021. The increase was primarily attributable to (i) increased number of R&D personnel and increased share-based compensation from RMB39.5 million for the year ended December 31, 2021 to RMB47.7 million for the year ended December 31, 2022; and (ii) testing and clinical trial fees, professional services fees and raw materials and consumables used from RMB73.4 million for the year ended December 31, 2021 to RMB88.6 million for the year ended December 31, 2022, primarily due to more research and development projects and advances of these projects.

Research and development expenses	Year ended December 31, 2022		Year ended December 31, 2021		Year to year change
	RMB'000	Proportion	RMB'000	Proportion	%
Employee benefits expenses	130,191	55.8%	85,262	50.7%	52.7%
Testing and clinical trial fees	50,967	21.8%	41,386	24.6%	23.2%
Raw materials and consumables used	31,594	13.5%	24,897	14.8%	26.9%
Depreciation and amortization	10,405	4.5%	6,549	3.9%	58.9%
Professional services	6,077	2.6%	7,120	4.2%	-14.6%
Others	4,227	1.8%	2,886	1.8%	46.5%
Total	233,461	100.0%	168,100	100.0%	38.9%

Selling and Distribution Expenses

The Group's selling and distribution expenses for the year ended December 31, 2022 was RMB140.1 million, representing an increase of 47.1% compared to RMB95.3 million for the year ended December 31, 2021. Selling and distribution expenses as a percentage of total revenue has significantly decreased from 53.5% for the year ended December 31, 2021, to 41.9% for the year ended December 31, 2022. The decrease was primarily attributable to (i) increased sales and marketing efficiency due to a more established sales network and more experienced sales and marketing team; and (ii) increased scale of sales along with increasing number of newly launched products.

Administrative Expenses

The Group's administrative expenses for the year ended December 31, 2022 was RMB109.3 million, which is in line with RMB100.6 million for the year ended December 31, 2021. The increase was primarily attributable to the increase in our employee benefits expenses, utilities and office expenses due to our business growth.

Other Expenses

The Group's other expenses for the year ended December 31, 2022 was RMB1.3 million, representing an increase of 88.1% compared to RMB0.7 million for the year ended December 31, 2021. The increase was primarily attributable to the increase of leased area and thus the allocated depreciation in relation to the leased area.

Other Income

The Group's other income for the year ended December 31, 2022 was RMB12.2 million, representing a decrease of 20.4% compared to RMB15.3 million for the year ended December 31, 2021. The decrease was primarily attributable to the decrease of government grants in 2022.

Other Gains

The Group's other gains for the year ended December 31, 2022 was a net gain of RMB11.1 million, representing an increase of 118.8% compared to a net gain of RMB5.1 million for the year ended December 31, 2021. The increase was primarily attributable to the foreign exchange gains.

Finance Income — net

The Group's finance income — net for the year ended December 31, 2022 was RMB94.8 million, representing an increase of 641.7% from RMB12.8 million for the year ended December 31, 2021. The increase in finance income — net was primarily attributable to an increase in bank interest income in 2022.

Income Tax Expense

The Group did not incur income tax expense for the year ended December 31, 2022 and 2021 as our Group had no assessable profit.

Non-IFRS Measures

To supplement our consolidated statement of comprehensive income which is 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 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 year indicated:

	Year ended December 31, 2022 (RMB'000)	Year ended December 31, 2021 (RMB'000)
Loss for the year	(113,555)	(199,689)
Add:		
Share-based compensation ⁽¹⁾	87,678	76,211
Listing expenses ⁽²⁾	—	22,733
Non-IFRS adjusted net loss for the year ⁽³⁾	(25,877)	(100,745)

Notes:

- (1) Share-based compensation is non-operational expenses arising from granting shares through the Employee Incentive Schemes 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, and is also affected by non-operating performance related factors that are not closely or directly related to our business activities.
- (2) Listing expenses are one-off expenses in relation to the IPO and the Global Offering.
- (3) We consider the share-based compensation and listing expenses as non-operational or one-off expenses which do not affect our ongoing operating performance. We believe the net loss as adjusted by eliminating potential impacts of the share-based compensation and listing expenses provides useful information to investors in facilitating a comparison of our operating performance from period to period.

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 Group's cash and cash equivalents as at December 31, 2022 were RMB1,205.3 million, compared to RMB1,418.4 million as at December 31, 2021. The cash and cash equivalents were denominated in RMB, US dollars, Hong Kong dollars and European dollars. Term deposits as at December 31, 2022 were RMB1,334.2 million as compared to RMB1,500.0 million as at December 31, 2021. Financial assets measured at fair value were RMB153.6 million as at December 31, 2022 as compared to RMB10.5 million as at December 31, 2021. The management is confident that the Group's financial resource is 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 existing commercialized products and by launching new products, as a result of the broader market acceptance of our existing products and our continued efforts in marketing and expansion, improving cost control and operating efficiency and accelerating the turnover of trade receivables by tightening our credit policy.

Borrowings and Gearing Ratio

As at December 31, 2022, we do not have any borrowings.

The gearing ratio (calculated by dividing the sum of borrowings and lease liabilities by total equity) of the Group increased from 0.3% for the year ended December 31, 2021 to 0.5% for the year ended December 31, 2022.

Net Current Assets

The Group's net current assets, as at December 31, 2022 were RMB1,910.5 million, representing a decrease of 34.7% compared to net current assets of RMB2,927.1 million as at December 31, 2021. The decrease was primarily due to the purchase of RMB789.1 million of term deposits with maturity period over 1 year.

Foreign Exchange Exposure

We have transactional currency exposures. Certain of our bank balances, trade 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.

Pledge of Shares

We do not have any pledging of shares by our Single Largest Group of Shareholders.

Significant Investments, Material Acquisitions and Disposals

As at December 31, 2022, 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.

Charge on Assets

As at December 31, 2022, there was no charge on assets of the Group.

Contingent Liabilities

As at December 31, 2022, we did not have any contingent liabilities.

Events after the Reporting Period

There is no subsequent event after the reporting period which has material impact to the consolidated financial statements of the Group.

Employees and Remuneration Policies

As at December 31, 2022, we had 715 employees in total. 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. Compensation for employees of the Group is made with reference to the market as well as individual performance and contributions.

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

During the Reporting Period, the Group had no specific plan for material investment or acquisition of major capital assets or other businesses. The Group will continue to expand its markets in the PRC and globally in order to tap its internal potential and maximize shareholders' interest. The Group will continue to grow through self-development, mergers and acquisitions, and other means. We will employ a combination of financing channels to finance capital expenditures, including but not limit to internal funds and bank loans.

III. 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, 2022 substantially rely on a limited number of commercialized products, including Thrombite® CRD, 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.

Risks Relating to Our Financial Position and Need for Additional Capital

- We have incurred net losses since our inception and may incur net losses for the foreseeable future.
- We may need to obtain additional financing to fund our operations, and we had net cash outflows from our operating activities during the Reporting Period.
- 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.

IV. PROSPECTS

Continue to gain market share

With a total of 25 products launched in China, we will continue to enhance our commercialization capabilities to increase our market share in the neuro-vascular and peripheral vascular medical device industry. Our constantly growing product portfolio allows us to provide physicians and patients with more comprehensive solutions, and we will continuously funnel new products through our established sales and distribution network. Our sales and marketing resources will be strategically allocated between top-tier markets and lower-tier markets. We plan to further solidify our position as a top player in our focused medical device segments while navigating changes of the regulatory environment, such as the increasing implementation of volume-based procurement.

Constantly diversify our product offering and accelerate innovation

With a comprehensive portfolio of 57 products and product candidates, we have been expanding our diversified product portfolio and increasing capital deployment efficiency. We will continue our in-depth interactions with KOLs. Leveraging our internal R&D capabilities, we will be responsive in terms of developing innovative products with new technologies for unmet medical needs. We expect to see a changing industry landscape over the next three to five years given the factors such as volume-based procurement are reshaping the industry. Thus we will develop products with large market potentials and short development cycles (e.g., vascular access products) by leveraging our internal technology platforms.

Further leverage our commercialization capabilities to fuel inorganic growth through strategic cooperation

We expect to fully leverage our strength in sales and marketing to meet the unmet needs by licensing in advanced technologies, product candidates or approved products from external parties. We have been searching for advanced technologies in adjacent therapeutic areas in both domestic and international markets. As we have a robust financial position, we expect to leverage our resources to partner with developers with unique technology to build an innovative medical device portfolio.

Continue to invest in the international markets

In overseas markets, we have made progress in both sales and R&D, and plan to continue the efforts. We will further expand the European team and strengthen partnerships with local physicians and distributors aiming to be more responsive in addressing market needs and feedback locally. We will allocate more resources to sales and marketing to enhance product recognition in the local market. Besides, we plan to establish a warehousing and logistics center in Europe to improve the efficiency of logistics and distribution in local market.

Attract, retain and motivate talented personnel and enhance human resource management efficiency

Medical device innovation is primarily driven by talents, and it involves capabilities in different aspects, such as clinical trial, materials science and manufacturing. Thus, we have been strengthening our team by recruiting talents with diverse professional background and experience. We expect to capture opportunities brought by evolvments of the medical device industry and the capital markets to effectively attract R&D and management talents. As the scale of our business grows, we plan to enhance our management efficiency by implementing management digitalization initiatives. We will continue to offer diversified training programs tailored for employees of different functions and seniority. We will focus on improving our internal promotion channel and building a strong mid-to-senior-level core management team. In addition, believing that the effectiveness of business strategy execution makes a huge difference in today's market, we will continue to recruit experienced professionals with strong execution capabilities in R&D and sales and marketing.

Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Dr. Jonathon Zhong Zhao (趙中) (“Dr. Zhao”), aged 56, 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 53, is an executive Director and a senior vice president of our Company. Mr. Xie 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.



Directors, Supervisors and Senior Management

Dr. Zheng Li (李崢) (“Dr. Li”), aged 45, 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 50, 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.

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 35, 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.

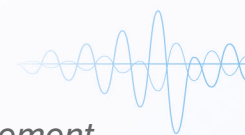
Dr. Steven Dasong Wang (王大松) (“Dr. Wang”), aged 54, is a non-executive Director. Dr. Wang was appointed as a director of our Company in October 2020 and re-designated as a non-executive Director in March 2021. He is primarily responsible for overseeing Board affairs and giving strategic advice and guidance 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 53, 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 51, 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 59, 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.

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

Ms. Jie Liang (梁婕) (“**Ms. Liang**”), aged 39, is the chairlady of our Supervisory Committee. Ms. Liang 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. Liang joined our Group as a registration manager in March 2014 and was promoted to registration director in February 2019. Since her joining, Ms. Liang has assisted in planning and registration of peripheral vascular products of our Group. Ms. Liang also served as registration officer in Zhejiang Haisheng Medical Equipment Co., Ltd. (浙江海聖醫療器械有限公司) from March 2007 to March 2014, where she participated in the registration of anesthesia consumables products of the company.

Ms. Liang received a bachelor's degree in Chinese linguistics from Shaoxing University in the PRC in June 2007.

Mr. Tao Liu (劉濤) (“**Mr. Liu**”), aged 42, 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 35, 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.

SENIOR MANAGEMENT

Dr. Jonathon Zhong Zhao (趙中), aged 56, 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 53, 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 45, 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 44, 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.

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, 2022 are set out in Note 34 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, 2022 are set out in the Consolidated Financial Statements and their accompanying notes on pages 138 to 210.

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

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 four 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 132, which has been prepared in accordance with Rule 13.91 and the Environmental, Social and Governance Reporting Guide contained in Appendix 27 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 (appointed on May 18, 2022)
Dr. Steven Dasong Wang
Dr. Hai Lu (resigned on May 18, 2022)

Independent Non-executive Directors

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

Dr. Hai Lu ("**Dr. Lu**") resigned as a non-executive Director of the Company in May 2022 due to other work commitment. In accordance with the requirements of Rule 13.51(2) of the Listing Rules, Dr. Lu confirmed that he has no disagreement with the Company and the Board and there is no other matter relating to his resignation that need to be brought to the attention of the Shareholders.



SUPERVISORY COMMITTEE

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

Ms. Jie Liang (*Chairlady*)
Mr. Chunhui Men (resigned on May 18, 2022)
Mr. Tao Liu (appointed on May 18, 2022)
Ms. Hongbo Wang

Mr. Chunhui Men (“**Mr. Men**”) resigned as a shareholders’ representative supervisor of the Company in May 2022 due to other work commitment. In accordance with the requirements of Rule 13.51(2) of the Listing Rules, Mr. Men confirmed that he has no disagreement with the Company, the Board and the Supervisory Committee and there is no other matter relating to his 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 32 to 38 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 35 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, other than the Pre-IPO Share Option Scheme, 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, 2022, 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	37,297,792 H Shares (L)	11.49%	12.78%
			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	18,588,910 H Shares (L)	5.73%	5.66%
			239,427 Domestic Shares (L)	3.08%	
Mr. Stephen Hui Wang (王暉) ⁽³⁾	Non-executive Director	Interest in controlled corporations	29,262,592 H Shares (L)	9.01%	8.80%

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 (李嶸) ⁽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. Jie Liang (梁婕)	Chairlady of the Supervisory Committee and employee Supervisor	Beneficial owner	179,571 ⁽⁸⁾ Domestic Shares (L)	2.31%	0.05%
Ms. Hongbo Wang (王宏波)	Employee Supervisor	Beneficial owner	71,828 ⁽⁹⁾ 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, 2022. 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 (李嶸) ("**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**"), Huzhou Guiqiao Enterprise Management Partnership (Limited Partnership) (湖州歸橋企業管理合夥企業(有限合夥)) ("**Huzhou Guiqiao**"), WEA Enterprises, LLC ("**WEA**") 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)) ("**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, 2022, 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 Huzhou 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. Jie Liang (梁婕) is entitled to receive up to 179,571 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.
- (9) 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.

Save as disclosed above, as at December 31, 2022, 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 Hong Kong 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 was required to be notified to the Company and the Hong Kong 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, 2022, 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 Investment Partnership (Limited Partnership) (湖州語意慧投資合夥企業(有限合伙)) ⁽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 Centre (Limited Partnership) (珠海通橋投資中心(有限合伙)) ⁽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%	26.34%
		79,483,451 H Shares (L)	24.49%	
Hangzhou Fujiang Investment Partnership (Limited Partnership) (杭州涪江投資合夥企業(有限合伙)) ⁽²⁾	Beneficial owner	5,114,645 H Shares (L)	1.58%	1.71%
		568,294 Domestic Shares (L)	7.30%	
		83,505,586 H Shares (L)	25.72%	
Zhuhai Guichuang Equity Investment Centre (Limited Partnership) (珠海歸創股權投資中心(有限合伙)) ⁽²⁾	Interests held jointly with another person	8,505,394 Domestic Shares (L)	109.31%	26.68%
		9,862,718 H Shares (L)	3.04%	
		1,095,857 Domestic Shares (L)	14.08%	
Huzhou Guiqiao Enterprise Management Partnership (Limited Partnership) (湖州歸橋企業管理合夥企業(有限合伙)) ⁽²⁾	Beneficial owner	78,757,513 H Shares (L)	24.26%	26.09%
		7,977,831 Domestic Shares (L)	102.53%	
		8,619,386 H Shares (L)	2.66%	
Huzhou Guiqiao Enterprise Management Partnership (Limited Partnership) (湖州歸橋企業管理合夥企業(有限合伙)) ⁽²⁾	Interests held jointly with another person	957,709 Domestic Shares (L)	12.31%	2.88%
		80,000,845 H Shares (L)	24.64%	
		8,115,979 Domestic Shares (L)	104.30%	

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⁾
Highlight Medical Limited ⁽⁵⁾	Beneficial owner	6,263,113 H Shares (L)	1.93%	8.80%
	Interests held jointly with another person	22,999,479 H Shares (L)	7.09%	
Ourea Biotech HK Limited ⁽⁵⁾	Beneficial owner	5,792,319 H Shares (L)	1.78%	8.80%
	Interests held jointly with another person	23,470,273 H Shares (L)	7.23%	
Homehealth Investment Limited ⁽⁵⁾	Beneficial owner	1,135,349 H Shares (L)	0.35%	8.80%
	Interests held jointly with another person	28,127,243 H Shares (L)	8.66%	
Five Investment Limited ⁽⁵⁾	Beneficial owner	9,227,691 H Shares (L)	2.84%	8.80%
	Interests held jointly with another person	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	2,927,696 H Shares (L)	0.90%	8.80%
	Interests held jointly with another person	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⁾	Beneficial owner	2,609,641 H Shares (L)	0.80%	8.80%
	Interests held jointly with another person	26,652,951 H Shares (L)	8.21%	
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	1,306,810 H Shares (L)	0.40%	8.80%
	Interests held jointly with another person	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	18,270,742 H Shares (L)	5.63%	5.50%
Schroders Plc	Investment manager	19,476,000 H Shares (L)	6.00%	5.86%
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%
Sean Ma (馬自銘) ⁽¹²⁾	Interest of corporation controlled by Sean Ma	16,600,000 H Shares (L)	5.11%	4.99%
Snow Lake Capital (HK) Limited ⁽¹²⁾	Investment manager	16,600,000 H Shares (L)	5.11%	4.99%
Snow Lake Management LLC ⁽¹²⁾	Interest of corporation controlled by Sean Ma	16,600,000 H Shares (L)	5.11%	4.99%
Snow Lake Management LP ⁽¹²⁾	Investment manager	16,600,000 H Shares (L)	5.11%	4.99%

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, 2022. 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 Huzhou 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, 2022. 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, 2022. 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 18,270,742 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 18,270,742 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.
- (12) Snow Lake Capital (HK) Limited and Snow Lake Management LP together hold 100% equity interests in Snow Lake China Master Fund, Ltd. and Snow Lake China Master Long Fund, Ltd., which hold 10,500,000 H Shares and 6,100,000 H Shares respectively of our Company. Snow Lake Management LLC act as general partner of Snow Lake Management LP. Mr. Sean Ma (馬自銘) act as managing member of Snow Lake Management LLC and is the controlling shareholder of Snow Lake Capital (HK) Limited. Therefore, under the SFO, Mr. Sean Ma, Snow Lake Management LLC, Snow Lake Capital (HK) Limited and Snow Lake Management LP are deemed to be interested in 16,600,000 H Shares of our Company.

Save as disclosed above, as at December 31, 2022 (upon the completion of the full exercise of the Overallotment Option), 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 Hong Kong 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, 2022, the Company had established four Employee Incentive Platforms, namely Hangzhou Fujiang, Zhuhai Guichuang, Zhuhai Tongqiao and Huzhou Guiqiao. The four Employee Incentive Platforms, in aggregate, held 3,637,058 Domestic Shares and 32,733,529 H Shares.

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 labour 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 31 December 2022, the general partner of Huzhou Guiqiao is Dr. Zhao; and the general partner of Zhuhai Guichuang, Zhuhai Tongqiao and Hangzhou Fujiang is Huzhou Lanshan Enterprise Management Partnership (Limited Partnership) (湖州蘭珊企業管理合夥企業(有限合夥)) ("**Huzhou Lanshan**") and the general partner of Huzhou Lanshan 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 Huzhou 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, 2022 and December 31, 2022 were 9,577,095 and 2,522,813, respectively.

(g) Duration

The EI Schemes are not subject to any duration.

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, 2022 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 Shares Underlying the Awards As at Jan 1, 2022	Granted during the Reporting Period	Forfeited during the Reporting Period	Vested during the Reporting Period	Number of Shares Underlying the Awards outstanding As at December 31, 2022
Employee Participants								
1. Connected Person								
Dr. Jonathon Zhong Zhao (趙中)	Huzhou Guiqiao ⁽¹⁾	September 23, 2022		—	2,902,042	—	870,613	2,031,429
			H	—	2,611,838	—	783,552	1,828,286
			Domestic	—	290,204	—	87,061	203,143
Mr. Yang Xie (謝陽)	Zhuhai Guichuang ⁽²⁾	August 1, 2020		913,215	—	—	—	913,215
			H	821,894	—	—	—	821,894
			Domestic	91,321	—	—	—	91,321
	Huzhou Guiqiao ⁽¹⁾	September 23, 2022		—	422,353	—	126,706	295,647
			H	—	380,118	—	114,036	266,082
			Domestic	—	42,235	—	12,670	29,565
Dr. Zheng Li (李嶠)	Zhuhai Tongqiao ⁽⁴⁾	February 27, 2017		1,616,093	—	—	1,616,093	—
			H	1,454,484	—	—	1,454,484	—
			Domestic	161,609	—	—	161,609	—
	Zhuhai Guichuang ⁽²⁾	August 1, 2020		876,686	—	—	—	876,686
			H	789,017	—	—	—	789,017
			Domestic	87,669	—	—	—	87,669

Categories of Participants	Relevant Employee Incentive Platforms	Date of grant of Awards	Type of Stock	Number of Shares Underlying the Awards outstanding As at Jan 1, 2022	Granted during the Reporting Period	Forfeited during the Reporting Period	Vested during the Reporting Period	Number of Shares Underlying the Awards outstanding As at December 31, 2022
Ms. Jie Liang (梁婕)	Zhuhai Tongqiao ⁽⁴⁾	February 27, 2017		43,755	—	—	43,755	—
			H	39,380	—	—	39,380	—
			Domestic	4,375	—	—	4,375	—
	Zhuhai Guichuang ⁽²⁾	August 1, 2020		365,286	—	—	—	365,286
			H	328,757	—	—	—	328,757
			Domestic	36,529	—	—	—	36,529
Huzhou Guiqiao ⁽¹⁾	September 23, 2022		—	275,981	—	82,794	193,187	
		H	—	248,383	—	74,515	173,868	
		Domestic	—	27,598	—	8,279	19,319	
Ms. Hongbo Wang (王宏波)	Zhuhai Guichuang ⁽²⁾	August 1, 2020		127,854	—	—	—	127,854
			H	115,069	—	—	—	115,069
			Domestic	12,785	—	—	—	12,785
	Huzhou Guiqiao ⁽¹⁾	September 23, 2022		—	46,928	—	14,078	32,850
			H	—	42,235	—	12,670	29,565
			Domestic	—	4,693	—	1,408	3,285
Mr. Tao Liu (劉濤)	Huzhou Guiqiao ⁽¹⁾	September 23, 2022		—	354,230	—	106,269	247,961
			H	—	318,807	—	95,642	223,165
			Domestic	—	35,423	—	10,627	24,796
2. Top 5 highest paid individuals	Huzhou Guiqiao ⁽¹⁾	September 23, 2022		—	351,961	—	105,588	246,373
			H	—	316,765	—	95,029	221,736
			Domestic	—	35,196	—	10,559	24,637
	Zhuhai Guichuang ⁽²⁾	August 1, 2020		1,424,615	—	—	—	1,424,615
			H	1,282,154	—	—	—	1,282,154
			Domestic	142,461	—	—	—	142,461

Report of the Directors

Categories of Participants	Relevant Employee Incentive Platforms	Date of grant of Awards	Type of Stock	Number of Shares Underlying the Awards outstanding As at Jan 1, 2022	Granted during the Reporting Period	Forfeited during the Reporting Period	Vested during the Reporting Period	Number of Shares Underlying the Awards outstanding As at December 31, 2022
3. Other employees	Zhuhai Tongqiao ⁽⁴⁾	February 27, 2017		1,077,023	—	—	1,077,023	—
			H	969,321	—	—	969,321	—
			Domestic	107,702	—	—	107,702	—
	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		251,628	—	—	58,081	193,547
			H	226,465	—	—	52,273	174,192
			Domestic	25,163	—	—	5,808	19,355
	Zhuhai Guichuang ⁽²⁾	August 1, 2020		5,844,573	—	164,379	365,286	5,314,908
			H	5,260,116	—	147,941	328,758	4,783,417
			Domestic	584,457	—	16,438	36,528	531,491
Huzhou Guiqiao ⁽¹⁾	September 23, 2022		—	2,700,787	—	810,237	1,890,550	
		H	—	2,430,708	—	729,213	1,701,495	
		Domestic	—	270,079	—	81,024	189,055	

Note:

- (1) For awards granted under Huzhou 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 Huzhou 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, 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 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). 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 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). 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 February 27, 2017, 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, (i) at the Company's level, the products having obtained the requisite registration certificate; and (ii) at the employees' level, the grading of their individual appraisals, as well as the required tenure with the Company, the awards shall vest according to the schedule as stipulated in each grant letter.

For the awards granted under Zhuhai Tongqiao on August 1, 2020, they have 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). 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.
- (6) In relation to the fair value of the awards granted during the year ended December 31, 2022, please refer to Note 25 to the Consolidated Financial Statements in this report.
- (7) The purchase price of the underlying shares vested and the weighted average closing price immediately before the date on which the awards were vested are not applicable as (i) for the H Shares, they were converted from the Domestic Shares on March 3, 2022 before they were vested on December 31, 2022; and (ii) the underlying Domestic Shares vested were not purchased at the market.
- (8) There were no awards canceled or lapsed during the year ended December 31, 2022.

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, 2022, the remaining life of the Pre-IPO Option Scheme was approximately eight 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, 2022 and December 31, 2022 was nil as no further options may be granted after the Listing.

2. Options Granted

As at December 31, 2022, share options have been granted to 22 grantees, including 3 Directors, 2 Supervisors and 17 other employees of our Group (who were granted options to subscribe for 1,460,030 Domestic Shares, 251,399 Domestic Shares and 3,077,118 Domestic Shares, respectively), to subscribe for an aggregate of 4,788,547 Domestic Shares, of which options to subscribe for 95,770 Domestic Shares have been forfeited. During the two years ended December 31, 2022, options to subscribe for 1,407,833 Domestic Shares have become exercisable and options to subscribe for 1,455,719 Domestic Shares have become exercisable, respectively. As at the Latest Practicable Date, 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 Consolidated 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, 2022	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, 2022	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 is expected to 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 is expected to become exercisable on December 3, 2023
Dr. Zheng Li (李暉)	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 is expected to become exercisable on December 3, 2023

Category of participants/ Name of Director or Supervisor	Outstanding as at January 1, 2022	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, 2022	Exercise Price per Option (RMB)	Exercisable Period (subject to conditions) in the Pre-IPO Share Option Scheme ⁽¹⁾
Employee Participants									
1. Director or Supervisor									
Ms. Jie Liang (梁婕)	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 is expected to 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 is expected to 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 is expected to 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 ending 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 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, 2022, the remaining life of the H Share Scheme was approximately eight 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 fulfillment 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 2,226,000 H Shares on the market at an average price of HKD13.39, pursuant to the H Share Scheme. As at December 31, 2022, 2,711,500 H Shares had been purchased 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.

As at December 31, 2022, no award under the H Share Scheme has been granted.

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 30 to the Consolidated financial Statements contained herein.

For the year ended December 31, 2022, none of the related party transactions disclosed in Note 30 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, 2022, 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 2.18 and 8 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

On November 26, 2021, the Company received a formal official approval from the CSRC regarding the implementation of the full circulation of H Shares, pursuant to which up to 194,099,746 Domestic Shares can be converted into H Shares, and their listing thereof on the Stock Exchange. On January 18, 2022, the Stock Exchange granted approval for the listing of and permission to deal in 194,099,746 H Shares, representing the maximum number of Domestic Shares to be converted to H Shares. On March 3, 2022, the conversion of 194,099,746 Domestic Shares into H Shares was completed and listing of such Shares on the Stock Exchange commenced on March 4, 2022. For more related details, please refer to the Company's announcements dated November 26, 2021, February 28, 2022 and March 3, 2022.

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, 2022, 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 utilised as at the end of the Reporting Period RMB in million	Net Proceeds unutilized at the end of the Reporting Period RMB in million	Expected time of full utilisation
(1) Ongoing research and development, production and commercialization of our Core Products, namely Thrombite® CRD and UltraFree® DCB	870.7	37%	481.7	389.0	Year 2024
(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%	146.5	112.4	Year 2024
(3) Other 38 products and pipeline candidates in order to develop our product portfolio to provide total solution	941.3	40%	256.7	684.6	Year 2025
(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%	27.7	42.9	Year 2024
(5) Potential strategic acquisition, investments, in-licensing or collaborations	94.1	4%	28.0	66.1	Year 2025
(6) Working capital and general corporate purposes	117.7	5%	79.9	37.8	Year 2023
Total	2,353.3	100%	1,020.5	1,332.8	

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

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

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, 2022, 2,711,500 H Shares in the amount of HK\$41,002,535 had been purchased at average price of HK\$15.12 per 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 91.4% and 44.8%, respectively, of the Group's total revenue for the Reporting Period.

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 30.5% and 12.0%, 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 RMB2.3 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, 2022.

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, 2022 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.



I. MEETINGS OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

During the Reporting Period, the Supervisory Committee convened a total of three 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 4 th Meeting of the First Session of the Supervisory Committee	March 15, 2022
2.	The 5 th Meeting of the First Session of the Supervisory Committee	April 7, 2022
3.	The 6 th Meeting of the First Session of the Supervisory Committee	August 14, 2022
(I)	On March 15, 2022, the Company convened the 4 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 for the Year Ended December 31, 2021", "the Resolution Regarding the Draft of the Annual Results Announcement of the Company for the Year Ended December 31, 2021" and "the Resolution Regarding the Draft of the Annual Report of the Company for the Year Ended December 31, 2021".	
(II)	On April 7, 2022, the Company convened the 5 th meeting of the First Session of the Supervisory Committee, at which a total of six resolutions were considered and approved, namely, "the Resolution Regarding the Company's 2021 Report of Supervisory Committee", "the Resolution Regarding the Company's Auditor Report of 2021", "the Resolution Regarding the Company's 2021 profit distribution plan", "the Resolution Regarding the re-appointment of PricewaterhouseCoopers as the external auditors of the Company for 2022, and authorized the Board to determine their remunerations", "the Resolution Regarding the Appointment of a Supervisor", and "the Resolution Regarding the Authorization to the Supervisory Committee to Fix Supervisors' Remuneration".	
(III)	On August 14, 2022, the Company convened the 6 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, 2022", "the Resolution Regarding the Audited Financial Statements and Financial Report of the Company for the Six Months ended June 30, 2022", "the Resolution Regarding the Draft of the Interim Results Announcement of the Company for the Six Months ended June 30, 2022" and "the Resolution Regarding the Draft of the Interim Report of the Company for the Six Months ended June 30, 2022".	

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 2022 annual financial report complied with relevant laws and regulations and the Articles of Association. The 2022 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 2022.

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 2023

In 2023, 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, 2022 (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 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 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 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:

Executive Directors

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

Non-executive Directors

Mr. Stephen Hui Wang
Mr. Dongfang Li (appointed on May 18, 2022)
Dr. Steven Dasong Wang
Dr. Hai Lu (resigned on May 18, 2022)

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

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 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 judgement 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.

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. Hai Lu, 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 (appointed on May 18, 2022)	✓
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.

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 31 December 2022, the Company has achieved a 56:44 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, 2021, the interim results and interim report for the six months ended June 30, 2022, 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 two meetings during the Reporting Period to review the remuneration policy and structure of the Company and to determine and approve the remuneration packages of all Directors, Supervisors and members of the senior management.

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, 2022 are set out below:

Remuneration by band (in HKD)	Year ended December 31, 2022 (Number of person(s))	Year ended December 31, 2021 (Number of person(s))
7,500,001–8,000,000	–	1
10,000,001–10,500,000	1	1
12,500,001–13,000,000	–	1
13,500,001–14,000,000	1	1
18,500,001–19,000,000	1	–
19,500,001–20,000,000	–	1
23,500,001–24,000,000	1	–

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.

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 two meetings 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, expertise and professional qualifications of the Directors; and to recommend the appointment of Mr. Dongfang Li as a non-executive Director to fill the vacancy following the resignation of Dr. Hai Lu as a non-executive Director.

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	2/2	2/2
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
Dr. Hai Lu (resigned on May 18, 2022)	2/2	N/A	N/A	N/A
Mr. Dongfang Li (appointed on May 18, 2022)	2/2	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	2/2	2/2
Mr. Hongze Liang	4/4	3/3	2/2	N/A
Ms. Yun Qiu	4/4	3/3	N/A	2/2

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 Rainbow Capital (HK) Limited as our compliance adviser to provide advice to our Directors and management team relating to the Listing Rules;
- We have engaged a PRC law firm to advise us on and keep us abreast with PRC laws and regulations. We will continue to arrange various training to be provided by external legal advisors from time to time when necessary and/or any appropriate accredited institution to update our Directors, supervisors senior management and relevant employees on the latest applicable laws and regulations;
- We 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;
- 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 will conduct 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, 2022. 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, 2022 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 2022 ESG report and 2022 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, 2022.

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 endeavours to maintain an on-going dialogue 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	0/1
Dr. Hai Lu (resigned on May 18, 2022)	1/1
Mr. Dongfang Li (appointed on May 18, 2022)	0/1
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, no significant change has been made in the Company's Articles of Association. 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, 2022, 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 second 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 1 January 2022 to 31 December 2022, 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 27 *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 second one issued by the Company. Unless otherwise specified, the key indicators and statistical methods are consistent with the ones used in 2021.

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 accordance with the ESG Reporting Guide, the Board of Directors seeks to improve ESG management structure and system through strengthening its supervision and engagement in ESG management. Meanwhile, the Board proactively promotes incorporating ESG concepts into the Company's strategy, critical decisions and business practices.

Responsibilities of the Board of Directors

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

ESG management principles

The Board of Directors pays continuous attention to ESG 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 2022, was considered and approved by the Board of Directors on March 29, 2023.



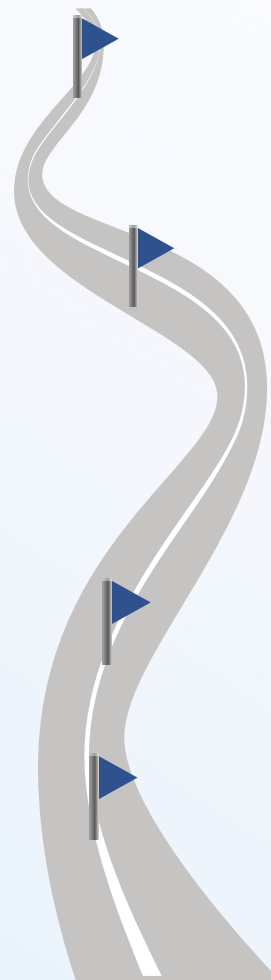
HIGHLIGHTING: TEN YEARS OF DEDICATION TO A BRIGHT FUTURE

Zylox-Tonbridge is mainly engaged in the R&D, manufacturing and sales of vascular interventional medical devices. Since its inception, Zylox-Tonbridge has always adhered to the strategy of “innovation-driven and platform-based empowerment” and the spirit of “the fruits of advanced medical technology should be shared by all”. While doing so, we aim to provide high-quality and affordable medical devices and solutions for patients. 2022 marks the 10th year since Zylox-Tonbridge’s incorporation, despite a bumpy journey, we had developed a series of high-end peripheral and neurovascular interventional medical devices with independent intellectual property rights in domestic and international markets. At the beginning of a new decade, Zylox-Tonbridge will focus more on improving capability and deeply understand the needs of domestic and foreign doctors and patients. We will endeavor to develop high-quality medical devices with clinical utility, and provide better and more inclusive products and services for patients around the world.

1.1. Forge ahead with the original aspiration

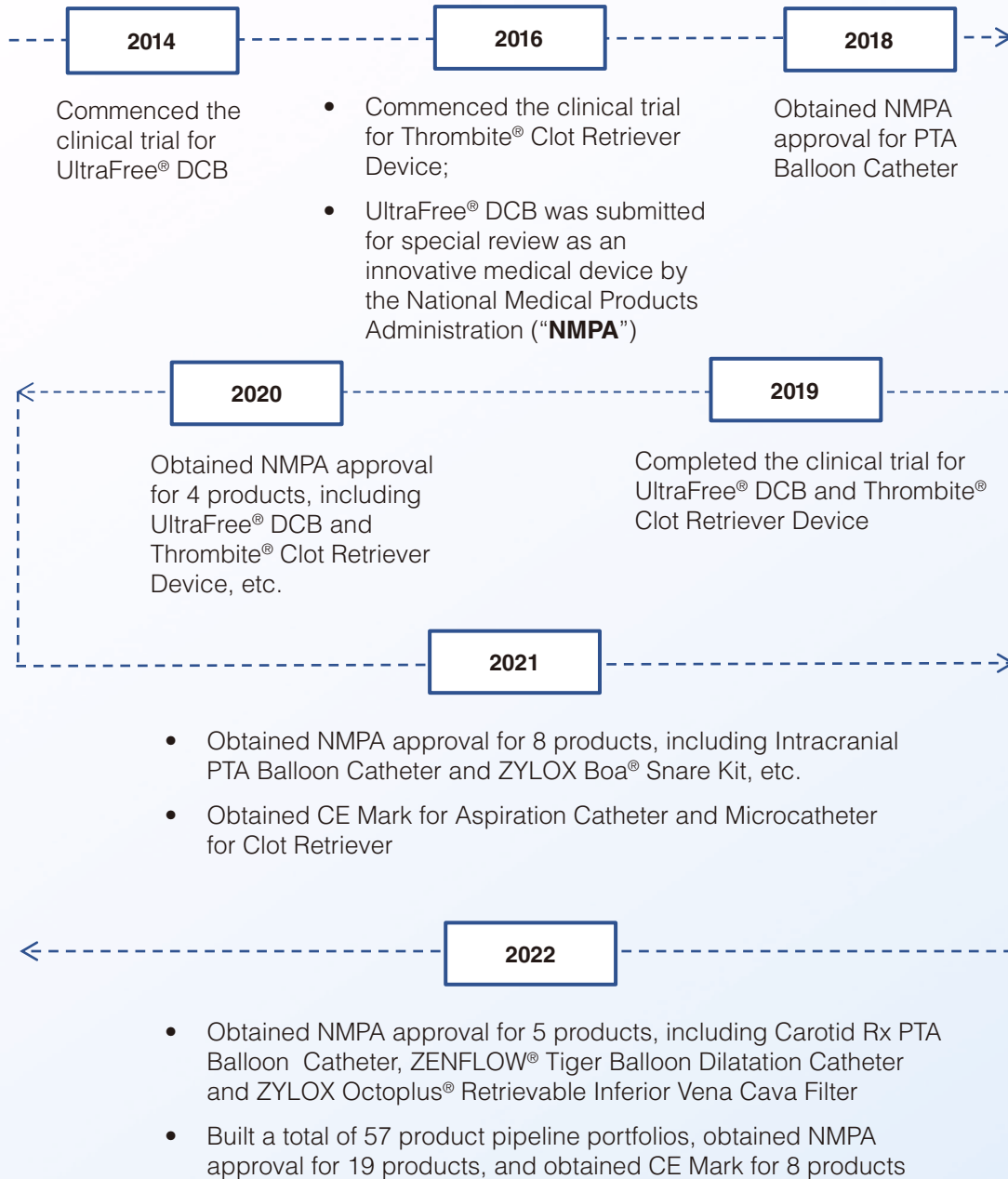
Milestones

- **2012**
 - Established Zhejiang Zylox Medical Device Co., Ltd.;
 - Created “Zylox Medical” brand, focusing on peripheral vascular intervention
- **2014** Zylox Medical was awarded a “Key Enterprise Research Institute for technological innovation in vascular medical device industry” in Zhejiang Province.
- **2016** Created “Tonbridge Medical” brand, getting into the field of neurovascular intervention
- **2017** Won the Second Prize in Biomedical Industry Finals of the 6th China Innovation and Entrepreneurship Competition
- **2018** Won the Second Prize in Biomedical Industry Finals of the 7th China Innovation and Entrepreneurship Competition
- **2019** Started to build Zylox-Tonbridge Industry Park
- **2021**
 - Zylox-Tonbridge was listed on the Hong Kong Stock Exchange;
 - Completed Zylox-Tonbridge Industry Park;
 - Established Zylox-Tonbridge Postdoctoral Workstation
- **2022**
 - Set up the Innovation Center of Implantable and Interventional Medical Device in Hangzhou Future Sci-tech City;
 - Launched the real-world monocenter UltraFree® clinical project kick-off meeting
 - Invested in Wire Sciences, getting into the field of vascular intervention robots





1.2. Focus on cutting-edge technology and strive for excellence



1.3. Work together for a shared future

After ten years of hard work, Zylox-Tonbridge has made great achievements together with its employees and partners, showing excellent innovation and creativity in medial industry. In 2022, the Company celebrated its 10th anniversary with the theme of “Ten Years of Dedication to a Bright Future”. We organized a series of activities such as IP Image Design, “Fun Run”, and “Super Brain” Knowledge Contest and “Sparkle Character” Selection, with the attendance of over 800 employees and their families across the country and even overseas to witness our ten years of perseverance, while reciprocating the support from all parties.

- IP Image Design: The Company organized an award-winning campaign to determine name for the IP image and theme for the anniversary celebration. Finally, IP image “Yue Zai” with distinctive characteristics of the Company and products stood out among more than 200 submissions.
- Fun Run: The Company organized a “Fun Run” cultural activity, and employees from Hangzhou headquarters, Zhuhai, Beijing, Shanghai, Suzhou and overseas offices participated in the activity.
- “Super Brain” Knowledge Contest: The Company held a “Super Brain” online knowledge contest, communicating its development history, corporate culture, vision and mission to more than 400 employees.
- “Sparkle Character” Selection: Awarding the outstanding employees or teams of the Company’s through monthly selection to set up role models to further promote the company’s core values in an innovative way and improve team’s cohesiveness and competitiveness. A total of 12 groups of individuals and teams were awarded the honor of “Sparkle Character”.



IP image “Yue Zai”



Fun Run



The 10th anniversary celebration

To reciprocate the support of the society, Zylox-Tonbridge held various academic lectures and medicine-engineering exchange activities during the celebration, which promoted the academic exchange and development of the industry. On 5 November, we held the 10th anniversary celebration and family open day activity at Hangzhou headquarters, and invited employees and their families to visit the headquarters. We also prepared a variety of outdoor games, color run, and “Zylox-Tonbridge Course” science popularization lecture, among others, attracting more than 350 employees and family members in total. By collaborating with partners and employees, Zylox-Tonbridge will continuously blaze new trials and keep improving to bring a sustainable and bright future to the highly-quality medical industry.



Zylox-Tonbridge 10th Anniversary Celebration Family Open Day

HONORS

Time	Award	Issuer(s)
March 2022	Second Prize of Guangdong Precision Medicine Science and Technology Award	Guangdong Precision Medicine Application Association
June 2022	Starry Decade Award	Association of High-level Talents of Hangzhou Future Sci-tech City
June 2022	Key Enterprise of Intellectual Property Protection in Zhuhai	Zhuhai Intellectual Property Administration
August 2022	Zhuhai Engineering and Technology Research Center	Zhuhai Science and Technology Innovation Bureau
October 2022	Top 100 Projects of Guangdong-Hong Kong-Macao Greater Bay Area High Value Patent Portfolio Competition	Guangdong-Hong Kong-Macao Greater Bay Area High Value Patent Portfolio Competition Executive Committee
October 2022	Yuhang District "Outstanding Enterprise for Talents to Start Up"	Hangzhou Yuhang District Committee of the CPC, Yuhang District Government
October 2022	Best New Shares of Sina Finance Overseas Investment Summit Forum 2022	Sina Finance
November 2022	Zhuhai Specialized and Sophisticated Technology SMEs	Zhuhai Bureau of Industry and Information Technology
November 2022	Innovative SMEs	Department of Industry and Information Technology of Guangdong Province
December 2022	Most Innovative Company	Gelonghui



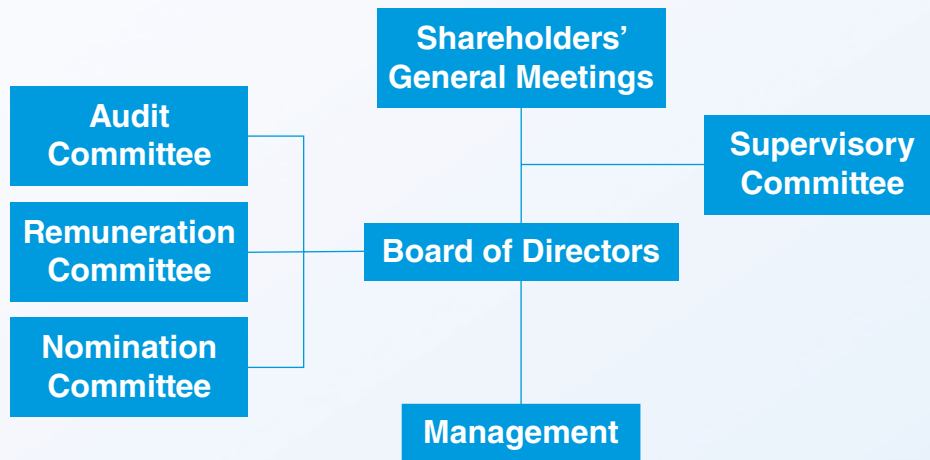
2. SOUND GOVERNANCE FOR STEADY DEVELOPMENT

Zylox-Tonbridge believes that compliance is fundamental to its sustainable and healthy development. We uphold the concept of honest operation in corporate governance, business operation and daily management, and commit to maintaining a high level of governance to support the long-term steady development.

2.1. Corporate governance

Strictly complying with laws and regulations such as the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China* and the *Code of Corporate Governance of Listed Companies*, the Company has formulated and implemented the *Articles of Association* and other internal rules and policies for its development. In addition, the Company has established a sound corporate governance structure so that the Shareholders' General Meetings, Board of Directors and Supervisory Committee can play effective roles in major decisions, operation, management and supervision, ensuring that shareholders' interests are properly protected.

Zylox-Tonbridge governance structure



The Board of Directors leads and instructs management, both directly or indirectly through committees, including monitoring the Company's operational, financial and ESG performance, formulating strategy and supervising its implementation, to ensure that the Company operates under a sound internal control and risk management system. The directors come from mixed backgrounds and have experiences in the areas of overall management, strategic development, quality assurance and control, finance and accounting, corporate governance, and medical devices. The directors vary in age and gender. It's the Nomination Committee's duty to review the board diversity policy from time to time to ensure its continued effectiveness.

As of 31 December 2022, the Board of Directors comprised 9 members, of which 3 were independent directors and 1 female director. During the reporting period, the Company held 1 annual general meeting, 4 meetings of the Board of Directors and 3 meetings of the Supervisory Committee.

2.2. ESG management

ESG governance structure

In order to execute corporate ESG governance more scientifically and systematically, we have established a three-tier ESG management structure consisting of the Board of Directors, senior management and working group. This structure facilitates the implementation of ESG decisions and major solutions that properly address ESG risks and opportunities in the long term.

Zylox-Tonbridge ESG governance structure

Board of Directors	The Board of Directors is responsible for evaluating and developing ESG management principles and policies 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.
Senior Management	Senior Management is responsible for formulating ESG management policy, strategy 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 communication

The stakeholders’ expectations are important considerations for the Company in optimizing ESG management and improving ESG performance. Depending on our business characteristics, we have identified the main stakeholders including shareholders, investors, government and regulators, media and non-governmental organizations (NGOs), suppliers, customers, patients, employees and community. Understanding the importance of stakeholder engagement, we have established a regular communication mechanism to adequately listen, communicate and respond to their needs.

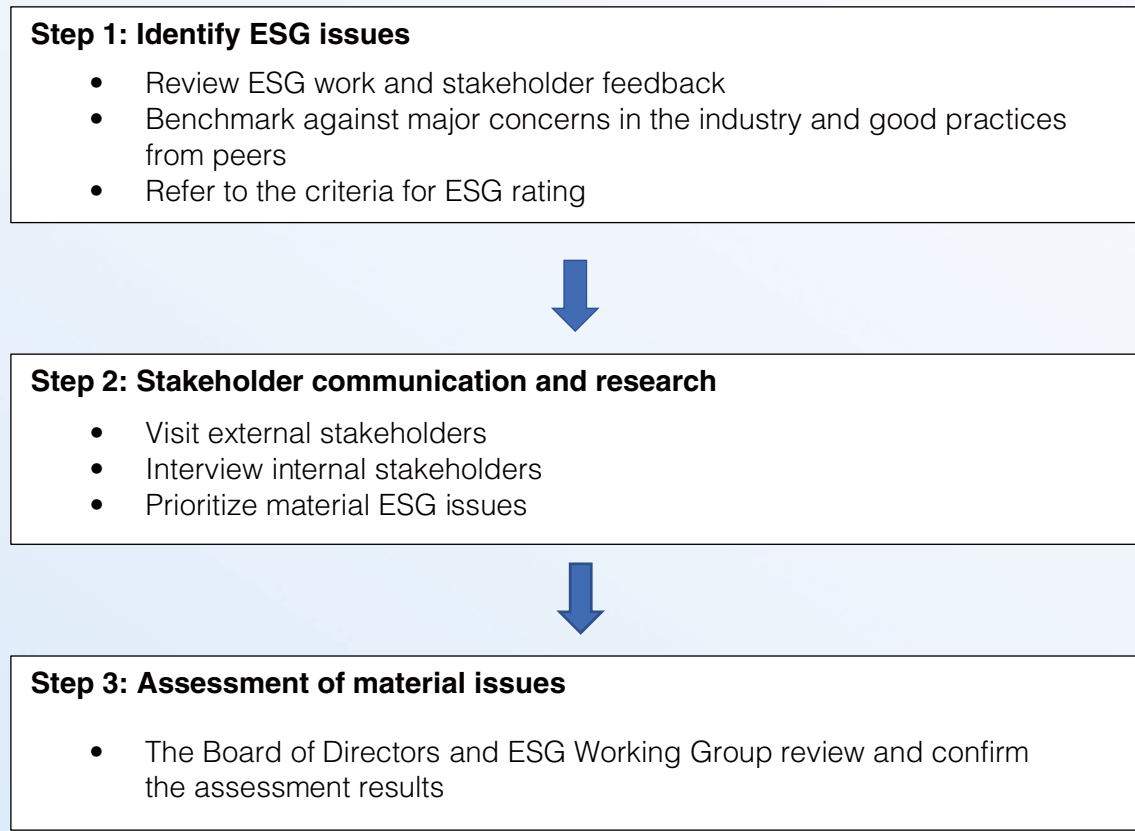
Stakeholders	Demands and expectations	Communication channels
Shareholders and investors	Investment return Information disclosure Compliant operation	Annual report, financial statements and announcement Investor briefing Company’s website Meeting, roadshow and investor conference
Governments and regulators	Compliant operation Tax payment per laws Contribution to society	Direct communication Enterprise forum Seminars and exchanges
Media and NGOs	Promotion of industry development Ensuring compliance publicity Delivery of brand value	Social media Company’s website Direct communication Press conference Communication via meetings
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



Stakeholders	Demands and expectations	Communication channels
Employees	Employee rights and interests protection Occupational health and safety Staff benefits improvement Equal opportunities and diversification	Labor union Internal meetings Performance assessment Team building
Community	Active engagement in public welfare Promotion of positive energy	Company's website Mass media Social media

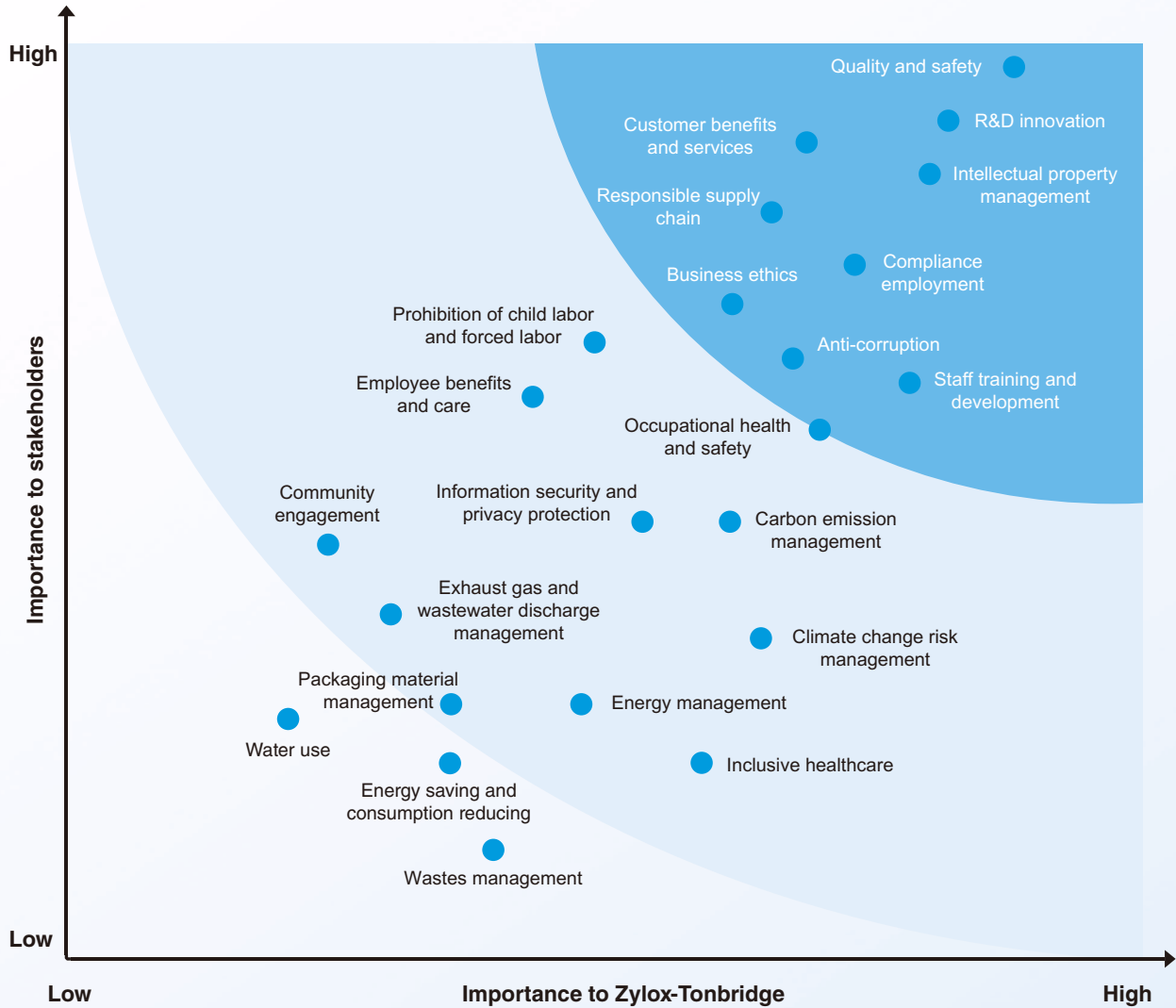
Materiality assessment

In 2022, to determine our ESG priorities, we updated our material ESG issue list according to the ESG Reporting Guide, and identified 23 material issues based on industry dynamic tracking, analysis of the Company's operation characteristics and strategic direction, key ESG concerns from peers, stakeholders' feedbacks, etc. Targeted response to the major issues will be presented in corresponding sections of the report to address the concerns of the stakeholders.





Zylox-Tonbridge's assessment matrix for material ESG issues in 2022




2.3. Compliant operation

The Company always adheres to the business ethical 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* and other laws and regulations in its daily operation. While guaranteeing the quality of services, we keep improving the risk prevention and control mechanism to safeguard the Company’s healthy development and efficient operation.


Business ethics

We have formulated and regularly reviewed 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*, aiming to optimize internal policies and fulfil our responsibility concerning compliance. In addition, we clarify the code of conduct of all employees through the *Employee Handbook*, which clearly prohibits employees from deception, improper profit, fraud and disclosure of business information. For the purpose of preventing behaviors that may infringe on corporate interests such as inappropriate related party transactions and insider information trading, our employees are required to learn and follow the basic principles and standards related to business ethics and 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 conflict of interest. In order to practice incorrupt procurement, we have set up terms concerning anti-corruption and anti-bribery in all procurement and sales contracts. Besides, we require bidding suppliers to sign the *Letter of Commitment against Unfair Competition* and the *Letter of Commitment for Integrity* enabling all employees and partners to follow compliance policies and practice high ethical standards.


We do not tolerate any form of corruption and bribery, encouraging and protecting employees, customers, partners and other internal and external stakeholders to report any violation of professional ethics or suspected breach of laws and disciplines, in real name or anonymously. Accordingly, we have established reporting channels and handling procedures for whistle blowing, and clarified the relevant information in the *Workflow for Handling Whistle Blowing*. The Human Resources Department and the Compliance Department are responsible for receiving the reporting and complaints, and conducting internal and external investigation according to the specific matters. If the reported issue is proved true by investigation, we will handle it seriously in accordance with relevant regulations and announce the handling results in public. We strictly implement the *Measures for Handling Whistle Blowing and Complaints and Protecting Whistle-blowers*, prohibiting potential retaliation against whistle blowers at any pretext or any disclosure of their personal information, to protect their privacy and safety.




Reporting channels



Hotline: 0571-88610082



Email: jdjb@zyloxmedical.com



Address: 1st & 2nd Floors, Building 1, No. 18 Keji Avenue, Yuhang Street, Yuhang District, Hangzhou, Zhejiang, China



We attach great importance to the development of clean culture. To help all employees firmly establish awareness of integrity and compliance, we provide training on business ethics through multiple channels and forms, including orientation training on the *Anti-corruption and Anti-bribery System*, which ensure all employees receive ethic training and 100% new employees reach anti-fraud training. During the reporting period, the Company launched 5 special training sessions on trade secret protection and anti-fraud, with a total of more than 3 hours delivered.

Case: Anti-corruption and anti-insider trading training

On November 7, 2022, Zylox-Tonbridge organized online-and-offline-combined training on anti-corruption and anti-insider trading for 14 people from the Board of Directors, the Supervisory Committee and Senior Management. The training lasted half an hour and its content included the definition of fraud, prohibited acts, the scope of insider trading information, confidentiality obligations and punishments for violators.



In 2022, we also performed special audit on leaving executives by reviewing their work performance and personal benefits during the term of tenure, which no abnormal results were found. By the end of the reporting period, no reporting or violation concerning corruption, bribery, blackmail, fraud or money laundering in the Company had been received.



Information security and privacy protection

The Company strictly complies 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* to protect information and privacy of employees, customers, patients, etc. In order to ensure that personal information is processed and used appropriately, we officially launched the compilation of the *Management System for Personal Information Protection* in 2022. We also released Legal Statement¹ and Privacy Policy² on our official website and the “Employee Data Application” process is available in the OA system. In doing so, we continuously improve information management and daily practices to protect information in all aspects.

Compliant marketing

Guided by the principle of responsibility, transparency and compliance in marketing activities, Zylox-Tonbridge strictly complies with the *Advertising Law of the People's Republic of China*, the *Criteria for the Examination and Publication of Medical Apparatus Advertisements*, the *Medical Devices Regulation (MDR)* and other laws and regulations those set forth special provisions for advertising in the field of medical devices. We have formulated the *Regulations on the Management of Marketing Activities* to strictly control advertising. Our Marketing Department and Compliance Department jointly audit the marketing information, ensuring that the information is true, accurate and compliant, and refrain from any exaggerating, deceptive and false content. According to the *Zylox Medical Brand Visual Identification Manual* and the *Tonbridge Medical Brand Visual Identity Guidelines Manual*, we have strengthened brand consistency by standardizing the use of brand identity elements such as brand logo, color scheme and font.

During the reporting period, we carried out special training, including the “compliance policy and process training” and the “training on current status and trends of law enforcement targeting commercial bribery in the medical industry”. We also inculcated employees and distributors with the awareness of compliance through various channels and forms such as new employee orientation training, interim meeting and distributor meeting, thus strengthening the Company’s internal and external compliance publicity and education in a high-quality way. Measures above are also taken to form compliance culture among employees and distributors to reduce and avoid potential violations.

¹ https://cn.zyloxtb.com/upload/file/20221101/20221101091708_65401.pdf

² https://cn.zyloxtb.com/upload/file/20221101/20221101091904_74077.pdf



3. INNOVATION FOR WIN-WIN COOPERATION

Zylox-Tonbridge has always adhered to the vision of “Providing patients with high-quality and affordable medical products”, as well as the strategy of “innovation-driven and platform-based empowerment”. Therefore, we refine the management for all aspects of our business such as R&D innovation, quality control, quality service and supplier chain, and create high-quality integrated medical device solutions, enabling more patients to enjoy the high-quality life from advanced medical technology.

3.1. R&D innovation

As one of the leaders in the Chinese peripheral and neurovascular interventional medical device market, the Company constantly follows the latest developments in global cutting-edge core technologies. Relying on strong R&D capabilities and product innovation technologies, we are active in the Industry-University-Research institute collaboration, and are devoted to promoting medical device innovation and achieving win-win cooperation with industry peers.

Quality R&D management

Regarding R&D as the core for the long-term development, we place great emphasis on the conduct and constant optimization of R&D management work. Under the lifecycle product quality management system, the Company continuously improves the R&D management. We have followed a series of internal policies such as the *Work Standards for Design and Development* to control the R&D project initiation, design, development and operation. During the reporting period, the *Project Review Policy* and the *Product Specification and Model Naming Policy* were formulated to ensure that all stages of the R&D process are managed efficiently.

Around expanding the major functions of peripheral-vascular clinical intervention and diversifying the product lines of neuro-implantation and interventions, we keep strengthening our core technologies, and actively propel the conversion of R&D achievements, trying to accelerate the replacement of domestic alternatives through independent innovation. By the end of the reporting period, the Company had developed 57 high-quality products, covering multiple neuro-and peripheral-vascular diseases such as intracranial ischemic stroke, intracranial stenosis and arterial and venous diseases.

The innovative spirit of employees is the cornerstone of the Company’s core competitiveness. Based on the *Project Incentive System*, the Company has clarified and implemented the rewarding policies for each stage of product R&D. Meanwhile, we hold regular commendation meetings for our R&D staff to cherish and recognize their persistent endeavor in research work. During the reporting period, we earned several honors by virtue of our excellent products and solutions.

Zylox-Tonbridge Honors for innovation

2022 “Zhuhai Innovative Product Award” for Thrombite® Clot Retriever Device
“2021 Zhuhai Scientific and Technological Innovation Product” Award for Neurovascular Embolization Coils



Pursuing efficiency, the Company has further expanded R&D platforms construction and team building, with four independent technical platforms built for R&D and manufacturing. Based on the needs of technical platform construction, the Company has set up several departments specialized in product strategy and project management, machine design, material research, etc. That has equipped the Company with all-round capabilities such as design and development, design verification, clinical trials, manufacturing and testing and inspection. We provide diversified training for various types of employees from different departments to cultivate specialized talents. In addition, we constantly enhance our core competitive advantages by improving R&D quality and efficiency for neuro-and peripheral-vascular products.



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

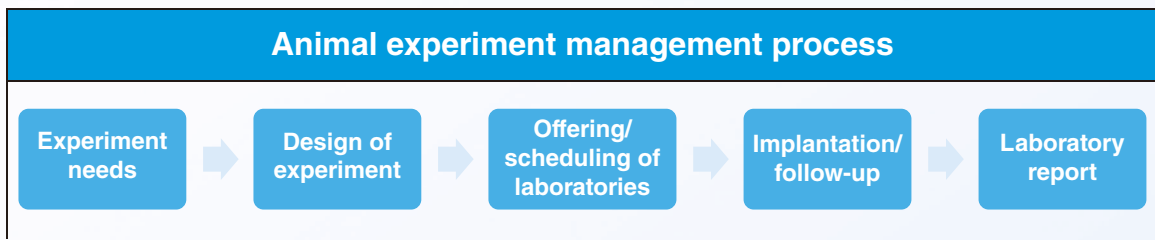


Braiding & Coiling Catheter Development and Manufacturing Platform:

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



We stress R&D ethics and insist on compliant R&D. In the R&D process, we strictly follow 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*. In December 2022, we issued the official *Management Policy for Animal Experiment Planning and Implementation*, which standardize the management of animal experiment processes and effectively control the risks of R&D projects in animal experiment. We also cooperate with third-party animal experiment centers with the *Laboratory Animal Institution Accreditation Certificate* to regularize animal experiment and protect animal welfare.



Protection of intellectual property rights

Intellectual property is an important part of what makes Zylox-Tonbridge's successful and competitive. We strictly abide 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 by developing, implementing and regularly reviewing internal policies such as the *Intellectual Property Management System*. In order to implement the intellectual property management in a meticulous way, we have adopted a number of actions including enhancing management procedures, formalizing records of management activities, forming the intellectual property manual and providing intellectual property protection training, and etc. During the reporting period, parts of our business units obtained the *Enterprise Intellectual Property Management (GB/T29490-2013)* certification.



Certificate of Intellectual Property Management System

We actively work on patent applying and maintaining to provide strong protection for our own R&D and technological achievements. Based on the *Notice on Raising Incentives for Patents*, the Company gives special awards to the departments, teams and individuals who have excellent performance in completing in-progress projects, award-winning projects, and patent declarations to better stimulate the talents' innovative vitality and improve the business' s creativity. By the end of the reporting period, the Company had acquired 63 patents in total, including 13 patents for inventions and 50 patents for utility models.

Category	2022	Unit
Patents (in total)	63	Pcs
Patents authorized in 2022	17	Pcs
Patents (Applied in progress)	64	Pcs
Patents for inventions (Applied in progress)	51	Pcs
Patents for utility models (Applied in progress)	13	Pcs
Trademarks (in total)	146	Pcs
Trademarks authorized in 2022	44	Pcs

R&D cooperation

While insisting on in-house R&D, Zylox-Tonbridge stays open to cooperation and sharing. Therefore, the Company takes an active part in Industry-University-Research institute cooperation, organizes and participates in activities such as academic seminars and exchanges with industry peers. In addition, we cooperate with universities and industry experts to solve major technical difficulties in the medical device field, contributing to the construction of a new industry ecology whereby promotes all parties establishing concerted ability and enjoying the shared value.

The Company strives to promote efficient Industry-University-Research institute cooperation to create complementary advantages with professional institutions such as universities. We work with these institutions to overcome cutting-edge technical difficulties, and promote the industrialization of scientific and technological innovations. In 2022, regarding clinical practice and product design needs, we have undertaken several projects in partnership with Zhejiang University, including projects supported by joint funds for regional innovation and development of National Natural Science Foundation of China and joint R&D projects in high-tech industries of Zhejiang Province International Scientific and Technological Cooperation Program. These projects mainly involve the medical coating materials and the cardiovascular and cerebrovascular implantation and intervention. Moreover, we have developed two functional coating technologies that have been verified as effective in animals, which brings our capability in the R&D of innovative medical devices to a new level.



For a long time, we have supported and participated in many Chinese academic forums and seminars regarding peripheral and neurovascular intervention. Besides, we have conducted in-depth communications with medical research institutions and universities in key technical fields to improve the scientific research level of the industry. During the reporting period, we participated in many academic activities, including “2022 New Vascular Meeting”, “11th Shanghai Jiao Tong University Vascular Disease Forum”, and “20th Vascular & Endovascular Conference”.

Case: Zylox-Tonbridge attended 2022 New Vascular Meeting

In June 2022, the “2022 New Vascular Meeting” co-organized by Changhai Hospital of Shanghai was held online. Zylox-Tonbridge attended the meeting to introduce innovative products such as UltraFree® drug coated balloon, and share R&D ideas with experts and scholars, which promoted the sharing of innovative technologies in the medical device industry.

Case: Zylox-Tonbridge attended 2022 Oriental Conference of Interventional Neuroradiology (OCIN 2022)

In December 2022, Zylox-Tonbridge attended OCIN 2022 to introduce the Kylin Flow Diverter. We organized exchange activities relating to 5 topics, including the introduction of Kylin Flow Diverter, the presentation of BADDASS technology and Tonbridge’s Story. We also invited clinical experts to discuss hot issues about neurovascular intervention through multiple forms such as special satellite meetings and online interactive communities, trying to promote exchanges on industry technologies and cutting-edge innovations.

Case: Zylox-Tonbridge attended the 15th China Southern Endovascular Congress (SEC 2022)

In July 2022, at the offline SEC 2022, we invited a number of experts to our academic event “Focus on Arterial and Venous Product Innovation”. By doing so, we aim to promote the exchange on industry technologies and inspire the clinical innovative thinking of fellow vascular surgeons.



We also utilize our advantageous resources to construct a communication platform for medical professionals and partners. During the reporting period, we organized dozens of online communicating activities on the Zylox Innovation Lab of the “Zylox Institute”, in which industry experts from different regions shared the treatment philosophy for peripheral vascular intervention. Relying on the “Tonbridge Dialogue 2022” platform, we carried out a number of seminars on neurovascular intervention such as “Stroke Express” and “International Dialogue — Application of Balloon Guide Catheters”, which brought industry experts together to discuss and study the development of surgical technologies, thus contributing to the technological progress of the industry.

Case: Zylox Innovation Lab of the “Zylox Institute” — “Scientific Expedition” themed activities

In 2022, we held 10 online “Scientific Expedition” themed activities, covering 500 people. Through these activities, we shared the therapeutic principles and clinical applications of drug coated balloons with surgical experts from different regions. We did that to promote such a technology, as part of our efforts to “provide patients with high-quality and affordable medical products”

Case: “Tonbridge Dialogue 2022” platform — “Stroke Express” online

In 2022, we organized several online “Stroke Express” forums, covering topics such as “Cerebrovascular Disease Salon” and “Future Prospects of Cerebrovascular Stenosis Treatment”. In these forums, we invited experts of cerebrovascular diseases to share cutting-edge views on industry technologies, thus facilitating value sharing within the industry.

3.2. Quality management and control

Product quality and safety are critical to the health of patients. Zylox-Tonbridge has established a strict quality standard system and control procedures, under which we carry out rigorous verification and risk control over the functions and performance of products throughout the life cycle. Such a robust and lean management approach ensures product safety and quality.

Quality control

We have compiled complete regulatory documents including quality manual, procedure documents, management regulations and technical documents in accordance with the 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*, as well as the relevant regulations of ISO 13485 Medical Device Quality Management System. Our production quality management system complies with the GMP requirements of China and the EU. In 2022, we focused on building quality management systems for various business modules. Specifically, we established and updated outsourcing sterilization process, OEM process, design and development change process, and sample production, requisition and recycling process.



Environmental, Social and Governance Report

By the reporting date, we have obtained medical device quality management system certifications of ISO 13485, GB/T19001 and YY/T0287. For the first time, we obtained the ISO/IEC 17025:2017 laboratory management system certification granted by China National Accreditation Service for Conformity Assessment (CNAS).



Medical Device Quality Management System certificate

We control quality throughout the life cycle of product in strict accordance with the quality system. For example, we perform inspection and measurement on products concerning the raw materials, semi-finished products, finished products, production process and environment, so as to continuously monitor and assess product quality. We have formulated the *Unqualified Product Control Procedures* to standardize procedures for product quality inspection and disposal of unqualified products to ensure that product put into use meet the quality requirements. During the reporting period, the Company conducted 1 internal audit and 7 external audits on quality management.

Quality improvement

- Interpretation of laws and regulations: Tracked and analyzed relevant laws and regulations of operating locations in real time, and regularly conducted internal sharing and interpretation, so as to ensure that product quality met latest market standards.
- Communications and discussion: Actively participated in internal and external quality management improvement activities, including the first Zhuhai Comprehensive Quality Management Knowledge Competition, the selection of the sixth Zhuhai Mayor Quality Award, and the Chief Quality Officer Training Organized by Zhuhai Association for Quality.
- Employee training: Provided targeted training on quality management to help employees understand the quality management system standards and improve their quality management expertise and capabilities.
- Process optimizing: Continued to improve the production process with the advantages of own technology platform and technical experience, and introduced advanced production equipment to significantly increase the quality yield of balloons and other products.

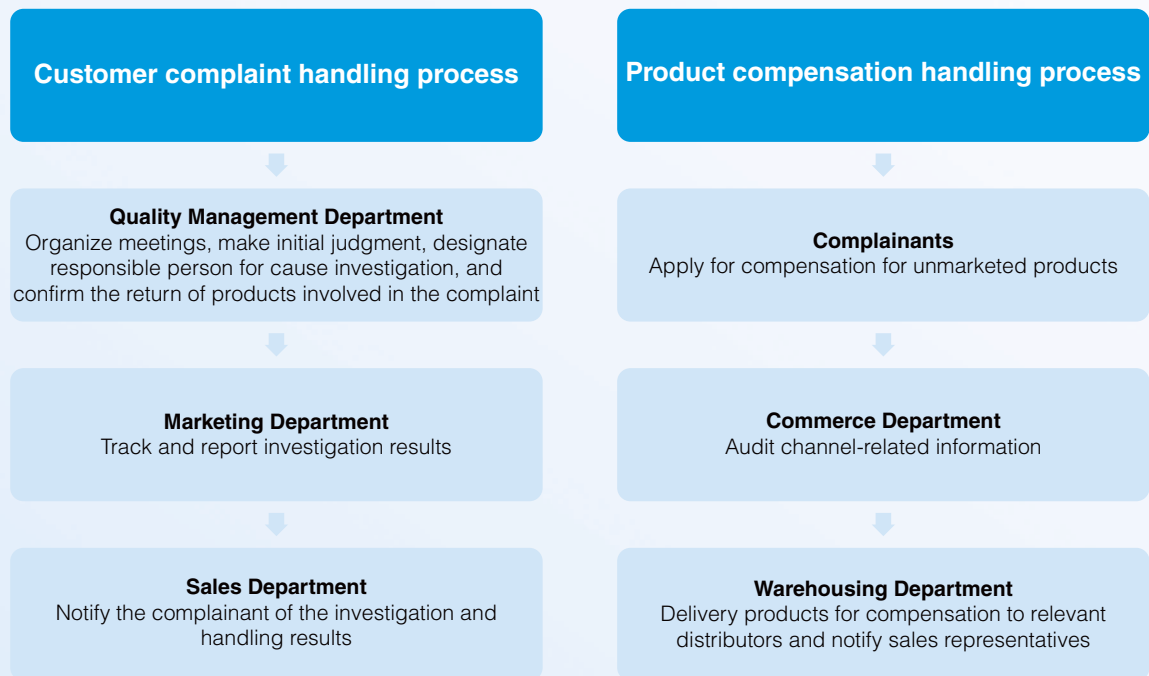
3.3. Quality service

Zylox-Tonbridge has strived to “provide all patients, regardless of their race, age and affluence, with high quality and affordable medical products that are the fruits of medical science and technology advancement”. We constantly upgrade our services to protect customer’s rights and interests in safety and health.

Customer service management

We take customers’ feedback seriously. We have set up effective channels to collect their opinions and feedback on our products and services, so as to improve product quality and service standards accordingly. During the reporting period, we conducted an annual satisfaction survey. We invited customers to evaluate the Company from the perspectives of “product”, “business cooperation” and “channel service”, with 113 valid responses received. The Company got scored 97 points out of 100 points from the final assessment in the survey.

For protecting customer rights and interests, we have formulated the *Regulations on Handling Customer Complaints*. During the reporting period, we optimized the handling process for customer complaints and product compensation, and clarified the responsible departments in each session, so as to deliver quality customer services. By the end of 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.

Protection of patient rights and interests

Zylox-Tonbridge has always adhered to the value of “care and conscience”. We highly concern and protect the rights and interests of patients. Therefore, we strictly comply 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*, to ensure compliant clinical trials and ethical research.

In 2022, the Company kept optimizing the clinical quality management system. We formulated and issued 25 procedure documents, 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*. These efforts standardized the whole process management of clinical trials, from research, launch and implementation to evaluation. Meanwhile, we continued to enhance the quality management of clinical projects and conduct on-site audits on clinical trials based on project needs and risk assessment. By the end of the reporting period, we had completed more than 10 on-site audits on our research center.

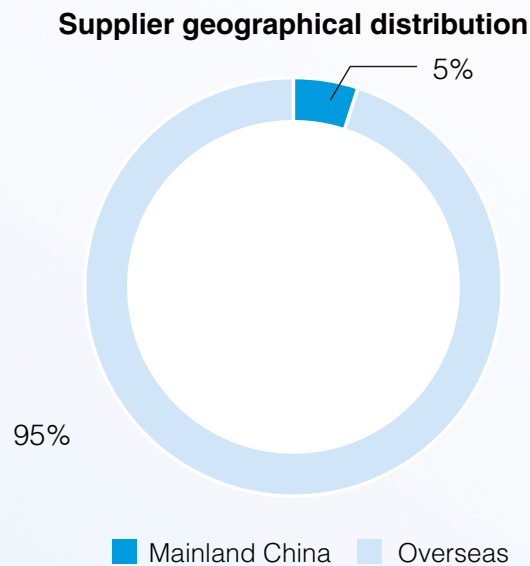
The Company keeps looking at the patient experience and safety of the products on sale. We strictly abide by the *Measures for the Administration of Medical Device Adverse Event Monitoring and Re-evaluation* and other related laws and regulations. In addition, we have introduced internal policies such as the *Adverse Event Reporting and Recall Control Procedures* and the *Product Recall Management Procedures*. As a result, any adverse events can be reported and addressed immediately, and corresponding actions can be taken to prevent the recurrence of similar quality accidents. By the end of the reporting period, there was no product recall due to product safety and health or any other factors.

Case: Overseas clinical research results demonstrated the safety and reliability of Thrombite® Clot Retriever Device (Thrombite® CRD)

At the 58th National Neurology Congress held in Antalya, Türkiye from 19 to November 23, 2022, the results of a clinical research on the treatment of the stroke with large vessel occlusion with the Thrombite® CRD were accepted and published by the Congress. The clinical research results clearly demonstrated that Thrombite® CRD was safe and reliable for patients suffering from the stroke with large vessel occlusion. Our device proved a new, safe and effective tool for thrombectomy.

3.4. Supply chain management

Zylox-Tonbridge has been committed to realizing win-win cooperation and long-term mutually beneficial partnership with suppliers. While continuously improving the procurement quality, the Company urges suppliers to enhance sustainability. By the end of the reporting period, the Company had a total of 825 suppliers, including 25 overseas suppliers.



Supplier management

In order to ensure high-quality supply, the Company regularly audits suppliers from five aspects, i.e., quality management, process, production environment, procurement and warehousing, according to the *Supplier Performance Evaluation Form*. Regarding the results, suppliers are classified into four levels, i.e., excellent, qualified, trial and unqualified, for hierarchical management. Suppliers failing the audit would be required to rectify based on our suggestions, and removed from our supplier list if they still fail to meet the criteria after rectification. During the reporting period, we audited 148 suppliers and all were assessed as qualified.

Risk control on supply chains

With increasing uncertainties in the global supply chain, the Company has incorporated social and environmental risk assessment in all aspects of supplier access, audit and daily management, which aims at comprehensively identifying and managing potential supply chain risks. During the reporting period, based on the annual procurement forecast and past experience, the Company ensured business continuity and supply stability during the pandemic through reasonable planning of delivery routes, timely adjustment of inventory strategies, and recycling of logistics packing materials.

Responsible supply chain

Zylox-Tonbridge practices the value of “win-win cooperation”. With reference to best international practices regarding labor and human rights, health and safety, environmental impact, ethics, and management commitments, we have developed the *Supplier Code of Conduct*³ to urge suppliers and partners to be responsible for the environment and society. In terms of environment, suppliers are required to uphold the principle of assuming responsibilities for environmental protection in the production process, and encouraged to obtain ISO 14001 certificate or corresponding certificate. In terms of labor protection and business ethics, suppliers are required to provide safe and hygienic working conditions, implement fair employment measures, and practice anti-corruption and integrity supervision. Furthermore, we communicate with suppliers frequently through training, publicity and other activities, so as to enhance their awareness of responsibilities and improve supply chain sustainability.

4. SHARING THE DEVELOPMENT FRUITS AND PRACTICING WITH ORIGINAL ASPIRATION

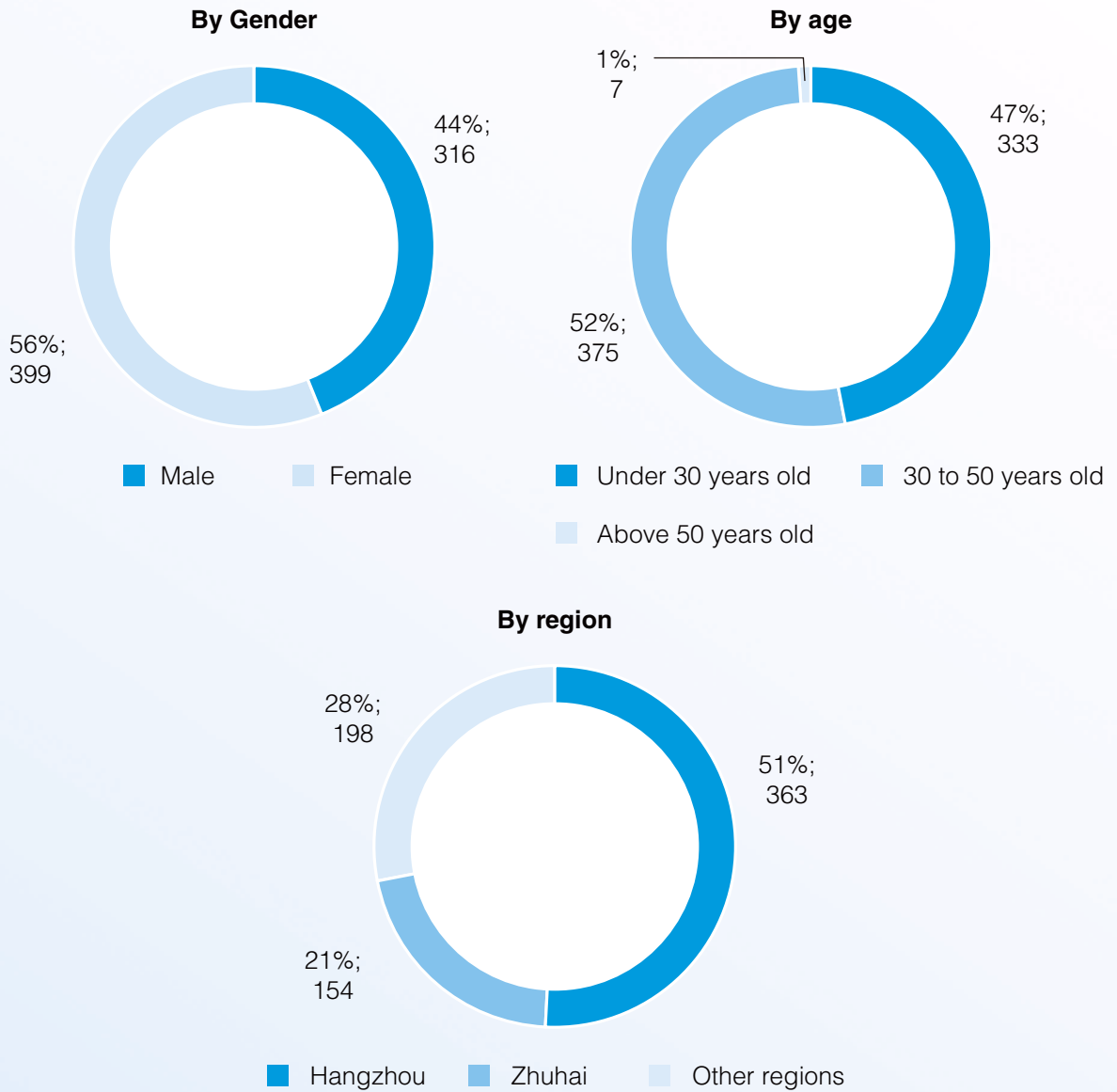
Zylox-Tonbridge has been committed to the common development with employees and the sharing value with the society. Upholding the principle of “people first”, we set great store by the growth of talents and the demands of communities and the public. We are keenly aware that the Company is an integral part of society. Therefore, we have actively performed our corporate social responsibilities, joining hands with all sectors of society to create a better life.

4.1. Employment

The Company 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*. We insist on fair employment and oppose all forms of employment discrimination. We sign employment contracts with all regular employees, manage employment in accordance with laws, and prohibit any form of forced labor and child labor, striving to create a fair, safe, healthy and inclusive career growth culture. During the reporting period, there were no child labor and forced labor incidents.

³ The full version of the Supplier Code of Conduct is available on:
<http://www.zyloxtb.com/upload/files/202112011656277561.pdf>

By the end of the reporting period, the Company had 715 full-time employees. The detailed employee's distribution is as follows:



Employee rights and interests

The Company has formulated and continuously improved the employment management policies. The *Employee Handbook* sets out implementation rules regarding remuneration of employees, social insurances and welfare, leaves, employment, and termination of labor contract, etc. These efforts ensure that our staff are entitled to national statutory holidays, paid annual leave, maternity and paternity leave, marriage leave, bereavement leave, etc. To standardize working hour management and guarantee the reasonable and adequate leisure time of employees, we have strictly implemented the *Attendance Management Rule* that stipulates the working hour system and the flexible working arrangement.

Remuneration and welfare

We have established a framework for fair, reasonable and competitive remuneration and welfare, aiming to motivate and retain outstanding employees. We manage staff according to the *Personnel Management System*, the *System for Employee Remuneration, Welfare, Leave and Expense Reimbursement*, the *Performance Management System* and other policies to ensure that employees are paid commensurably with their competency, position and performance. Pursuant to relevant national and local laws and regulations, we also pay premiums and contributions on social insurances, housing fund and commercial insurance for our employees.

During the year, we formulated the *Regulations on the Distribution of Employee Benefits* to regulate related internal practices. In addition to statutory welfare, we also provide employees with a variety of corporate benefits, including seniority awards, holiday gifts, annual travel, reading zone, gym room, and yoga room. Besides, we extended our Spring Festival greetings and granted mobile stipends to employees who could not go home due to the pandemic, and provided afternoon tea for employees volunteered to fight against the outbreak at the frontline.

Talent attraction

Adhering to the principle of open, objective and equal recruitment, we have formulated the *Recruitment Management Rules* and the *Job Description*. Also, during the reporting period, we updated and released procedural documents including the *On-boarding Management Process for New Employees 5.0* and the *On-boarding Process for New Employees* in the *Marketing Department* and the *Commerce Department* to manage recruitment by standard procedures. Candidates will be considered only on the basis of their specialties, skills, moral conduct and other aspects directly related to work abilities, regardless of gender, age, race, marital status, etc. We have also optimized the recruitment process to make sure that candidates can have a coherent interview experience that reflects our values. To expand talent acquisition channels, we have established diverse recruiting channels such as campus recruitment, internal recruitment, online recruitment and head-hunting recruitment. In addition, we attract potential candidates by releasing our updates and promoting our corporate culture on social media such as Tik Tok and WeChat.

We continue to promote the construction of Zhejiang Postdoctoral workstation to promote closer collaboration between industries, universities, and research institutes. Furthermore, in order to introduce accurate talents via cooperation between universities and enterprises, we have built a teaching system that focuses on cultivating the ability to apply theory to practice while referring to the development trend of the industry. During the year, we have carried out the following university-enterprise cooperation programs:

Partner universities

University-enterprise cooperation programs

Zhejiang University

Co-built the practice base and continued efforts on doctorate summer practice programs

Guangdong Food and Drug Vocational College

Jointly launched the phase one industry-university-research cooperation program, providing internship and standardized training opportunities for enrolled students of Guangdong Food and Drug Vocational College

Zhuhai Health School

Carried out the phase one university-enterprise cooperation program for cultivating interns to provide theoretical and practical courses for interns from Zhuhai Health School, thereby enriching their professional knowledge and enhancing their practical ability

Zhuhai Ouya Technical School

Cooperated with Zhuhai Ouya Technical School to launch a program via the collaboration between enterprises, universities, and research institutes in June 2022

Case: Practice base at Zhejiang University — Doctorate summer social practice

For promoting the in-depth integration of scientific research and product development in the medical device industry, Zylox-Tonbridge cooperated with Zhejiang University to hold the fifth doctorate summer social practice program in the Department of Polymer Science and Engineering this year. A total of 10 PhD students participated in this program where we offered scientific research facilities, resources and guidance on research topics to help them learn the product development model of enterprises.



4.2. Talent development

Always considering talent development as the core to achieve long-term and stable development, Zylox-Tonbridge takes talent cultivation as the focus of human resources work to keep optimizing the system of employee education and training, promotion and development as well as performance appraisal. In doing so, Zylox-Tonbridge taps and stimulates the value and potential of each employee to realize common development with employees.

Training and development

Committed to providing a broad and high-quality platform for talent development, the Company makes sustained efforts to improve the “management + technique” dual career development system and optimize the promotion assessment process to support employees’ career growth. To support employees to find a suitable career development direction, we have opened the inter-profession development paths to expand their career development channels. In addition, we have designed a mechanism of exceptional promotion to motivate employees who have well performed to give full play to the value of outstanding talents.

We have improved the multi-level training system. At the beginning of the year, we developed a training program plan with focus on enriching employees’ professional knowledge, improving their skills and general competencies and helping new joiners fit into the Company, and carried out staff training in an organized way in accordance with the *Training Management System*. We upgraded the training programs of “Qihang”, “Yangfan”, “Chuying”, “Xiongying” and “Jinying” and offered 9 categories of training courses with enriched content on risk management, project management, regulatory system, etc., trying to empower employee development. During the reporting period, we developed a targeted development plan for new employees to help them quickly fit into the Company. We have also built a competency assessment model for key employees, and developed training plans accordingly to upskill employees in a targeted and accurate way. In addition, we organized special training on “individual income tax, attendance performance and waste sorting” during the reporting period to strengthen employees’ general competencies.



We are constantly introducing high-quality training resources with a view to provide better training sessions. During the reporting period, we cooperated with a third-party specialized training organization to develop special training plans in terms of product quality management, supply management and human resources management, thereby upskilling our employees in a comprehensive way. Moreover, under the guidance of the *Annual Training Schedule* made by the external training institution, we organized employees to attend training sessions such as "2022 Metrological Operator (Professional Qualification)", "Training on Building a *High-quality Team*" and "Invigorate the Organization — Strategies for Motivating and Retaining Core Talents". During the reporting period, 676 employees of the Company had received training, with more than 10 hours of training on average.



Index	Proportion of employees receiving training (%) ⁴	Average training hours per person (hours) ⁵
Total	94.5	10.4
By gender		
Male	43.5	10.2
Female	56.5	10.5
By employment type		
Senior management	2.8	7.6
Middle management	10.9	10.0
Junior employees	86.2	10.6

During the reporting period, the employee turnover was as follows:

Staff structure	Employee turnover rate (%) ⁶ in 2022	Employee turnover rate (%) in 2021
Total	13.9	14.0
By gender		
Male	14.6	15.4
Female	13.3	12.7
By age		
Under 30 years old	16.5	15.5
30 to 50 years old	10.9	12.5
Above 50 years old	30.0	16.7
By region		
Hangzhou	11.9	14.5
Zhuhai	24.1	19.4
Other regions	7.9	6.3

⁴ The proportion of employees receiving training in 2022 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 in 2022 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

⁶ The equation for calculating the employee turnover rate in 2022: 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.



4.3. Health and safety

We take employees' health and safety as one of our top priorities. We strictly abide by 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*, the *Provisions on the Supervision and Administration of Occupational Health at Work Sites* and other relevant laws and regulations, and take the leadership team for production safety as the highest authority to carry out production safety, safety training and other safety management work in a well-planned manner.

We strictly implement the production safety responsibility system and define the duties and responsibilities of various employees at all levels in this regard. In order to set more standardized production safety goals, we formulated the *Administrative Measures for Safety Goals* this year to ensure that the goal indicators and management schemes are scientific, reasonable and practicable. We also require staff across departments at all levels to sign the *Letter of Commitment on Production Safety Management*, and have developed clear reward and punishment policies and rules concerning production safety to strengthen the safety awareness of production operators and achieve the target of "zero accident" in production. In addition, we have formulated emergency plans for safety incidents to improve our ability of responding to and dealing with such emergencies.

To fully implement the safety policy of "putting safety first, focusing on risk prevention and practicing comprehensive management", this year, we set up an EHS management post, and optimized and updated the *Safety Management System for Hazardous Chemicals* and the *Safety Management System for Special Equipment and Special Operations Personnel* to better our management work on staff health and safety. In addition, we continuously make efforts to strengthen production safety management by monitoring work environment and occupational health and providing safety training and protective articles to fully ensure production safety:

- **Monitoring work environment:** We inspect the production sites and identify and investigate safety hazards in the workplace on a regular basis to reduce the possibility of potential safety accidents, environmental pollution and occupational diseases.
- **Providing protective equipment:** We provide employees in different positions with corresponding equipment and labor protection items, and require them to wear them properly at work.
- **Providing safety training:** We train each production employee in accordance with the *EHS Level 3 Safety Training* and the *Training on the Basic Knowledge of Production Safety*, and require them to understand and strictly comply with relevant regulations before going on duty. We also organize health and safety training on occupational risk prevention and self-protection to increase employees' safety awareness. During the reporting period, we provided a total of 16 safety training sessions for employees.



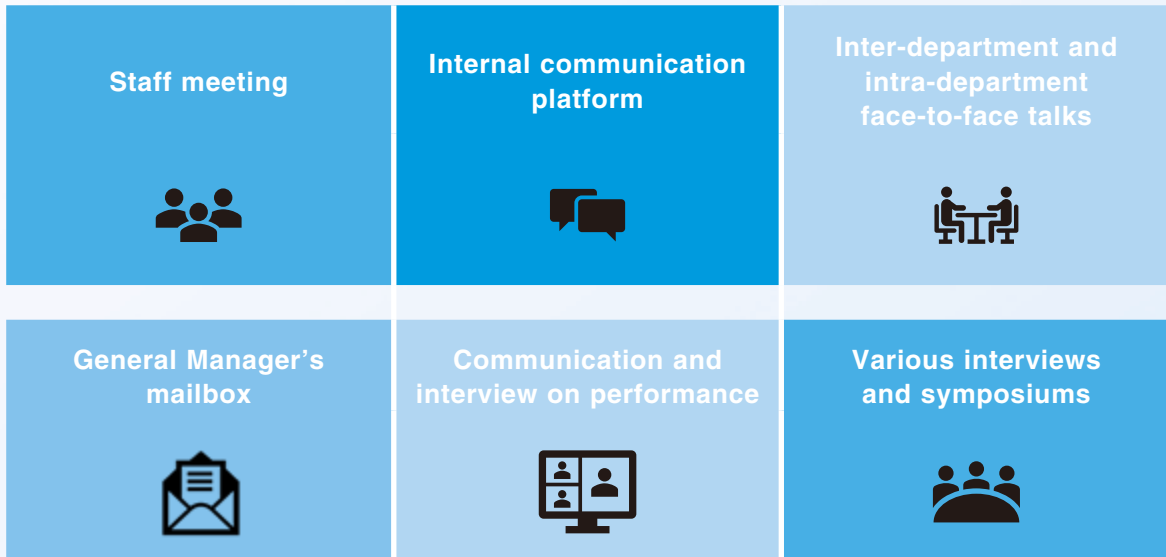
- Providing occupational health check-up: We arrange occupational health check-ups for each production employee every year. During the reporting period, there was no abnormality in their medical check-ups.
- Conducting fire drills: We conduct fire drills regularly to enrich employees' fire safety knowledge and improve their ability to deal with emergencies. During the reporting period, we conducted 4 fire drills in total.

There was no work-related fatality in the past 3 years. During the reporting period, 61 days were lost due to work injury.

4.4. Employee care

Guided by a corporate culture that emphasizes people's well-being and encourages diversity, we care for employees' physical and mental health and encourage them to express their opinions, wishing to create a relaxing and aspiring workplace.

We concern the needs of employees and have built downward, intersectoral and diversified communication and feedback channels to understand their demands. During the year, we held several staff communication sessions, such as the special seminar for female employees, production staff salon, R&D center staff talks and intern interviews, whereafter we investigated and addressed the issues raised by employees.



Staff communication channels

In order to enrich employees' leisure time and create a relaxing and aspiring workplace, we organized a series of staff activities during the reporting period including the welcome meeting for new joiners, birthday parties and knowledge contest.



A sincere and heart-warming welcome meeting for new joiners via ice breaker games and other activities to establish connections among new employees and help them fit into the Company



A birthday party to strengthen communication between staff and management via distributing birthday benefits and heart-warming greetings from management



"Zylox-Tonbridge Knowledge Contest" in the form of offline paper tests and online answering race to stimulate employees' enthusiasm for learning and create an inspiring work environment

4.5. Contribution to public welfare

With the mission to give back to the society in mind, we are actively involved in rural revitalization initiatives to shoulder social responsibilities. During the reporting period, we launched the program of providing paired assistance to Guizhou's rural areas, donating RMB100,000 to support local infrastructure construction. We also participated in the program of assisting farmers and achieving common prosperity in Cangqian Street, Yuhang District, Hangzhou, purchasing, rather than directly donating money, RMB42,000 worth of products from poverty-stricken areas as employee benefits. Besides, we donated RMB10,000 on "Guangdong Poverty Relief Day". In addition, we encourage employees to participate in community public welfare activities if they can, thus delivering positive energy for a better life.



Zylox-Tonbridge's volunteers fought against COVID-19 on the frontline in Shanghai, contributing to the community's fight against the pandemic by distributing supplies for residents



5. GREEN OPERATION FOR BETTER ECOSYSTEM

Taking ecology friendly and green development as priorities, Zylox-Tonbridge builds and optimizes a clean and low-carbon production system, continues to improve environmental management and strives to reduce energy and resource consumption. All these efforts are made to mitigate the negative impact of production and operation activities on the environment, and take a step further towards a sustainable, green and environmental-friendly enterprise.

5.1. Emissions 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 strengthen monitoring and control over the environment, and commission a third-party organization to detect emissions on a regular basis to assure legal compliance in environmental management. To better our environmental governance work, this year, we set up an EHS post dedicated to effectively coordinating and promoting environmental management.

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 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

- Realize organic zero emission of waste gas generated in production via the high efficiency particulate air (HEPA) filter of the air purifier system



Wastewater treatment

- Pre-treat the sewage in the tertiary septic tank before it is merged with other domestic wastewater, and then discharge it into the water purification plant through the municipal sewage pipeline network
- Discharge the neutralized wastewater through the special sewage outlet and deliver it to the water purification plant through the municipal sewage network
- Check and identify the drainpipes and improve the drainage system to treat non-contaminated water and contaminated water separately
- Recycle the cooling water, and refill regularly instead of discharging

Waste treatment

- Collect hazardous wastes such as waste liquid, waste alcohol and other waste organic solvents in the laboratory, and commission a qualified third party to recycle and treat such wastes
- Recycle and dispose waste cartons, paper boxes and other recyclable non-hazardous waste separately
- Implement the waste classification system and leave the waste for treatment in a specialized waste disposal machine

Our exhaust gases 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	2022	2021
Wastewater emission⁷		
Including: Wastewater emission (ton)	45,159.26	17,569.01
COD emission (ton)	20.99	7.45
Ammonia nitrogen emission (ton)	1.05	0.37
Waste emission		
Total hazardous waste (ton)	1.07	1.1
Hazardous waste intensity (ton/million-yuan revenue)	0.003	0.01
Total non-hazardous waste (ton)	14.93	8.13
Non-hazardous waste intensity (ton/million-yuan revenue)	0.04	0.05

⁷ Wastewater emissions in 2022 were higher than those in 2021 due to the increase in the Company's output and the number of employees as well as the introduction of new processes.



5.2. Resource management

During the business operations period, we strive to reduce carbon emission and energy consumption and strengthen our management over energy, water resources and packaging materials. In addition, we have constructed a sharing system to realize centralized allocation and efficient use of resources. In order to practice green operation, we continue to enforce the measures to reduce energy and resource consumption.

Energy management

Strictly adhering to the *Energy Conservation Law of the People's Republic of China*, we have clarified and regulated energy use standards towards compliant energy management. Meanwhile, we pay close attention to energy use data, and optimize the pattern and structure of energy use based on the data results, and strive to achieve the goal of improving energy efficiency. We also adopt a series of energy conservation initiatives as usual to reduce the Company's carbon emissions from production and operation.

Energy conservation

- Establish a sharing system for purified water preparation, air conditioning and gas used in production processes, saving energy by approximately 30% per year
- Adopt automatic power-off of lighting fixtures and air conditioners at fixed time periods and set up electronic reminders to turn off equipment to reduce power consumption
- Put up signs as power saving and power off reminders to strengthen energy use management and staff's awareness of energy conservation

During the reporting period, our energy consumption and greenhouse gas emissions were as follows:

Category	2022	2021
Direct energy consumption		
Gasoline (MWh)	55.90	85.24
Natural gas (MWh)	618.29	—
Indirect energy consumption		
Purchased electricity (MWh)	4,336.67	2,200.85
Total energy consumption (MWh)	5,010.86	2,286.09
Energy consumption intensity (MWh/million-yuan revenue)	15.00	12.85
Greenhouse gas emissions		
Total greenhouse gas emissions (tCO ₂ e)	3,069.87	1,405.14
Including: Scope 1 emissions (tCO ₂ e)	137.29	20.84
Scope 2 emissions (tCO ₂ e)	2,932.58	1,384.30
Greenhouse gas emission intensity (tCO ₂ e/million-yuan revenue)	9.30	7.90

Water resource management

Strictly abiding by the *Water Law of the People's Republic of China*, we pay continuous attention to the use of water resources, and plan to set water efficiency targets, strengthen water resource management. Accordingly, we have upgraded water conservation technologies and implemented related measures to improve water use efficiency and reduce water consumption. Our water resource is supplied by the municipal water supply system. During the reporting period, we had no issue in sourcing water that is fit for purpose.

Water conservation

- Optimize the raw material cleaning process to reduce water consumption during this process
- Design customized liquid injection cleaning equipment for material cleaning to reduce water consumption during this process
- Put up signs in restrooms and drinking rooms to remind employees to save water

During the reporting period, our water consumption was as follows:

Category	2022	2021
Tap water consumption (ton) ⁸	50,150.40	19,521.00
Tap water consumption intensity (ton/million-yuan revenue)	150.11	109.72

Packaging material management

In order to reduce the consumption of packaging materials, we take measures including adopting LCL (Less than Container Load) shipment, reusing the packing boxes for cargo samples, extending the service life of PE package in workshops, adjusting package size and enhancing package versatility. In 2022, we saved packaging materials by about 1.67 tonnes via LCL shipment.

During the reporting period, our packaging material consumption was as follows:

Category	2022	2021
Total consumption of packaging materials (ton)	14	7.26
Consumption intensity of packaging materials (ton/million-yuan revenue)	0.04	0.04

⁸ Tap water consumption and its intensity in 2022 were much higher than those in 2021 due to the increase in the Company's output and the number of employees as well as the introduction of new processes.



5.3. Climate change response

In recent years, the impact of climate change on human society has become increasingly severe, and addressing climate change has become an important issue for all mankind. Therefore, we integrate climate change into our daily operations, and ensure our stability by proactively identifying climate-related risks and developing countermeasures.

Severe and frequent extreme weather events are one of the manifestations of climate change and also one of the potential risks that we need to address. We mainly operate in Hangzhou, Zhuhai and other coastal cities where extreme weather such as typhoons and torrential rain occur frequently and may affect our business operations. Potential physical risks such as production facility damage, sudden power failure, injuries and production accidents may have a negative impact on our operation, and we thus need to take actions. To respond to potential risk incidents in a scientific and effective manner, we have developed extreme weather response initiatives and formulated the *Emergency Plan for Production Safety Accidents* and the *Safety Precautions Against Disaster Weather*. We also enhance our ability of addressing and responding to climate-related risks to ensure employees' health and safety, as well as the property safety and business stability of the Company.

In addition, we keep an eye on global climate change trends and China's national strategies and take the initiative to identify policy and legal risks, so as to address potential transition risks, and mitigate the impacts of and adapt to climate change.



APPENDIX I: HKEX ESG GUIDE INDEX

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



Subject Areas, Aspects, General Disclosures and KPIs	Sections in ESG Report
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**Aspect A2:
Use of
Resources**

General Disclosure

Policies on the efficient use of resources, including energy, water and other raw materials.

Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.

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).

KPI A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).

KPI A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.

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.

KPI A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.

**GREEN
OPERATION
FOR BETTER
ECOSYSTEM**

**Aspect A3:
The
Environment
and Natural
Resources**

General Disclosure

Policies on minimising the issuer's significant impacts on the environment and natural resources.

KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.

**GREEN
OPERATION
FOR BETTER
ECOSYSTEM**

**Aspect A4:
Climate
Change**

General Disclosure

Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.

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.



Subject Areas, Aspects, General Disclosures and KPIs	Sections in ESG Report
<p>B. Social</p> <p>Aspect B1: Employment</p> <p>General Disclosure</p> <p>Information on:</p> <ul style="list-style-type: none"> (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. <p>KPI B1.1 Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.</p> <p>KPI B1.2 Employee turnover rate by gender, age group and geographical region.</p>	<p>SHARING THE DEVELOPMENT FRUITS AND PRACTICING WITH ORIGINAL ASPIRATION</p>
<p>Aspect B2: Health and Safety</p> <p>General Disclosure</p> <p>Information on:</p> <ul style="list-style-type: none"> (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. <p>KPI B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.</p> <p>KPI B2.2 Lost days due to work injury.</p> <p>KPI B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.</p>	



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>SHARING THE DEVELOPMENT FRUITS AND PRACTICING WITH ORIGINAL ASPIRATION</p>
<p>Aspect B4: Labour 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 labour.</p> <p>KPI B4.1 Description of measures to review employment practices to avoid child and forced labour.</p> <p>KPI B4.2 Description of steps taken to eliminate such practices when discovered.</p>	



Subject Areas, Aspects, General Disclosures and KPIs

**Sections in
ESG Report**

Aspect B5: Supply Chain Management	<p>General Disclosure</p> <p>Policies on managing environmental and social risks of the supply chain.</p> <p>KPI B5.1 Number of suppliers by geographical region.</p> <p>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.</p> <p>KPI B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.</p> <p>KPI B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.</p>
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**INNOVATION
FOR WIN-WIN
COOPERATION**



Subject Areas, Aspects, General Disclosures and KPIs	Sections in ESG Report
Aspect B6: General Disclosure Product Responsibility Information on:	
(a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	
relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	
KPI B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	INNOVATION FOR WIN-WIN COOPERATION
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 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 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>SOUND GOVERNANCE FOR STEADY DEVELOPMENT</p>
<p>Aspect B8: Community Investment 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, labour needs, health, culture, sport).</p> <p>KPI B8.2 Resources contributed (e.g. money or time) to the focus area.</p>	



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 138 to 210, comprise:

- the consolidated balance sheet as at December 31, 2022;
- 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, which include significant accounting policies 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, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") 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

Revenue recognition

Refer to Notes 2.20 and 6 to the consolidated financial statements.

For the year ended December 31, 2022, revenue from sales of medical devices approximated to RMB334.09 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.

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.

Our procedures in relation to the revenue recognition included:

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

In preparing the consolidated financial statements, the directors 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 29, 2023

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2022

	Note	Year ended December 31,	
		2022 RMB'000	2021 RMB'000
Revenue	6	334,090	177,912
Cost of sales	7	(81,421)	(46,031)
Gross profit		252,669	131,881
Selling and distribution expenses	7	(140,137)	(95,269)
Administrative expenses	7	(109,337)	(100,599)
Research and development expenses	7	(233,461)	(168,100)
Other income	9	12,165	15,286
Other expenses	9	(1,339)	(712)
Other gains — net	10	11,066	5,058
Net impairment losses on financial assets		(24)	(21)
Operating loss		(208,398)	(212,476)
Finance income	11	95,565	13,094
Finance costs	11	(722)	(307)
Finance income — net		94,843	12,787
Loss before income tax		(113,555)	(199,689)
Income tax expense	12	—	—
Loss and total comprehensive loss for the year attributable to the equity holders of the Company		(113,555)	(199,689)
Loss per share attributable to the equity holders of the Company			
Basic and diluted loss per share (in RMB per share)	13	(0.34)	(0.68)

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

Consolidated Balance Sheet

As at December 31, 2022

	Note	As at December 31,	
		2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	290,243	178,270
Right-of-use assets	15	48,136	34,115
Intangible assets	16	9,637	4,889
Prepayments and other receivables	19	10,645	6,804
Financial assets at fair value through profit or loss	21	43,361	—
Term deposits	22	789,075	—
Total non-current assets		1,191,097	224,078
Current assets			
Inventories	18	119,244	57,272
Prepayments, other receivables and other current assets	19	81,025	37,616
Trade receivables	20	1,014	446
Financial assets at fair value through profit or loss	21	110,229	10,515
Term deposits	22	545,140	1,500,000
Cash and cash equivalents	22	1,205,302	1,418,359
Restricted cash	22	645	—
Total current assets		2,062,599	3,024,208
Total assets		3,253,696	3,248,286
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	928,685	841,007
Treasury shares	23	(33,793)	(9,149)
Accumulated losses		(403,173)	(289,618)
Total equity		3,094,153	3,144,674
Liabilities			
Non-current liabilities			
Lease liabilities	15	7,459	6,509
Total non-current liabilities		7,459	6,509

Consolidated Balance Sheet

As at December 31, 2022

	Note	As at December 31,	
		2022 RMB'000	2021 RMB'000
Current liabilities			
Trade and other payables	26	126,652	86,307
Contract liabilities	6	9,601	3,420
Lease liabilities	15	6,543	2,896
Investment in forward foreign exchange contract	17	278	—
Other current liabilities	27	9,010	4,480
Total current liabilities		152,084	97,103
Total liabilities		159,543	103,612
Total equity and liabilities		3,253,696	3,248,286

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

The financial statements on pages 138 to 210 were approved by the Board of Directors on March 29, 2023 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, 2022

	Note	Share capital/ paid-in 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, 2021		225,062	—	561,147	—	(361,515)	424,694
Comprehensive income:							
Loss for the year		—	—	—	—	(199,689)	(199,689)
Transactions with equity holders of the Company:							
Capital injection from equity holders before initial public offering	23,24	38,339	—	475,235	—	—	513,574
Conversion into a joint stock company	24	—	—	(271,586)	—	271,586	—
Issue of shares from initial public offering	23	69,000	2,270,033	—	—	—	2,339,033
Purchase of treasury shares	23	—	—	—	(9,149)	—	(9,149)
Share-based compensation expenses	25	—	—	76,211	—	—	76,211
Balance as at December 31, 2021		332,401	2,270,033	841,007	(9,149)	(289,618)	3,144,674
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

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, 2022

	Note	Year ended December 31,	
		2022 RMB'000	2021 RMB'000
Cash flows used in operating activities			
Cash used in operations	28(a)	(165,662)	(127,533)
Interest received		74,339	11,327
Net cash used in operating activities		(91,323)	(116,206)
Cash flows used in investing activities			
Purchase of property, plant and equipment and intangible assets		(134,735)	(78,110)
Purchase of land use right		(10,546)	(11,485)
Purchase of term deposits		(2,741,496)	(2,159,800)
Proceeds from term deposits upon maturity		2,930,000	759,800
Purchase of financial assets at fair value through profit or loss	3.3(c)	(398,790)	(1,504,697)
Proceeds from sales of financial assets at fair value through profit or loss	3.3(c)	260,522	1,665,832
Proceeds for disposal of property, plant and equipment		—	109
Net cash used in investing activities		(95,045)	(1,328,351)
Cash flows (used in)/generated from financing activities			
Cash paid for purchase of treasury shares		(24,644)	(9,149)
Principal elements of lease payments	28	(4,891)	(4,198)
Interest elements of lease payments	28	(722)	(300)
Capital injection from equity holders before initial public offering		—	513,574
Proceeds from initial public offering		—	2,454,660
Payments of listing expenses		—	(114,757)
Proceeds from borrowings	28	—	5,000
Repayment of borrowings	28	—	(35,000)
Interest paid for borrowings	28	—	(7)
Net cash (used in)/generated from financing activities		(30,257)	2,809,823
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		1,418,359	59,556
Exchange gains/(losses) on cash and cash equivalents		3,568	(6,463)
Cash and cash equivalents at end of the year	22	1,205,302	1,418,359

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, 2022

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 29, 2023.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) and interpretations issued by International Accounting Standards Board (“**IASB**”) 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 IFRSs 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(a) Amended standards adopted by the Group

The following amended standards or annual improvements have been adopted by the Group for the first time to financial reporting period commencing on or after January 1, 2022:

- Property, Plant and Equipment: Proceeds before Intended Use — Amendments to IAS 16
- Onerous Contracts — Cost of Fulfilling a Contract — Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018–2020, and
- Reference to the Conceptual Framework — Amendments to IFRS 3.
- Covid-19 Related Rent Concessions beyond June 30, 2021 — Amendment to IFRS 16 (March 2021) (the “IFRS 16 Amendment (March 2021)”)

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

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

Certain new accounting standards, amendments 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
IFRS 17	Insurance contracts	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendment to IFRS 16	Leases on sale and leaseback	January 1, 2024
Amendment to IAS 1	Non-current liabilities with covenants	January 1, 2024
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

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

The Group has already commenced an assessment of the related impact of the above standards and 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.

2.2 Principles of consolidation

2.2.1 Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when 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 over the entity. Subsidiaries are 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.

2.2.2 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.

2 Summary of significant accounting policies (Continued)

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (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.

2.4 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 recognised in profit or loss.

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 recognised 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 recognised in other comprehensive income.

2.5 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.



2 Summary of significant accounting policies (Continued)

2.5 Property, plant and equipment (Continued)

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 year 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.

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 2.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in "Other 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.

2.6 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.

2 Summary of significant accounting policies (Continued)

2.6 Intangible assets (Continued)

(b) Technologies under research and development

Technologies acquired are recognised 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) Softwares

Separately acquired softwares 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 softwares with a limited useful life using the straight-line method over the following periods:

— Softwares 2–3 years

(d) 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.

2 Summary of significant accounting policies (Continued)

2.6 Intangible assets (Continued)

(d) Research and development (Continued)

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.

2.7 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 recognised 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.

2.8 Investments and other financial assets

2.8.1 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.

2.8.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised 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.

2 Summary of significant accounting policies (Continued)

2.8 Investments and other financial assets (Continued)

2.8.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“**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 recognised in profit or loss when the asset is derecognised 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.
- (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, 2022 and 2021, no amount has been recognized in respect of financial assets at FVOCI.

2 Summary of significant accounting policies (Continued)

2.8 Investments and other financial assets (Continued)

2.8.3 Measurement (Continued)

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 recognised 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 recognised in other gains — net 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.

2.8.4 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 recognised 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.

2.9 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 realise the asset and settle the liability simultaneously.

2 Summary of significant accounting policies (Continued)

2.10 Inventories

Inventories including raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs comprises direct materials, direct labour 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 realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.11 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 20 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

2.12 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).

2.13 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 the 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 cancelled or reissued.

2.14 Trade and other payables

Trade and other payables mainly represent the obligations to pay for goods, services or construction that have been acquired in the ordinary course of business from suppliers. Trade and other payables are presented as current liabilities unless payment is not due within one year or less after the reporting period.

Trade and other payables are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2 Summary of significant accounting policies (Continued)

2.15 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, cancelled 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.

2.16 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.

2.17 Current and deferred 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.

2 Summary of significant accounting policies (Continued)

2.17 Current and deferred income tax (Continued)

(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 utilise 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 realise 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.

2.18 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.



2 Summary of significant accounting policies (Continued)

2.18 Employee benefits (Continued)

(a) Pension, housing funds, medical insurances and other social insurances obligations (Continued)

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.

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.

2.19 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 recognised 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.

2 Summary of significant accounting policies (Continued)

2.19 Share-based payments (Continued)

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.

2.20 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.

2 Summary of significant accounting policies (Continued)

2.20 Revenue recognition (Continued)

During the year ended December 31, 2022, 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.

2.21 Leases as lessee

The Group leases properties and land use rights in the PRC as lessee. Rental contracts are typically made for fixed periods of 2 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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.

2 Summary of significant accounting policies (Continued)

2.21 Leases as lessee (Continued)

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.

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 2.7). 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.

2.22 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.

2.23 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).

2 Summary of significant accounting policies (Continued)

2.24 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.

2.25 Dividend distribution

Dividend distribution to the equity holders is recognized as a liability in the Group's consolidated financial statements during the period in which the dividends are approved by the equity holders or directors, where appropriate.

2.26 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.

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 programme focuses on the unpredictability of financial markets and seeks to minimise 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, 2022, 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 RMB8,632,000 lower/higher (2021: RMB17,244,000).

(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) 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.

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.

(iii) Price risk

The Group's exposure to price risk arises from investments held by the Group and classified in the consolidated balance sheet as at FVPL (Note 21). The investments are made either for strategic purposes, or for the purpose of achieving investment yield and balancing the Group's liquidity level simultaneously. Each investment is managed by senior management of the Group on a case by case basis.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Price risk (Continued)

Sensitivity analysis is performed by management to assess the exposure of the Group's financial results to price risk of financial assets at FVPL at the end of each reporting period. If prices of the respective instruments held by the Group had been 5% higher/lower as at December 31, 2022, loss for the year would have been approximately RMB7,680,000 (2021: RMB526,000) lower/higher as a result of gains/losses on financial assets at FVPL.

(b) Credit risk

Credit risk mainly arises from cash and cash equivalents, restricted cash and term deposits, wealth management products, 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 and wealth management products 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 (excluding prepayments and value-added tax recoverable), 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 FVPL. The maximum exposure at the end of the reporting period is the carrying amount of these investments.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(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, wealth management products, trade receivables and other receivables.

Cash and cash equivalents, restricted cash and term deposits and wealth management products

The Group expects that there is no significant credit risk associated with cash and cash equivalents, restricted cash and term deposits and wealth management products 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") and consumer price index ("CPI") of 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.

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, 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)
3 to 6 months	76	3.60%	(3)
	1,032	1.74%	(18)

The loss allowance as at December 31, 2021 was determined as follows for trade receivables.

	As at December 31, 2021		
	Gross carrying amount RMB'000	Expected credit loss rate	Loss allowance RMB'000
Within 3 months	458	2.62%	(12)

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

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
At beginning of the year	(12)	—
Increase in loss allowance	(6)	(12)
At end of the year	(18)	(12)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables (Continued)

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, 2022, 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, 2022 and 2021 was determined as follows for other receivables.

	As at December 31,	
	2022 RMB'000	2021 RMB'000
Expected credit loss rate	0.39%	0.21%
Gross carrying amounts — other receivables	6,836	4,360
Loss allowance	(27)	(9)

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

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
At beginning of the year	(9)	—
Increase in loss allowance	(18)	(9)
At end of the year	(27)	(9)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Other receivables (Continued)

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.

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 interest payments)	7,147	4,880	2,991	15,018
	63,639	4,880	2,991	71,510

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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, 2021 :

	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, 2021				
Trade and other payables (excluding accrued taxes other than income tax and staff salaries and welfare payables)	46,443	—	—	46,443
Lease liabilities (including interest payments)	3,743	3,439	4,302	11,484
	<u>50,186</u>	<u>3,439</u>	<u>4,302</u>	<u>57,927</u>

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 and 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, 2022 and 2021, the gearing ratio was as follows:

	As at December 31,	
	2022	2021
Gearing ratio	<u>0.45%</u>	<u>0.30%</u>

3 Financial risk management (Continued)

3.3 Fair value estimation

(a) Fair value hierarchy

This section explains the judgements 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 is based on quoted market at each of the reporting dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. 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 maximise 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.

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, 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)

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For the year ended December 31, 2022

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(a) Fair value hierarchy (Continued)

The following table presents the Group's assets that were measured at fair value as at December 31, 2021:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial Assets:				
Financial assets at FVPL	—	—	10,515	10,515

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year ended December 31, 2022 (2021: nil).

(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, 2022 and 2021.

There were no changes in valuation techniques during the year ended December 31, 2022 (2021: nil).

(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, 2022 and 2021:

	As at December 31,	
	2022 RMB'000	2021 RMB'000
Opening balance	10,515	157,700
Additions	398,790	1,504,697
Disposals	(260,522)	(1,665,832)
Gains recognized in profit or loss (Note 10)	4,807	13,950
Closing balance	153,590	10,515

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

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

The finance department of the Group manages the valuation exercise of the investments on a case by case basis. Least once every 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.

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

At December 31, 2022

Description	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Wealth management products	Expected return rate	1.0%~3.4%	The higher the expected return rate, the higher the fair value.
Unlisted equity investments	Discount for lack of marketability ("DLOM")	44.3%	The higher the DLOM, the lower the fair value.

At December 31, 2021

Description	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Wealth management products	Expected return rate	1.5%~3.5%	The higher the expected return rate, the higher the fair value.

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, 2022 would have been RMB15,359,000 lower/higher (2021: RMB1,051,500).

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For the year ended December 31, 2022

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 need to exercise judgement in applying the Group's accounting policies.

Estimates and judgements 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.

5 Segment

The management of the Company has determined the operating segment based on the reports reviewed by 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.

For the year ended December 31, 2022

5 Segment (Continued)

(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, 2022 and 2021 is set out below:

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Customer A	137,947	111,915
Customer B	149,564	41,294
	287,511	153,209

(b) Geographical information

(i) Revenue from external customers

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
The PRC	326,294	174,450
Others	7,796	3,462
	334,090	177,912

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.

6 Revenue

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Revenue from sales of goods — at a point in time	334,090	177,912

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For the year ended December 31, 2022

6 Revenue (Continued)

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Revenue from sales of goods		
— Neurovascular interventional devices	233,398	112,271
— Peripheral-vascular interventional devices	100,692	65,641
	334,090	177,912

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

	As at December 31,	
	2022 RMB'000	2021 RMB'000
Contract liabilities	9,601	3,420

Contract liabilities represent advance from customers and are recognized when payments are received before the transfer of goods.

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

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Revenue from sales of goods	3,420	134

For the year ended December 31, 2022

7 Expenses by nature

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Employee benefits expenses (Note 8)	308,896	202,558
Raw materials and consumables used		
— Cost of sales	53,785	29,405
— Research and development expenses	31,594	24,897
Testing and clinical trial fees	50,967	41,386
Market development expenses	30,737	29,284
Professional services	23,440	13,804
Utilities and office expenses	21,708	14,116
Depreciation of property, plant and equipment (Note 14)	16,897	7,304
Travelling and transportation expenses	9,163	7,408
Depreciation of right-of-use assets (Note 15)	6,086	3,267
Less: Depreciation of right-of-use assets capitalized in property, plant and equipment (Note 14(ii))	(247)	(291)
Amortization of intangible assets (Note 16)	2,786	2,667
Auditor's remuneration		
— Audit service	2,580	2,624
— Non-audit service	820	850
Listing expenses	—	22,733
Others	5,144	7,987
Total cost of sales, selling and distribution expenses, administrative expenses and research and development expenses	564,356	409,999

8 Employee benefits expenses

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Wages, salaries, housing benefits, other social insurance and employee welfare	127,274	94,590
Share-based compensation expenses (Note 25)	87,678	76,211
Discretionary bonuses	84,921	27,956
Pension cost — defined contribution plan (i)	9,023	3,801
	308,896	202,558

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

8 Employee benefits expenses (Continued)

- (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, 2022 and 2021, no forfeited contributions were utilized by the Group to reduce its contributions.

9 Other income and expenses

Other income

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Government grants (i)	9,419	14,465
Rental income	2,746	821
	12,165	15,286

Other expenses

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Depreciation of property, plant and equipment (Note 14)	(601)	—
Depreciation of right-of-use assets (Note 15)	(145)	(435)
Other expenses	(593)	(277)
	(1,339)	(712)

- (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.

For the year ended December 31, 2022

10 Other gains — net

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Foreign exchange gains/(losses) — net	19,626	(8,277)
Net fair value gains from financial assets at fair value through profit or loss	4,807	13,950
(Losses)/gains on disposal of property, plant and equipment	(9,320)	16
Donations	(2,315)	(790)
Others	(1,732)	159
	11,066	5,058

11 Finance income — net

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Finance income:		
Bank interest income	95,565	13,094
Finance costs:		
Interest expense on lease liabilities (Note 15(c))	(722)	(300)
Interest expense on bank borrowings	—	(463)
Less: borrowing costs capitalized in qualifying assets (Note 14(i))	—	456
	(722)	(307)
Finance income — net	94,843	12,787

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12 Income tax expense

	Year ended December 31,	
	2022 RMB'000	2021 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, Zhuhai Tonbridge Medical Technology Co., Ltd. (“**Zhuhai Tonbridge**”). The Company and Zhuhai Tonbridge were accredited as “High and New Technology Enterprise” (“**High-New Tech Enterprise**”) with a valid period within 3 years since 2022 and 2021 respectively. They are eligible for a corporate income tax rate of 15% for the year ended December 31, 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.

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 Zhuhai Tonbridge 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, 2022.

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.

12 Income tax expense (Continued)

(ii) Hong Kong (Continued)

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,	
	2022 RMB'000	2021 RMB'000
Loss before income tax	(113,555)	(199,689)
Tax calculated at statutory tax rates applicable to each Group entity	(22,005)	(49,657)
Tax effect of:		
Expenses not deductible for tax purpose	1,779	689
Extra deduction for research and development expenses	(32,961)	(31,439)
Temporary differences not recognized as deferred tax assets	8,907	11,784
Tax losses not recognized as deferred tax assets	44,280	68,623
Income tax expense	—	—

(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,	
	2022 RMB'000	2021 RMB'000
Deductible losses (a)	230,602	275,552
Deductible temporary differences	61,751	47,136
	292,353	322,688

- (a) As at December 31, 2022 and 2021, the Group had unused tax losses of approximately RMB941,392,000 and RMB710,790,000 that can be carried forward against future taxable income, respectively. No deferred income tax asset has been recognised 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 2023 and 2032.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

13 Loss per share

In March 2021, the Company was converted to a joint stock limited liability company and total 263,401,001 ordinary shares with par value of RMB1.00 each were issued and allotted to the respective equity holders of the Company according to the paid-in capital registered under these equity holders on that day. The conversion (Note 23(b)) to ordinary shares with par value of RMB1.00 each issued after the conversion is applied for the years ended December 31, 2022 and 2021 for the purpose of computation of basic 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, 2022 and 2021, 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,	
	2022	2021
Loss attributable to equity holders of the Company (<i>RMB'000</i>)	(113,555)	(199,689)
Weighted average number of ordinary shares in issue during the year (<i>thousand</i>)	330,388	294,595
Basic and diluted loss per share (<i>RMB</i>)	(0.34)	(0.68)

For the year ended December 31, 2022

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, 2021								
Cost	—	2,046	19,332	1,874	91,396	13,405	—	128,053
Accumulated depreciation	—	(971)	(9,833)	(508)	—	(11,517)	—	(22,829)
Net book value	—	1,075	9,499	1,366	91,396	1,888	—	105,224
Year ended December 31, 2021								
Opening net book value	—	1,075	9,499	1,366	91,396	1,888	—	105,224
Additions	—	3,860	14,072	2,285	59,666	560	—	80,443
Disposals	—	(13)	(1)	(79)	—	—	—	(93)
Transfer upon completion	139,250	—	—	—	(145,213)	—	5,963	—
Depreciation charge (Note 7)	(582)	(700)	(3,628)	(645)	—	(1,650)	(99)	(7,304)
Closing net book value	138,668	4,222	19,942	2,927	5,849	798	5,864	178,270
As at December 31, 2021								
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

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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, 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

- (i) The Group has capitalized borrowing costs of RMB456,000 on qualifying assets for the year ended December 31, 2021. The borrowings were fully repaid in April 2021.
- (ii) During the years ended December 31, 2022 and 2021, the Group has capitalized the depreciation of right-of-use assets amounting to RMB247,000 and 291,000 respectively.
- (iii) As at December 31, 2022, the carrying amount of buildings without building ownership certificate was RMB150,032,000 (2021: RMB138,668,000). The Group is in the process to obtain the certificate.

For the year ended December 31, 2022

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,	
	2022 RMB'000	2021 RMB'000
Research and development expenses (Note 7)	5,986	3,041
Administrative expenses (Note 7)	5,864	2,312
Cost of sales (Note 7)	4,816	1,675
Other expenses (Note 9)	601	—
Selling and distribution expenses (Note 7)	231	276
Total	17,498	7,304

15 Right-of-use assets

	As at December 31,	
	2022 RMB'000	2021 RMB'000
Right-of-use assets		
— Land use rights (a)	34,836	24,828
— Buildings (b)	13,300	9,287
	48,136	34,115

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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, 2021	
Cost	14,550
Accumulated amortization	(897)
Net book value	<u>13,653</u>
Year ended December 31, 2021	
Opening net book value	13,653
Addition	11,485
Amortization charge (Note 7)	(310)
Closing net book value	<u>24,828</u>
As at December 31, 2021	
Cost	26,035
Accumulated amortization	(1,207)
Net book value	<u>24,828</u>
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>

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, 2021	
Cost	11,744
Accumulated depreciation	(8,447)
Net book value	3,297
Year ended December 31, 2021	
Opening net book value	3,297
Additions	9,382
Depreciation charge (Note 7) (Note 9)	(3,392)
Closing net book value	9,287
As at December 31, 2021	
Cost	21,126
Accumulated depreciation	(11,839)
Net book value	9,287
As at January 1, 2022	
Cost	21,126
Accumulated depreciation	(11,839)
Net book value	9,287
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	13,300
As at December 31, 2022	
Cost	21,205
Accumulated depreciation	(7,905)
Net book value	13,300

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15 Right-of-use assets (Continued)

(b) Buildings (Continued)

(ii) Lease liabilities recognized in the balance sheets:

	As at December 31,	
	2022 RMB'000	2021 RMB'000
Lease liabilities		
— current	6,543	2,896
— non-current	7,459	6,509
	14,002	9,405

(iii) Present value of lease liabilities due:

	As at December 31,	
	2022 RMB'000	2021 RMB'000
Within 1 year	6,543	2,896
Between 1 and 2 years	4,580	2,717
Between 2 and 5 years	2,879	3,792
	14,002	9,405

For the year ended December 31, 2022

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,	
	2022 RMB'000	2021 RMB'000
Depreciation charge recognized in:		
Cost of sales (Note 7)	2,078	1,031
Research and development expenses (Note 7)	1,731	840
Administrative expenses (Note 7)	1,143	760
Selling and distribution expenses (Note 7)	887	345
Other expenses (Note 9)	145	435
	5,984	3,411
Depreciation charge capitalized in:		
Property, plant and equipment (Note 7)	247	291
	6,231	3,702
Other amounts recognized in:		
Interest expense (Note 11)	722	300
Expense relating to short-term leases	705	477
	(852)	(477)
The cash outflow for leases as operating activities	(5,613)	(4,498)

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16 Intangible assets

	Non- proprietary technologies <i>RMB'000</i>	Softwares <i>RMB'000</i>	Technologies under research and development <i>RMB'000</i>	Total <i>RMB'000</i>
As at January 1, 2021				
Cost	26,670	—	—	26,670
Accumulated amortization	(19,114)	—	—	(19,114)
Net book value	7,556	—	—	7,556
Year ended December 31, 2021				
Opening net book value	7,556	—	—	7,556
Amortization charge (<i>Note 7</i>)	(2,667)	—	—	(2,667)
Closing net book value	4,889	—	—	4,889
As at December 31, 2021				
Cost	26,670	—	—	26,670
Accumulated amortization	(21,781)	—	—	(21,781)
Net book value	4,889	—	—	4,889
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 (<i>Note 7</i>)	(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

For the year ended December 31, 2022

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,	
	2022 RMB'000	2021 RMB'000
Research and development expenses (Note 7)	2,688	2,667
Administrative expenses (Note 7)	98	—
	2,786	2,667

17 Financial instruments by category

	As at December 31,	
	2022 RMB'000	2021 RMB'000
Financial assets at amortized cost		
Cash and cash equivalents (Note 22)	1,205,302	1,418,359
Term deposits (Note 22)	1,334,215	1,500,000
Restricted cash (Note 22)	645	—
Trade receivables (Note 20)	1,014	446
Prepayment, other receivables and other current assets (excluding non-financial assets) (Note 19)	6,809	6,118
	2,547,985	2,924,923

	As at December 31,	
	2022 RMB'000	2021 RMB'000
Financial assets at FVPL (Note 21)	153,590	10,515

	As at December 31,	
	2022 RMB'000	2021 RMB'000
Financial liabilities		
Trade and other payables (excluding non-financial liabilities) (Note 26)	56,492	46,443
Lease liabilities (Note 15)	14,002	9,405
Investment in forward foreign exchange contract	278	—
	70,772	55,848

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For the year ended December 31, 2022

18 Inventories

	As at December 31,	
	2022 RMB'000	2021 RMB'000
Raw materials	77,899	34,225
Finished goods	29,324	16,761
Work in progress	12,021	6,286
	119,244	57,272

As at December 31, 2022 and 2021, no inventory provision was provided as the inventory's net realisable value was higher than its carrying amounts.

19 Prepayments, other receivables and other current assets

	As at December 31,	
	2022 RMB'000	2021 RMB'000
Included in non-current assets		
Prepayments:		
Prepayments for purchase of property, plant and equipment	7,474	5,790
Prepayments for purchase of intangible assets	1,242	—
Other receivables:		
Deposits for leases	1,929	1,014
Total	10,645	6,804
Included in current assets		
Prepayments:		
Prepayments for purchase of goods	43,807	23,636
Prepayments for purchase of service	22,603	5,764
Other receivables:		
Deposits for industrial land project performance guarantee and leases	3,196	3,147
Others	1,711	1,966
Less: loss allowance	(27)	(9)
Others:		
Value-added tax recoverable	9,735	3,112
Total	81,025	37,616

For the year ended December 31, 2022

20 Trade receivables

	As at December 31,	
	2022 RMB'000	2021 RMB'000
Trade receivables from contracts with customers (a)	1,032	458
Less: loss allowance	(18)	(12)
	1,014	446

- (a) As at December 31, 2022 and 2021, 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, 2022 and 2021, the ageing analysis of the trade receivables based on invoice date were as follows:

	As at December 31,	
	2022 RMB'000	2021 RMB'000
Up to 3 months	956	458
Over 6 months	76	—
	1,032	458

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, 2022, a provision of RMB18,000 was made against the gross amounts of trade receivables.

Notes to the Consolidated Financial Statements

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21 Financial assets at fair value through profit or loss

	As at December 31,	
	2022 RMB'000	2021 RMB'000
Included in non-current assets		
Investment in a venture fund (b)	24,661	—
Strategic investment (c)	18,700	—
	43,361	—
Included in current assets		
Wealth management products (a)	110,229	—
Investment in a venture fund (b)	—	10,515
	110,229	10,515
	153,590	10,515

- (a) The Group entered into contracts to subscribe wealth management products from banks with expected but not guaranteed rates of return ranging from 1.0% to 3.4% per annum for the year ended December 31, 2022 (2021: 1.5% to 3.5%). As at December 31, 2021, the balance of wealth management products was nil as the Group redeemed all wealth management products before year end.
- (b) 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.
- (c) On January 17, 2022, the Company signed an investment agreement with Wire Science Medical Technology (Suzhou) Co., Ltd 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 of Wire Sciences and all contribution were paid for the year ended December 31, 2022.
- (d) 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, 2022. 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).

For the year ended December 31, 2022

22 Cash and cash equivalents, restricted cash and term deposits

	As at December 31,	
	2022 RMB'000	2021 RMB'000
Cash in bank and financial institution	2,540,162	2,918,359
Less: term deposits with initial term of over three months (a)	(1,334,215)	(1,500,000)
Less: restricted cash (b)	(645)	—
	1,205,302	1,418,359

	As at December 31,	
	2022 RMB'000	2021 RMB'000
Cash and cash equivalents, restricted cash and term deposits are denominated in:		
— RMB	2,391,159	2,583,994
— USD	126,665	5,144
— HKD	22,261	329,221
— EUR	77	—
	2,540,162	2,918,359

- (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, 2022.

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 that is pledged to the bank for investment in forward foreign exchange contract.

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23 Share capital/paid-in capital and share premium

	Number of ordinary shares	Share capital/ paid-in capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Total RMB'000
As at December 31, 2020 and January 1, 2021	N/A	225,062	—	—	225,062
Capital injection from equity holders before initial public offering (a)	N/A	38,339	—	—	38,339
Conversion into a joint stock company (b)	263,401,001	—	—	—	—
Issue of shares from initial public offering (c)	69,000,000	69,000	2,270,033	—	2,339,033
Purchase of treasury shares (d)	—	—	—	(9,149)	(9,149)
As at December 31, 2021	332,401,001	332,401	2,270,033	(9,149)	2,593,285
Purchase of treasury shares (d)	—	—	—	(24,644)	(24,644)
As at December 31, 2022	332,401,001	332,401	2,270,033	(33,793)	2,568,641

- (a) On January 19, 2021, Huzhou Guiqiao Enterprise Management Partnership (Limited Partnership), which was controlled by Jonathon Zhong Zhao, entered into a subscription agreement with the Company to increase registered capital of RMB9,577,095 at the consideration of RMB20,400,000 for the purpose of the Employee Incentive Schemes.

On January 20, 2021, several new investors and the existing equity holders of the Company entered into a capital increase agreement to subscribe for the increased registered capital of RMB28,762,178 at a total consideration of USD76,000,000 (equivalent to RMB493,173,273).

The above transactions during the year ended December 31, 2021 resulted in increases in paid-in capital and other reserves of RMB38,339,273 and RMB475,235,000 respectively.

- (b) In March 2021, the Company was converted from a limited liability company into a joint stock company with limited liability under PRC Company Law. The net assets of the Company as at the conversion base date, including paid-in capital, other reserve and accumulated losses, amounting to RMB974,022,365 were converted into 263,401,001 ordinary shares at RMB1.00 each. The excess of the net assets converted over the nominal value of the ordinary shares was credited to the Company's capital reserve.

23 Share capital/paid-in capital and share premium (Continued)

(c) On July 5, 2021, the Company successfully completed its initial global offering of 60,000,000 shares at HK\$42.70 per H Share, and its shares were listed on the Main Board of the Stock Exchange. The gross proceeds from initial public offering amounted to HK\$2,562 million, which approximated to RMB2,134 million. The net proceeds from initial public offering amounted to approximately HK\$2,477.4 million, which approximated to RMB2,063.6 million.

On July 25, 2021, the Over-allotment Option described in the Prospectus has been fully exercised by the Joint Representatives, on behalf of the International Underwriters, in respect of an aggregate of 9,000,000 H Shares at the Offer Price of HK\$42.70 per H Share. The gross proceeds from the full exercise of the Over-allotment Option amounted to HK\$384.3 million, which approximated to RMB321 million. The net proceeds from the full exercise of the Over-allotment Option amounted to approximately HK\$347.3 million, which approximated to RMB289.7 million.

(d) On August 13, 2021, the Company entered into an agreement with Futu Trustee Limited (the "Trustee"), where Trustee will purchase shares from the open market and hold on trust for the eligible employees for the H Share Scheme. During the year ended December 31, 2022, 2,226,000 shares in the amount of RMB24,644,329 had been purchased, at average price of HK\$13.39 per share and were held as treasury shares.

24 Other reserves

	Capital reserve RMB'000	Share-based compensation expenses RMB'000	Others RMB'000	Total RMB'000
As at January 1, 2021	452,923	63,172	45,052	561,147
Share-based compensation expenses (Note 25)	—	76,211	—	76,211
Capital injection from equity holders (Note 23)	475,235	—	—	475,235
Conversion into a joint stock company (Note 23)	(271,586)	—	—	(271,586)
As at December 31, 2021	656,572	139,383	45,052	841,007
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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

25 Share-based payments

(a) Employee Incentive Schemes

- (i) 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) as rewards for their services and in exchange for their full-time devotion and professional expertise. 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, 2022 was measured using the share price as at the grant date, which was HK\$8.50 (2021: nil).

- (ii) Movements in the number of shares granted but not vested for the for the years ended 2022 and 2021 are as follows:

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
At the beginning of year	12,678	13,430
Granted during the year	7,054	—
Vested during the year	(5,276)	(21)
Forfeited during the year	(164)	(731)
At the end of year	14,292	12,678

(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. Certain eligible employees of the Group (collectively, the “**Grantees**”) in June 2021, subject to the terms and conditions stipulated therein, to acquire ordinary shares of the Company pursuant to options granted. The share options have a contractual term of ten years, and vest over a period of three years of continuous service with certain performance requirements, if any. The options may exercise of any time after the initial public offering of the Company provided the options have vested and subject to the term of the share option agreement.

25 Share-based payments (Continued)

(b) Pre-IPO Share Option Scheme (Continued)

- (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 RMB	2022 Number of options	2021 Number of options
As at January 1	2.13	4,692,777	—
Granted during the year	2.13	—	4,788,547
Forfeited during the year	2.13	—	(95,770)
As at December 31	2.13	4,692,777	4,692,777
Vested and exercisable at December 31	—	2,863,552	1,407,833

- (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 RMB	Share options December 31, 2022	Share options December 31, 2021
June 10, 2021	January 17, 2031	2.13	4,692,777	4,692,777

The remaining contractual life of outstanding share options was 8.1 years and 9.1 years as of December 31, 2022 and 2021.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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,	
	2022 RMB'000	2021 RMB'000
Research and development expenses	47,717	39,548
Administrative expenses	20,112	20,694
Selling and distribution expenses	19,441	15,892
Cost of sales	408	77
Total	87,678	76,211

For the year ended December 31, 2022

26 Trade and other payables

	As at December 31,	
	2022 RMB'000	2021 RMB'000
Trade payables (a)	10,735	14,114
Staff salaries and welfare payables	61,227	35,396
Payables for purchase of property, plant and equipment	36,742	22,450
Accrued taxes other than income tax	8,933	4,468
Payables to suppliers of service	7,520	7,463
Accrued listing expenses	—	1,762
Others	1,495	654
	126,652	86,307

(a) The ageing analysis of trade payables based on invoice date at the respective balance sheet dates is as follows:

	As at December 31,	
	2022 RMB'000	2021 RMB'000
Within 1 year	10,735	14,114

27 Other current liabilities

	As at December 31,	
	2022 RMB'000	2021 RMB'000
Provisions for sales rebates	7,762	4,035
Others	1,248	445
	9,010	4,480

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

28 Cash used in operations

(a) Reconciliation of loss before income tax to net cash used in operations

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Loss for the year before income tax	(113,555)	(199,689)
Adjustments for:		
— Depreciation of property, plant and equipment (Note 7) (Note 9)	17,498	7,304
— Amortization of intangible assets and depreciation of right-of-use assets (Note 7) (Note 9)	8,770	6,078
— Net impairment losses on financial assets	24	21
— Losses/(gains) on disposal of property, plant and equipment and other non-current assets	9,125	(16)
— Share-based compensation expenses (Note 25)	87,678	76,211
— Net fair value gains from financial assets at fair value through profit or loss (Note 10)	(4,807)	(13,950)
— Finance income — net	(94,843)	(12,787)
— Net fair value loss on investment in forward foreign exchange contract (Note 10)	278	—
— Net foreign exchange (gains)/losses	(3,294)	6,463
	(93,126)	(130,365)
Changes in working capital:		
— Restricted cash	(645)	—
— Inventories	(61,972)	(28,279)
— Trade receivables	(574)	(329)
— Prepayments, other receivables and other current assets	(46,109)	(13,108)
— Trade and other payables	36,764	44,548
	(72,536)	2,832
Cash used in operations	(165,662)	(127,533)

(b) Non-cash investing and financing activities

For the years ended December 31, 2022 and 2021, the Group did not have any material non-cash investing and financing activities.

For the year ended December 31, 2022

28 Cash used in operations (Continued)**(c) Changes in liabilities from financing activities**

	Liabilities	
	Lease Liabilities RMB'000	Borrowings RMB'000
As at January 1, 2022	9,405	—
Cash flows	(5,613)	—
Interest expenses (Note 11)	722	—
Additions	11,280	—
Other non-cash movements	(1,792)	—
As at December 31, 2022	14,002	—

	Liabilities	
	Lease Liabilities RMB'000	Borrowings RMB'000
As at January 1, 2021	4,221	30,000
Cash flows	(4,498)	(30,007)
Interest expenses (Note 11)	300	463
Additions	9,382	—
Other non-cash movements	—	(456)
As at December 31, 2021	9,405	—

29 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,	
	2022 RMB'000	2021 RMB'000
Property, plant and equipment	25,460	8,467
Investment in a venture fund	9,402	21,668
	34,862	30,135

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

29 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,	
	2022 RMB'000	2021 RMB'000
Operating lease contract	1,017	376

(c) The Group had no material contingent liabilities as at December 31, 2022 and 2021.

30 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, 2022 and 2021.

(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,	
	2022 RMB'000	2021 RMB'000
Share-based compensation expenses	34,048	41,672
Discretionary bonuses	16,313	7,984
Wages, salaries, housing benefits, other social insurance and employee welfare	9,129	8,705
Pension cost — defined contribution plan	74	165
	59,564	58,526

31 Dividend

No dividend has been paid or declared by the Company during each of the years ended December 31, 2022 and 2021 respectively.

32 Subsequent events

There is no subsequent event after the reporting period which has material impact to the consolidated financial statements of the Group.

33 Balance sheet and reserves movements of the Company

Balance Sheet of the Company

	Note	As at December 31,	
		2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	34	308,463	230,439
Property, plant and equipment		171,347	169,284
Right-of-use assets		15,598	19,521
Intangible assets		2,513	4,889
Prepayments and other receivables		3,589	3,210
Financial assets at fair value through profit or loss	21	43,361	—
Term deposits		689,047	—
Total non-current assets		1,233,918	427,343
Current assets			
Inventories		60,340	35,023
Prepayments, other receivables and other current assets		469,456	56,539
— Due from subsidiaries		446,705	37,404
— Due from third parties		22,751	19,135
Trade receivables		1,008	446
Financial assets at fair value through profit or loss	21	110,229	10,515
Term deposits	22	545,140	1,500,000
Cash and cash equivalents		913,527	1,269,462
Restricted cash	22	645	—
Total current assets		2,100,345	2,871,985
Total assets		3,334,263	3,299,328
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		844,419	775,223
Treasury shares	23	(33,793)	(9,149)
Accumulated losses		(132,253)	(131,356)
Total equity		3,280,807	3,237,152

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

33 Balance sheet and reserves movements of the Company (Continued)

Balance Sheet of the Company (Continued)

	Note	As at December 31,	
		2022 RMB'000	2021 RMB'000
Liabilities			
Non-current liabilities			
Lease liabilities		520	4,344
Total non-current liabilities		520	4,344
Current liabilities			
Trade and other payables		44,066	51,129
Contract liabilities		2,217	2,827
Lease liabilities		2,466	2,145
Investment in forward foreign exchange contract	17	278	—
Other current liabilities		3,909	1,731
Total current liabilities		52,936	57,832
Total liabilities		53,456	62,176
Total equity and liabilities		3,334,263	3,299,328

The balance sheet of the Company was approved by the Board of Directors on March 29, 2023 and was signed on its behalf.

Jonathon Zhong Zhao
Director

Yang Xie
Director

For the year ended December 31, 2022

33 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, 2021	—	505,305	—	(262,148)	243,157
Comprehensive income:					
Loss for the year	—	—	—	(140,794)	(140,794)
Transactions with equity holders of the Company:					
Capital injection from equity holders before initial public offering	—	475,235	—	—	475,235
Conversion into a joint stock company	—	(271,586)	—	271,586	—
Issue of shares from initial public offering	2,270,033	—	—	—	2,270,033
Purchase of treasury shares	—	—	(9,149)	—	(9,149)
Share-based compensation expenses	—	66,269	—	—	66,269
Balance as at December 31, 2021	2,270,033	775,223	(9,149)	(131,356)	2,904,751
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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

34 Material subsidiaries

- (a) The Group's principal subsidiaries at December 31, 2022 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
			2022	2021		
Zuhai Tonbridge	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 Guichuang 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
Tongqiao 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.	The PRC, September 22, 2021, limited liability company	RMB30,000,000	100%	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

- (i) None of the subsidiaries had issued any debt securities at the end of the year.

34 Material subsidiaries (Continued)**(b) Investments in subsidiaries**

	As at December 31,	
	2022 RMB'000	2021 <i>RMB'000</i>
Interests in subsidiaries	277,848	214,868
Deemed capital contribution to subsidiaries (i)	30,615	15,571
	308,463	230,439

- (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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

35 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, 2022 and 2021 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, 2022							
Chairman of the Board							
Jonathon Zhong Zhao (趙中) (i)	—	3,000	3,000	15,179	—	—	21,179
Non-executive directors							
Steven Dasong Wang (王大松) (vii)	—	—	—	—	—	—	—
Stephen Hui Wang (王暉) (viii)	—	—	—	—	—	—	—
Hai Lu (陸海) (ix)	—	—	—	—	—	—	—
Dongfang Li (李東方) (xiii)	—	—	—	—	—	—	—
Executive directors							
Yang Xie (謝陽) (iii)	—	2,000	1,289	5,736	35	75	9,135
Zheng Li (李崢) (vi)	—	2,000	8,217	6,653	39	54	16,963
Independent Non-executive directors							
Jian Ji (計劍) (x)	200	—	—	—	—	—	200
Hongze Liang (梁洪澤) (x)	200	—	—	—	—	—	200
Yun Qiu (邱斌) (x)	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) (xi)	—	656	632	3,500	35	75	4,898
Chunhui Men (門春輝) (ii)	—	—	—	—	—	—	—
Hongbo Wang (王宏波) (xi)	—	316	281	1,174	39	54	1,864
Tao Liu (劉濤) (xii)	—	660	300	565	60	80	1,665
	<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>

For the year ended December 31, 2022

35 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, 2021							
Chairman of the Board							
Jonathon Zhong Zhao (趙中) (i)	-	2,161	2,273	11,759	-	-	16,193
Non-executive directors							
Chunhui Men (門春輝) (ii)	-	-	-	-	-	-	-
Guoguang Zhu (朱國光) (iv)	-	-	-	-	-	-	-
Yinghua Zhou (周穎華) (v)	-	-	-	-	-	-	-
Steven Dasong Wang (王大松) (vii)	-	-	-	-	-	-	-
Stephen Hui Wang (王暉) (viii)	-	-	-	-	-	-	-
Hai Lu (陸海) (ix)	-	-	-	-	-	-	-
Executive directors							
Yang Xie (謝陽) (iii)	-	1,200	740	4,086	58	81	6,165
Zheng Li (李曄) (vi)	-	1,200	2,078	5,032	38	57	8,405
Independent Non-executive directors							
Jian Ji (計劍) (x)	167	-	-	-	-	-	167
Hongze Liang (梁洪澤) (x)	167	-	-	-	-	-	167
Yun Qiu (邱耘) (x)	167	-	-	-	-	-	167
	501	4,561	5,091	20,877	96	138	31,264
Supervisors							
Jie Liang (梁捷) (xi)	-	528	507	2,897	31	70	4,033
Chunhui Men (門春輝) (ii)	-	-	-	-	-	-	-
Hongbo Wang (王宏波) (xi)	-	309	396	1,112	38	57	1,912
	501	5,398	5,994	24,886	165	265	37,209

35 Benefits and interests of directors (Continued)

(a) Directors', supervisors' and chief executive's emoluments (Continued)

- (i) Dr. Jonathon Zhong Zhao (趙中) was appointed as the chairman on November 6, 2012.
- (ii) Mr. Chunhui Men (門春輝) was appointed as a director since November 6, 2012. He resigned as a director and was appointed as a shareholders' representative supervisor on March 2, 2021. On May 18, 2022, he resigned as a shareholders' representative supervisor.
- (iii) Mr. Yang Xie (謝陽) was appointed as a director since March 12, 2018.
- (iv) Mr. Guoguang Zhu (朱國光) was appointed as a director since January 31, 2019 and resigned as a director on March 2, 2021.
- (v) Dr. Yinghua Zhou (周穎華) was appointed as a director since January 31, 2019 and resigned as a director on March 2, 2021.
- (vi) Dr. Zheng Li (李嶢) was appointed as a director since January 31, 2019.
- (vii) Dr. Steven Dasong Wang (王大松) was appointed as a director since October 13, 2020.
- (viii) Mr. Stephen Hui Wang (王暉) was appointed as a director on November 5, 2015, resigned as a director on March 12, 2018 and was reappointed as a director since December 28, 2020.
- (ix) 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.
- (x) Dr. Jian Ji (計劍), Mr. Hongze Liang (梁洪澤) and Ms. Yun Qiu (邱媛) were appointed as independent non-executive directors since March 2, 2021.
- (xi) Ms. Jie Liang (梁婕) and Ms. Hongbo Wang (王宏波) were appointed as employees' supervisors on March 2, 2021.
- (xii) Mr. Tao Liu (劉濤) was appointed as an employees' supervisor on May 18, 2022.
- (xiii) Mr. Dongfang Li (李東方) was appointed as a non-executive director since May 18, 2022.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 3 and 2 directors for the years ended December 31, 2022 and 2021 respectively. Their emoluments are reflected in the analysis presented in Note 35(a). The emoluments to the remaining 2 and 3 individuals for the years ended December 31, 2022 and 2021 respectively are as follows:

For the year ended December 31, 2022

35 Benefits and interests of directors (Continued)**(b) Five highest paid individuals (Continued)**

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Share-based compensation expenses	11,932	22,180
Discretionary bonuses	8,995	5,140
Salaries, wages, housing fund and other social insurance	2,575	3,619
Pension cost — defined contribution plan	65	58
	23,567	30,997

The emoluments fell within the following bands:

	Year ended December 31,	
	2022	2021
Emolument bands		
HK\$11,000,001–HK\$11,500,000	—	1
HK\$12,000,001–HK\$12,500,000	—	—
HK\$12,500,001–HK\$13,000,000	1	1
HK\$13,500,001–HK\$14,000,000	1	1
	2	3

35 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, 2022 and 2021.

(d) Directors' termination benefits

None of the directors received or will receive any termination benefits during the years ended December 31, 2022 and 2021.

(e) Consideration provided to third parties for making available directors' services

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

(f) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by or entities connected with directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the years ended December 31, 2022 and 2021.

(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, 2022 and 2021.

“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” as contained in Appendix 14 to the Listing Rules
“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

Definitions

“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 Huzhou Guiqiao Enterprise Management Partnership (Limited Partnership) (湖州歸橋企業管理合夥企業(有限合夥))
“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
“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” set out in Appendix 10 to the Listing Rules
“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, 2022 to December 31, 2022

Definitions

“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 (李嶢), 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)), 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
“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