健世科技
Jenscare

寧波健世科技股份有限公司
Jenscare Scientific Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)
Stock Code : 9877

2022
ANNUAL REPORT

Contents

DEFINITIONS

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings.

"AGM"	the 2023 annual general meeting of the Company to be held on 31 May 2023
"Articles" or "Articles of Association"	our articles of association, as amended and effective on 23 December 2022, details of which are set out in our Company's announcement dated 23 December 2022
"Audit Committee"	the audit committee of the Board
"Board of Directors" or "Board"	the board of Directors
"Board of Supervisors"	the board of Supervisors
"CE Certificate" or "CE"	Conformite Europeenne, an administrative marking that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area (EEA)
"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 annual report and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, the PRC
"Company" or "our Company"	Jenscare Scientific Co., Ltd. (寧波健世科技股份有限公司), a joint stock company incorporated in the PRC with limited liability on 23 March 2021, or, where the context requires (as the case may be), its predecessor Ningbo Jenscare Biotechnology Co., Ltd. (寧波健世生物科技有限公司), a limited liability company established in the PRC on 8 November 2011
"Core Product(s)"	LuX-Valve and Ken-Valve, the designated "core products" as defined under Chapter 18A of the Listing Rules
"Directors"	the directors of the Company or any one of them
"Global Offering"	the global offering (Hong Kong Public Offering and the International Offering) of the H Shares, details of which are set forth in the Prospectus
"Group", "our Group", "our", "we", or "us"	the Company and all of its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
"H Shares"	overseas listed foreign invested ordinary share(s) in the ordinary share capital of our Company, with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and which are listed on the Stock Exchange
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars", "HK dollars" or "HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"IPO"	the initial public offering of the H Shares on the Main Board of the Stock Exchange on 10 October 2022
"Listing"	the listing of the H Shares on the Main Board of the Stock Exchange
"Listing Date"	10 October 2022, on which the H Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on Stock Exchange (as amended, supplemented or otherwise modified from time to time)
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"Mr. Lv"	Mr. LV Shiwen (呂世文), the chairman of the Board, an executive Director, the chief executive officer and the chief technology officer of our Company, and one of our Controlling Shareholders
"NMPA"	the National Medical Product Administration of the PRC (中國國家藥品監督管理局), successor to the China Food and Drug Administration or CFDA (國家食品藥品監督管理總局)
"Prospectus"	the prospectus of the Company dated 23 September 2022
"R&D"	research and development
"Reporting Period"	the year ended 31 December 2022
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each, comprising Unlisted Shares and H Shares
"Shareholder(s)"	the holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisors"	the member(s) of the Company's Board of Supervisors
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction, any State of the United States, and the District of Columbia
"%"	per cent

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LV Shiwen
Mr. PAN Fei

Non-executive Directors

Mr. TAN Ching
Mr. ZHENG Jiaqi
Ms. XIE Youpei
Mr. CHEN Xinxing

Independent non-executive Directors

Dr. LIN Shoukang
Ms. DU Jiliu
Dr. MEI Lehe

SUPERVISORS

Ms. XU Jing
Mr. TANG Hao
Mr. HU Bo

AUDIT COMMITTEE

Ms. DU Jiliu (Chairwoman)
Dr. LIN Shoukang
Dr. MEI Lehe

REMUNERATION AND APPRAISAL COMMITTEE

Dr. LIN Shoukang (Chairman)
Mr. LV Shiwen
Ms. DU Jiliu

NOMINATION COMMITTEE

Dr. LIN Shoukang (Chairman)
Mr. LV Shiwen
Dr. MEI Lehe

STRATEGY COMMITTEE

Mr. LV Shiwen (Chairman)
Dr. LIN Shoukang
Mr. PAN Fei

JOINT COMPANY SECRETARIES

Mr. LI Yuanyuan
Mr. WONG Wai Chiu

AUTHORIZED REPRESENTATIVES

(for the purpose of the Listing Rules)
Mr. LV Shiwen
Mr. PAN Fei

AUDITOR

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

LEGAL ADVISERS

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

As to PRC law:
Commerce & Finance Law Offices
12-14th Floor, China World Office 2
No. 1 Jianguomenwai Avenue
Beijing 100004
PRC

COMPLIANCE ADVISER

Somerley Capital Limited
20th Floor, China Building
29 Queen's Road Central
Central, Hong Kong

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

Block 5, B Area
No. 777 Binhai 4th Road
Hangzhou Bay New Area
Ningbo, Zhejiang Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40/F, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

COMPANY WEBSITE

www.jenscare.com

STOCK CODE

9877

LISTING DATE

10 October 2022

H SHARE REGISTRAR

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

PRINCIPAL BANKERS

Agricultural Bank of China, Ningbo Hangzhou Bay Branch
No. 895, No. 2 Binhai Road
Hangzhou Bay District
Ningbo, Zhejiang Province
PRC

Bank of Ningbo, Shuangdongfang Branch
No. 177-185, Baoqing Road
Jiangbei District
Ningbo, Zhejiang Province
PRC

CHAIRMAN'S STATEMENT

Mr. Lv Shiwen
Chairman of the Board

Dear Shareholders,

The year 2022 has been a year of both opportunities and challenges for the Group. We have always committed ourselves to being a pioneer in international medical devices innovation and a leader in innovative solutions for structural heart diseases across the globe, and adhered to the product international strategy goal of "going global".

Looking back, our Company has achieved a number of "only ones" and "firsts" in the industry. In particular, our core product LuX-Valve, a transcatheter interventional tricuspid valve replacement system, is the "only one" in the field of medical device for structural heart disease that was China in origin and received the breakthrough device designation from FDA, and has also been admitted into the Special Procedures for Examination and Approval of Innovative Medical Devices (the "Green Path") by the NMPA together with LuX-Valve Plus, the second generation of such product, which are also the "only ones" tricuspid valve interventional replacement device admitted in the "Green path". In September 2022, LuX-Valve completed its 4-year post-operative follow-up, the "longest" among the product candidates of the same type reported publicly. At the same time, LuX-Valve also started its second-year follow-up for confirmatory trial, by which the safety and efficacy of the product shall be further validated. We have submitted the registration application to the NMPA in December of the same year, and are expecting that LuX-Valve is expected to be the "world's first" commercialized tricuspid valve interventional replacement product.

Although the Covid-19 pandemic continued to hinder the world in 2022, we remained firm in upholding our international strategy of globalization and navigated through difficulties and challenges to accomplish the mission of showcasing innovative medical devices that are China in origin to overseas, giving hope of survival to the many patients in other parts of the world. Up to the date of this annual report, we have commenced early feasibility clinical trials for LuX-Valve Plus, our TTVR product, in European centers in France, Germany, Spain and Switzerland, and commenced clinical trials for registration under the CE Mark in Europe. Meanwhile, we are also conducting a series of early feasibility clinical trials in the U.S. and Canada. While patients across the world were receiving treatment, we lured the attention of experts and authoritative organizations in the industry from various countries. In November 2022, French experts presented the one-year FIM clinical data on LuX-Valve at the PCR London Valves meeting. With its excellent safety, efficacy and suitability for patient anatomical structures, as well as its physician-friendly use experience, LuX-Valve, a Jenscare Scientific's product which is China in origin, is getting known and highly recognized by an increasing number of foreign physicians, who are looking forward to the treatment of tricuspid regurgitation patients worldwide in the future.

To further facilitate our original innovation and international strategy goal, we were successfully listed on the Main Board of the Hong Kong Stock Exchange on October 10, 2022 and were officially included in the "Hong Kong Stock Connect" in March. This has provided a solid foundation and inexhaustible motivation for us to continue its product innovation and iteration and international strategy.

At the same time, other pipelines of product candidates of the Group are also making rapid progress in an orderly manner, with several products entering the registration preparation and commercialization stage, among which:

– LuX-Valve Plus, our second-generation TTVR, product, has completed 95% enrollment of confirmatory clinical trial, and is expected to be submitted to the NMPA for registration in the second half of 2023.

– Ken-Valve, our aortic valve replacement product, a product specially designed for the treatment of aortic regurgitation (and/or combined stenosis), has completed a one-year follow-up of patients in confirmatory clinical trials in March 2023 and is expected to be submitted to the NMPA for registration in the first half of 2023. KenFlex, its second generation product, is being prepared for the feasibility clinical trial and is expected to complete subjects enrollment of feasibility clinics in the first half of 2023.

– JensClip, our TMVr device, has completed the FIM clinical trial in December 2022 and is currently progressing rapidly through confirmatory clinical trials and is expected to complete patient enrollment by the end of 2023.

– MicroFlux, our product for the treatment of heart failure, is undergoing FIM clinical trials and is expected to initiate confirmatory clinical trials in the second half of 2023.

– For others, JensFlag, the world's innovative product for mitral valve partial replacement, and SimuLock, the left atrial appendage occluder, will both commence clinical trials in the near future; JensRelive, the mitral valve replacement product, JensCloop, the mitral valve annulus contraction product, AlginSys, the myocardial gel-filling product, and OmniSeal, the PFO occlude, are all in the pre-clinical stage.

The above-mentioned comprehensive and multi-dimensional layout in the field of structural heart disease ensures that the Company has one to two important products to be approved and launched in the market every year from 2023, whereas the continuous update and iteration of our products as well as the continuous launch of new products injects vitality into our commercialization constantly.

2023 will be the first year for the Company to launch commercialization, and we are well positioned for it. We have been building a professional and efficient commercialized team. The essence of a hospital lies in saving lives and healing the wounded while the fundamental duty of a physician is to nurture both ethic and skills.

We expect to cultivate more than 30 independent surgeons this year, covering over 50 hospitals. Capitalizing on the construction of domestic and foreign academic platforms for tricuspid valve intervention treatments, we will further consolidate our position as a global leader in the industry of tricuspid valve interventional replacement. By supporting the building of academic platforms through commercial promotion and assisting in patient education and surgeon cultivation through market layout, we have established our commercial strategy and marketing path with our own characteristics. Under this path, we will allow more physicians to familiarize with our products, and enable them to use our products independently, and quickly spread the concept of tricuspid valve intervention treatments to all regions of China. Only by doing so, we would bring hope and confidence in life to more patients. As a leader in tricuspid valve interventional replacement therapy, it is our responsibility and we must have confidence to bring full benefit to the large patient population around the world as soon as possible.

Finally, looking forward to 2023, it will be an extraordinary year, and will also be a major milestone year for us. This year, not only shall we witness LuX-Valve be approved and launched for commercialization, but we will also witness the LuX-Valve Plus, second-generation product, and Ken Valve, aortic valve regurgitation treatment product, be submitted for registration with the NMPA. In addition, a number of products will enter or complete confirmatory clinical trials, and the Company's product line will be fully approaching the process of commercialization. We will also see the emerge and globalization of China's proprietary original technology with technological breakthroughs, which in turn will cement our international position and market leader advantages. We also firmly believe that the Company will eventually bring highly innovative solutions to patients with structural heart disease around the world, which will effectively relieve the pain suffered by patients and constantly improve the life quality of every patient through China's originated technology. This is also the important mission we have been adhering to, namely "We strive for a healthy China and a better world (健康中國，世界有我)".

Yours faithfully,
Mr. LV Shiwen
Chairman and executive Director

Hong Kong, 28 March 2023

FINANCIAL SUMMARY

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

	Year ended 31 December		
	2022	2021	2020
	RMB'000	RMB'000	RMB'000
Revenue	**–**	–	–
Gross profit	**–**	–	–
Loss before income tax	**(440,914)**	(500,673)	(299,673)
Loss for the year	**(440,914)**	(500,673)	(299,673)
Loss attributable to owners of the parent	**(439,311)**	(500,517)	(299,447)
Loss per Share attributable to ordinary equity holders of the parent			
Basic and diluted	**RMB(1.20)**	RMB(1.48)	RMB(1.07)

	As at 31 December 2022		
	2022	2021	2020
	RMB'000	RMB'000	RMB'000
Current assets	**855,359**	828,805	355,186
Current liabilities	**56,736**	49,700	18,356
Net current assets	**798,623**	779,105	336,830
Non-current assets	**575,970**	512,554	17,657
Non-current liabilities	**1,566**	1,068	1,704
Net assets	**1,373,027**	1,290,591	352,783

BUSINESS HIGHLIGHTS

On 10 October 2022, the Company was successfully listed on the Stock Exchange. During the Reporting Period, we have made the following milestones and achievements with respect to our product pipeline and business operations:

TRICUSPID VALVE

LuX-Valve and LuX-Valve Plus

Domestic:

- In December 2022, we submitted the registration for LuX-Valve to the NMPA.

- In October 2022, we have completed the four-year follow-up for the first patient who received treatment with LuX-Valve TTVR system in China. Meanwhile, we also completed the one-, two-, and three-year follow-up, respectively, for the patients who underwent the LuX-Valve TTVR procedure. The follow-up results showed that the patients were in good health condition.

- LuX-Valve Plus was admitted into the Special Examination for Innovative Medical Devices by the NMPA.

- We have completed the feasibility clinical trial for LuX-Valve Plus and we are conducting the confirmatory clinical trial. We expect to complete the subject enrollment in the second quarter of 2023 and submit the registration to the NMPA in the third quarter of 2023.

Overseas:

- In November 2022, we published the one-year clinical data of LuX-Valve First-in-man clinical trial at the 2022 PCR London Valves Conference.

- We have conducted early feasibility clinical trials at our European centers in France, Germany, Spain and Switzerland, and clinical trials for CE Certificate are currently underway.

- We are conducting the early feasibility clinical trials in the U.S. and Canada.

AORTIC VALVE

Ken-Valve

- In March 2023, we completed the one-year follow-up for patients in the confirmatory clinical trial. We are in the process of data analysis and expect to submit the registration to the NMPA in the second quarter of 2023.

KenFlex

- We are preparing the feasibility clinical trial and expect to complete the subject enrollment in the second quarter of 2023.

MITRAL VALVE

JensClip

- We completed the feasibility clinical trial in December 2022. We are conducting the confirmatory clinical trial, and expect to complete the subject enrollment in the fourth quarter of 2023.

HEART FAILURE

MicroFlux

- We are conducting the feasibility clinical trial and expect to initiate the confirmatory clinical trial in the second half of 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

Overview

We are an international medical device company dedicated to the development of interventional products for the treatment of structural heart diseases. Our Company was established in the PRC in November 2011. Since then we have developed a series of treatment solutions targeting different types of structural heart diseases, including tricuspid valve diseases, aortic valve diseases, mitral valve diseases and heart failure.

Products and Pipeline

As of the date of this annual report, we have a portfolio of 12 product candidates in various stages of development. The following diagram summarizes the status of our product candidates under development as of the date of this annual report:

Product Candidates	Product Categories	Pre-Clinical	Clinical	Registration	Upcoming Milestones	Expected Commercialization
Valvular Heart Diseases Product Candidates						
LuX-Valve[Note1]	Transcatheter tricuspid valve replacement (TTVR) system	NMPA approval: Submission for NMPA approval			Obtaining the NMPA approval (2023Q3)	2023H2
LuX-Valve Plus	Transcatheter tricuspid valve replacement (TTVR) system	In the process of conducting the confirmatory clinical trial			Completion of the subject enrollments for the registration clinical trial (2023Q2)	2024H1
	Transcatheter tricuspid valve replacement (TTVR) system	CE Marking: In the process of registration clinical trial			Completion of the subject enrollments for the registration clinical trial (2023H2)	2025H1
	Transcatheter tricuspid valve replacement (TTVR) system	FDA Marking: In the process of early feasibility clinical trial			Completion of the early feasibility clinical trial (2023H2)	2026H2
Ken-Valve[Note1]	Transcatheter aortic valve replacement (TAVR) system	NMPA approval: Completed the confirmatory clinical trial			Submission for NMPA approval (2023Q2)	2024H1
KenFlex	Transcatheter aortic valve replacement (TAVR) system	NMPA approval: Preparing to initiate the feasibility			Completion of the subject enrollments for the feasibility clinical trial (2023Q2)	2025H2
JensClip	Transcatheter mitral valve repair (TMVr) system	NMPA approval: In the process of conducting the confirmatory clinical trial			Completion of the subject enrollments for the confirmatory clinical trial (2023Q4)	2025H2
JensFlag[Note 2]	Transcatheter mitral valve replacement (TMVR) system	NMPA approval: In the process of early feasibility clinical trial			Completion of the early feasibility clinical trial (2023Q2)	2026H1
JensCloop	Transcatheter mitral valve repair (TMVr) system	NMPA approval: In the process of conducting animal studies			Initiation of the feasibility clinical trial (2024Q1)	2027H1
JensRelive[Note 3]	Transcatheter mitral valve replacement (TMVR) system	NMPA approval: In the process of conducting animal studies			Initiation of the feasibility clinical trial (2024Q1)	2026H2
Heart Failure Diseases Product Candidates						
MicroFlux	Atrial septostomy stent & delivery system	NMPA approval: In the process of conducting the feasibility clinical trial			Initiation of the confirmatory clinical trial (2023H2)	2025H2
AlginSys[Note4]	Myocardial filling hydrogel & injection system	NMPA approval: In the process of conducting animal studies			Initiation of the feasibility clinical trial (2023H2)	2025H2
Cardioembolic Thrombi Prevention Product Candidates						
SimuLock	Biomimetic left atrial appendage occluder system	NMPA approval: In the process of preparing the feasibility clinical trial			Initiation of the feasibility clinical trial (2023H1)	2025H2
OmniSeal	Degradable PFO occluder system	NMPA approval: In the process of conducting animal studies			Initiation of the feasibility clinical trial (2024H1)	2026H2

Note 1: Indicates the Company's Core Products.

Note 2: The original name of JensFlag is "MitraPatch";

Note 3: The original name of JensRelive is "AnchorValve";

Note 4: The original name of AlginSys is "AlginSys & EndoInjex"

Our Products and Product Candidates

Tricuspid Valve Product Candidates

LuX-Valve, our Core Product and our proprietary first-generation TTVR system, is designed to treat symptomatic patients with both severe tricuspid regurgitation and high surgical risk. LuX-Valve works by replacing the function of a patient's dysfunctional native tricuspid valve with a prosthetic valved stent without the need for conventional open-heart surgery. LuX-Valve is a Class III medical device under the classification criteria of the NMPA. As of the date of this annual report, we held 13 patents and 20 patent applications in relation to LuX-Valve. LuX-Valve was admitted into the Special Examination for Innovative Medical Devices (the "Green Path") by the NMPA in January 2019, and therefore is eligible for an expedited approval process in China in accordance with the Special Procedures for Examination and Approval of Innovative Medical Devices (創新醫療器械特別審查程序). In September 2020, we successfully completed the multi-center feasibility clinical trial. In August 2021, we completed the enrollment of 120 trial subjects for the confirmatory clinical trial of LuX-Valve. In November 2021, we received the breakthrough device designation from the U.S. Food and Drug Administration for LuX-Valve. In February 2022, we completed the six-month follow-up for the confirmatory clinical trial of LuX-Valve, and thereafter proceeded with the one-year follow-up for the confirmatory clinical trial of LuX-Valve, which had been completed as of the date of this annual report. After the completion of the confirmatory clinical trial, we submitted the trial results to the NMPA for approval in December 2022, and we expect to obtain the NMPA approval for the commercialization of LuX-Valve in the third quarter of 2023.

LuX-Valve Plus, our proprietary second-generation TTVR system, is designed for patients with severe tricuspid regurgitation. LuX-Valve Plus works by functionally replacing the patient's dysfunctional native tricuspid valve with a prosthetic valve stent without the need for conventional open-heart surgery. LuX-Valve Plus is a Class III medical device under the classification criteria of the NMPA. In comparison to LuX-Valve, LuX-Valve Plus uses a transvascular delivery system through transjugular approach. We expect the transvascular access path to effectively simplify the operation procedure with shorter device procedure time, smaller incision and less damage to the heart tissue. In addition, the delivery system of LuX-Valve Plus is multi-angle adjustable and steerable, allowing physicians to more conveniently adjust the release position and release angle, and thereby further increasing the product's safety profile. In August 2022, we completed the enrollment of 15 subjects for the feasibility clinical trial of LuX-Valve Plus in China, and then completed the one-month follow-up in September 2022. We are conducting the confirmatory clinical trial, and expect to complete the subject enrollment in the second quarter of 2023 and submit the registration to the NMPA in the third quarter of 2023. As of the date of this annual report, we have conducted early feasibility clinical trials at our European centers (France, Germany, Spain and Switzerland) and our North American centers (the U.S. and Canada). We have received approvals to conduct the clinical trials for CE Certificate and clinical trials for CE Certificate are currently underway.

Aortic Valve Product Candidates

Ken-Valve, our Core Product and our proprietary first-generation TAVR system, is designed for the treatment of severe aortic regurgitation (or combined with aortic stenosis). Ken-Valve is a Class III medical device under the classification criteria of the NMPA. As of the date of this annual report, we held 9 patents in relation to Ken-Valve. In May 2019, we initiated the feasibility clinical trial of Ken Valve in China. In March 2021, we successfully completed the multi-center feasibility clinical trial of Ken-Valve and subsequently initiated the confirmatory clinical trial, for which all subject enrollments were completed in March 2022. After the completion of the confirmatory clinical trial in March 2023, we expect to obtain the NMPA approval for the commercialization of Ken-Valve in the first half of 2024.

KenFlex, our proprietary new-generation TAVR system, is used for the treatment of severe aortic regurgitation (or combined with aortic stenosis). KenFlex has a key upgrade on its delivery system, namely a multi-angle retrievable and steerable function through the vascular access, which is expected to improve the valve positioning accuracy and stability during deployment. In particular, KenFlex allows the physician to recapture the valve into the capsule and readjust the position and orientation after the prosthetic valve is released, to improve prosthetic valve fixation and leak prevention. KenFlex is a Class III medical device under the classification criteria of the NMPA. As of the date of this annual report, we were preparing for the feasibility clinical trial of KenFlex.

Mitral Valve Product Candidates

JensClip, our proprietary clip-based TMVr system, is designed to treat patients with severe mitral regurgitation. It works by clipping together a small area of the mitral valve leaflets, which continue to open and close on either side of the clip. This allows blood to flow on both sides while reducing the flow of blood in the wrong direction. In addition, JensClip utilizes a claw wall and a locking mechanism, with a simple structure design that can grasp the valve leaflets bilaterally and is easy to use with good flexibility. In addition, during the procedure, the delivery system of JensClip is designed to enable physicians to maneuver the device in a 360-degree fashion. JensClip is a Class III medical device under the classification criteria of the NMPA. The feasibility clinical trial of JensClip in China was completed in December 2022, and as of the date of this annual report, the confirmatory clinical trial was being conducted. It is expected that patient enrollment will be completed in the fourth quarter of 2023.

JensFlag, our proprietary TMVR system, is designed to treat patients with severe mitral regurgitation especially those caused by leaflet prolapse. JensFlag is made of bovine pericardium that is trimmed to size. JensFlag is a Class III medical device under the classification criteria of the NMPA. JensFlag is an innovative TMVR product candidate that can repair mitral valves using leaflet patching technologies. As of the date of this annual report, we were in the process of conducting the early feasibility clinical trial.

JensCloop, our proprietary TMVr system, is designed to treat high-risk patients with functional mitral regurgitation caused by valve annulus dilation. It mainly comprises of prosthetic valve annulus and delivery system as well as catheter kit. The transcatheter product is directly used on mitral valve annulus. It reduces the regurgitation by shrinking the mitral valve annulus orifice area through contraction of the mitral valve annulus. As of the date of this annual report, we were conducting animal trials for JensCloop in China.

JensRelive, our proprietary TMVR (transfemoral) system, is designed to treat patients with severe mitral regurgitation. It works by replacing the function of a patient's dysfunctional native mitral valve without the need for conventional open-heart surgery. JensRelive consists of a prosthetic mitral valve, a delivery catheter system, and a loading system. Our JensRelive uses a special anchoring design, and such a design helps the fixation while preventing displacement. In addition, JensRelive is also equipped with retrievable and steerable functions, which are expected to improve the valve positioning accuracy and stability during deployment. As of the date of this annual report, we were conducting animal trials for JensRelive.

Heart Failure Product Candidates

MicroFlux, is our proprietary first-generation transcatheter device for the treatment of heart failure with pressured ejection fraction ("**HFpEF**"). It works by creating a small opening in the atrial septum, and once MicroFlux is deployed, it forms a passage between the left and right atrium that enables the left atrium to decompress at rest and physical activity, with the aim of lowering left atrial pressure. More importantly, MicroFlux's DCS is retrievable at all times during the procedure or right after the procedure, thereby increasing the safety of the procedure. As of the date of this annual report, we were conducting the feasibility clinical trial of MicroFlux in China.

Cardioembolic Thrombi Prevention Product Candidates

AlginSys, our proprietary myocardial injectable biopolymer product, is designed to prevent the progression of advanced heart failure. It features high biocompatibility. One ingredient in AlginSys promotes myocardial growth. The gel-like material is injected directly into the myocardium where it hardens and widens the wall of the left ventricle, and is designed to reduce the size of the left ventricular cavity. AlginSys provides firm physical support to the myocardial muscle, and shows superior overall performance. It is also composed of an endoscopic injector, which utilizes a controlled injection function and a steerable curved microneedle. It facilitates precise operation, and is designed to prevent accidental trigger of injection, which improves the safety of targeted injection. As of the date of this annual report, we were conducting animal trials for AlginSys.

SimuLock, our product candidate for cardiogenic blood clots, is our proprietary bionics left atrial appendage occlude system. This product is used for the prevention of thromboembolism of left auricle and lowers the risk of fatal bleeding for non-valvular atrial fibrillation patients who are suitable for anticoagulation treatment or have contraindications to anticoagulation treatment. Currently, SimuLock is in the process of obtaining clinical ethical approval, and is expected to commence the feasibility clinical trial in the first half of 2023.

OmniSeal is our proprietary degradable potent foramen ovale ("PFO") occlude system. PFO occlude is a percutaneous transcatheter PFO device designed for patients between the ages of 18 to 65 years old. It has significant benefits in lowering the morbidity of cardiogenic stroke or migraine. As of the date of this annual report, we were conducting animal trials for OmniSeal.

For details of our products and product candidates, please refer to our Prospectus.

WE MAY NOT BE ABLE TO SUCCESSFULLY DEVELOP AND/OR MARKET OUR CORE PRODUCTS OR ANY OTHER PRODUCT CANDIDATES.

Research and Development

Our R&D team self-develops interventional medical device products focusing on the treatment of structural heart diseases. We intend to expand and improve our product portfolio by strengthening our R&D of new products, expanding our product pipeline and improving our existing product candidates.

As of 28 March 2023, we had:

- two Core Products, as well as ten product candidates in various stages of development; and
- 149 issued patents and 167 patent applications in more than ten countries or regions.

Manufacturing

We have full manufacturing capabilities, including production lines for stents, valves, and delivery systems, respectively. In anticipation of forthcoming product launches, we have completed the expansion of our annual manufacturing capacity from 3,500 sets to approximately 4,000 to 5,000 sets in 2021, and expect to continue to expand our manufacturing capacity by reaching approximately 10,000 sets by the end of 2024. Additionally, we procured equipment and machinery from reputable suppliers and completed comprehensive commissioning and qualification steps to verify that the equipment and programs are installed according to the requisite specifications. We believe our manufacturing capability will give us an edge on clinical trials and future commercialization.

We have an established manufacturing facility (including two adjacent properties), which occupies approximately 7,000 sq.m. in Ningbo, Zhejiang. It is designed and built for manufacturing medical devices in compliance with GMP requirements with full manufacturing capability and ready for commercial-scale production. Our manufacturing facility has several production lines, including production lines for stents, valves, and delivery systems, respectively.

Future Development

Our vision is to become a global leading medical device platform with a comprehensive offering of innovative products for the treatment of structural heart diseases. We plan to implement the following strategies to achieve our goal:

- expedite the commercialization of our product candidates, especially our Core Products, in order to enjoy the first-mover advantage in the underpenetrated and fast-growing TTVR market;
- specialize in structural heart diseases and further enrich our comprehensive product offering;
- build upon our R&D capabilities and seek strategic collaborations to expand our product portfolio; and
- expand our footprint to become an industry leader.

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II. FINANCIAL REVIEW

Other Income and Gains

Our other income and gains primarily consist of (i) gains on financial assets at fair value through profit or loss, representing the realized and unrealized gains from wealth management products we purchased; (ii) net foreign exchange gains mainly in connection with bank balance and cash denominated in U.S. dollars; (iii) government grants, primarily including subsidies received from the local governments to support our R&D activities and business operations; and (iv) interest income from bank deposits. Our other income and gains increased from RMB8.9 million in 2021 to RMB54.4 million in 2022. The increase was primarily attributable to (i) an increase in net foreign exchange differences with our U.S. Dollar denominated proceeds from our financing in May 2021 as a result of the appreciation of U.S. Dollar against RMB; (ii) an increase in government grants income due to additional government grants received in 2022; and (iii) an increase in bank interest income due to an increase in bank deposits. The increase was partially offset by the decrease in gains on financial assets at fair value through profit or loss.

Research and Development Expenses

Our R&D expenses primarily consist of (i) share-based compensation expenses; (ii) staff costs, including salaries, bonuses and welfare for R&D personnel; (iii) costs of raw materials and consumables used for R&D of our product candidates; and (iv) third-party contracting costs, primarily including payments to CROs, clinical trial sites, and other medical institutions, and testing fees incurred for preclinical studies and clinical trials.

Our R&D expenses increased from RMB265.3 million in 2021 to RMB291.6 million in 2022. The increase was primarily attributable to the rise of staff costs, costs of raw material and consumables used, and third-party contracting costs during our continuous R&D efforts. The increase was partially offset by a decrease in share-based compensation expenses incurred for R&D personnel.

The following table sets forth a breakdown of our R&D expenses in absolute amounts for the periods indicated:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Share-based compensation expenses	**170,474**	184,304
Staff costs	**51,983**	33,825
Costs of raw materials and consumables used	**27,574**	17,156
Third-party contracting costs	**26,103**	20,865
Depreciation and amortization	**4,298**	1,867
Others	**11,148**	7,319
Total	**291,580**	265,336

Administrative Expenses

Our administrative expenses primarily consist of (i) share-based compensation expenses; (ii) staff costs, including salaries, bonuses and welfare for administrative personnel; (iii) professional service fees incurred primarily in relation to recruitment, legal, accounting and other IPO related services; and (iv) depreciation and amortization. In 2021 and 2022, we recorded share-based compensation expenses of RMB182.2 million and RMB147.4 million respectively, under our administrative expenses.

Our administrative expenses decreased from RMB238.5 million in 2021 to RMB219.7 million in 2022. The decrease was primarily attributable to the reduction in share-based compensation expenses incurred for administrative personnel.

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

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Share-based compensation expenses	**147,401**	182,208
Staff costs	**17,771**	14,391
Professional service fees	**40,645**	31,882
Depreciation and amortization	**4,901**	3,379
Traveling and transportation expenses	**1,388**	1,216
Utilities and office expenses	**1,126**	269
Others	**6,465**	5,161
Total	**219,697**	238,506

Other Expenses

Our other expenses mainly consist of foreign exchange differences and others.

Our other expenses decreased from RMB7.0 million in 2021 to RMB0.1 million in 2022. The decrease was primarily attributable to the reduction in net foreign exchange losses from our U.S. Dollar denominated proceeds due to the appreciation of U.S. Dollar against RMB.

Finance Costs

Our finance costs mainly consist of interest on lease liabilities.

Our finance costs remained relatively stable, which decreased from RMB130,000 for the year ended 31 December 2021 to RMB113,000 for the year ended 31 December 2022.

Income Tax Expenses

No provision for Mainland China income tax has been provided for at a rate of 25% pursuant to the Enterprise Income Tax Law of the PRC and the respective regulations, as we had no estimated assessable profits for the year ended 31 December 2022.

Loss for the Year

Based on the factors described above, our net losses amounted to RMB500.7 million and RMB440.9 million in 2021 and 2022 respectively.

Working Capital

Our primary uses of cash related to the R&D of our product candidates and capital expenditures. Our net cash used in operating activities was RMB158.5 million in 2022, primarily due to the significant R&D expenses and administrative expenses we incurred during the Reporting Period. Our operating cash flow will continue to be affected by our R&D expenses. During the Reporting Period, we primarily funded our working capital requirements through capital contributions from our Shareholders. We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. Going forward, we believe our liquidity requirements for conducting our R&D activities and realizing the commercialization of our product candidates, as well as supporting our future expansion plans will be satisfied by using funds from a combination of our cash and bank balances, net proceeds from the Global Offering and other funding sources as we believe appropriate.

Our net cash used in investing activities was RMB146.6 million in 2022, primarily due to the purchases of items of property, plant and equipment, acquisition of leasehold land, and purchases of financial assets at fair value through profit or loss during the Reporting Period.

Our net cash generated from financing activities was RMB188.9 million in 2022, primarily due to the net proceeds we received from the Global Offering.

As of 31 December 2022, we had cash and cash equivalents of RMB727.4 million, representing a decrease of 9.1% compared to RMB800.6 million as of 31 December 2021.

Our net current assets increased from RMB779.1 million as of 31 December 2021 to RMB798.6 million as of 31 December 2022, primarily due to an increase in the cash of the Group as a result of the net proceeds we received from the Global Offering.

Capital Expenditure

We regularly incur capital expenditures to expand our operations, upgrade our facilities, enhance our development capabilities and increase our operating efficiency. Our capital expenditures primarily consist of expenditures on machinery and office equipment, as well as leasehold improvements.

Our capital expenditures increased from RMB15.4 million in 2021 to RMB49.6 million in 2022. The increase was primarily attributable to the increase in purchases of machinery, office equipment, leasehold improvements, and acquisition of leasehold land.

Key Financial Ratios

The following tables sets forth the key financial ratios as at the dates indicated:

	As of 31 December	
	2022	2021
Current ratio(1)	**15.1**	16.7
Quick ratio(2)	**14.9**	16.6
Gearing ratio(3)	**4.1%**	3.8%

Notes:

(1) Current ratio is calculated based on total current assets divided by total current liabilities.

(2) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities.

(3) Gearing ratio is calculated based on total liabilities divided by total assets and multiplied by 100%.

Indebtedness

As of 31 December 2022, we did not have any outstanding balance of borrowings or unutilized banking facilities.

Our lease liabilities increased from RMB2.4 million as of 31 December 2021 to RMB3.9 million as of 31 December 2022, primarily because of the increase in leasehold office premises.

Pledge of Assets

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

Contingent Liabilities

As of 31 December 2022, the Group did not have any material contingent liabilities.

Significant Investments, Material Acquisitions and Disposals

For the year ended 31 December 2022, the Group did not hold any significant investments and we did not conduct any material acquisitions and disposals. Save as disclosed in the Prospectus, the Group does not have any specific plan on material investments or capital assets as of the date of this annual report.

Foreign Exchange Exposure

During the Reporting Period, we mainly operated in China and a majority of our transactions were settled in Renminbi, the functional currency of our Company. We are exposed to foreign currency risk mainly arising from exchange rate fluctuations of U.S. dollars against RMB. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider appropriate hedging measures in the future should the need arise.

Material Litigation

The Company was not involved in any material litigation or arbitration during the year ended 31 December 2022. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group as of 31 December 2022.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. LV Shiwen, aged 54, joined our Group as our chief technology officer since January 2013 and has been our Director since April 2018. He was appointed as the Chairman of the Board, chief executive officer of our Company in August 2020, and was re-designated as our executive Director in May 2021. Mr. Lv was responsible for the overall management of business operation, strategy and corporate development of our Group.

Mr. Lv has over 20 years' of experience in the medical devices industry, especially in research and development and production. Mr. Lv led and/or participated in the invention of around 100 types of medical devices, covering cardiovascular products, minimally invasive spine products and endoscopic products, etc. He also participated in the process of development for over 200 registered patents. Mr. Lv was also one of the key research team members in a project for the research and development and application of controllable aortic arch type stent entrusted by the Ministry of Science and Technology of the PRC under the National High-tech R&D Program (863 Program) (國家高技術研究發展計劃(863計劃)). Mr. Lv currently is a member of Zhejiang Pharmaceutical Society Medical Device Expert Committee (浙江省藥學會醫療器械專業委員會) and served as an expert member of the implementation and preparation team in Ningbo 13th Five-year Plan on Technology and Innovation Implementation Plan(寧波市「十三五」科技創新重大專項生物醫藥專項實施方案). He is also a mentor of the Center for China Cardiovascular Innovations (中國心血管醫生創新學院(CCI)).

Prior to joining our Group, Mr. Lv served as a manager of quality control department and production department of MicroPort Medical (Shanghai) Co., Ltd. (微創醫療器械（上海）有限公司), a wholly-owned subsidiary of MicroPort Scientific Corporation (a company listed on the Main Board of the Stock Exchange, stock code: 0853) from May 2000 to November 2001, and he was primarily responsible for quality control and daily management of the production department. He then served as the vice general manager of Lifetech Scientific (Shenzhen) Co., Ltd. (先健科技（深圳）有限公司), a wholly-owned subsidiary of LifeTech Scientific Corporation (a company listed on the Main Board of the Stock Exchange, stock code: 1302) from January 2003 to February 2009. His main responsibilities were research and development, quality control and production management. From March 2009 to December 2011, Mr. Lv served as the general manager of Beijing Puhui Biomedical Engineering Co., Ltd. (北京市普惠生物醫學工程有限公司), a company principally engaged in the development, manufacturing and sales of biological valves, and he was responsible for its daily operations. Mr. Lv has been appointed as a director of Cryofocus Medtech (Shanghai) Co., Ltd. ("Cryofocus") since July 2014 and has been re-designated as a non-executive director of Cryofocus since December 2021. Cryofocus is a company listed on the Main Board of the Stock Exchange since 30 December 2022.

Mr. Lv obtained his bachelor's degree in machinery manufacture and equipment (機械製造工藝與設備) from Harbin Shipbuilding Engineering Institute (哈爾濱船舶工程學院) (currently known as Harbin Engineering University (哈爾濱工程大學)) in July 1993.

Mr. PAN Fei, aged 38, joined our Group in January 2021 and has been our vice president and chief financial officer since then. He was appointed as the Director of our Company in March 2021 and was re-designated as our executive Director in May 2021, being responsible for the overall financial management, legal, investment management, human resources management, business development and financing activities of our Group. Mr. Pan has also been serving as the general manager, legal representative and executive director of Jenscare Hainan since January 2021.

Prior to joining our Group, Mr. Pan successively served as an executive director of asset management department and investment banking department of China International Capital Corporation Limited (a company listed on the Main Board of the Stock Exchange (stock code: 3908) and the Shanghai Stock Exchange (stock code: 601995)) ("CICC") from October 2010 to January 2021. During his time at CICC, Mr. Pan worked on a wide range of mergers and acquisitions and other equity investment transactions, and accumulated extensive investment experience and industry insights. Mr. Pan received his license as an investment principal (投資主辦人) of the Securities Association of China in March 2015, being responsible for the investment management of various collective investment funds. From July 2016 to December 2018, as one of its founders, Mr. Pan served as a member of the investment management committee of CICCB (Shenzhen) Investment Management Centre (Limited Partnership) (金建（深圳）投資管理中心（有限合夥）), an investment management platform focused on investment in biotechnology industry and asset allocation formed by CICC and CCB Trust Co., Ltd. (建信信託有限責任公司). He has been a director of Starway Medical Technology, Inc. (北京華醫聖傑科技有限公司) since May 2021.

Mr. Pan obtained his bachelor's degree in accounting and finance from Lancaster University in July 2008 and obtained his master's degrees in finance from the University of Warwick in November 2009 and in real estate finance research from the University of Cambridge in October 2010 respectively.

Non-executive Directors

Mr. TAN Ching, aged 58, has been a Director since March 2019, and was re-designated as a non-executive Director in May 2021.

Mr. Tan has extensive experience in corporate governance and investment. He has been the executive director and general manager of Shanghai Jiachen Investment Co., Ltd. (上海甲辰投資有限公司) since November 2012.

Mr. Tan obtained his bachelor's degree in biomedical electronic engineering (生物醫學電子工程) from Xi'an Jiaotong University (西安交通大學) in 1985 and master of science degree in engineering from the Johns Hopkins University in May 1995. He received an MBA degree from The University of Chicago in March 2000.

Mr. ZHENG Jiaqi, aged 39, has been a Director since October 2020, and was re-designated as a non-executive Director in May 2021.

Prior to joining our Group, Mr. Zheng served as an associate of CICC from June 2007 to August 2010. He joined Primavera Capital Group as a founding member of the firm in 2010, and became a managing director in 2015, and subsequently a partner. Mr. Zheng has been serving as the director of Lbx Pharmacy Chain Joint Stock Company (老百姓大藥房連鎖股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 603883) since January 2020.

Mr. Zheng obtained his bachelor's of arts degree in economics from the University of Manchester in July 2005 and his master's of science degree in finance from the University of Lancaster in November 2006.

Ms. XIE Youpei, aged 53, has been a Director since November 2011, and was re-designated as a non-executive Director in May 2021. Ms. Xie has been our Director since our establishment and she has a thorough understanding of the affairs of our Group. As such and given her experience in financial management, in addition to participating in decision-making in respect of major matters such as corporate and business strategies as with other non-executive Directors, Ms. Xie also provides invaluable supervision and guidance to our Group on financial matters.

Ms. Xie has around 21 years of experience in financial management. She has served as the manager of the financial department of Romon Co., Ltd. (羅蒙集團股份有限公司) since May 2000.

Ms. Xie obtained her bachelor's degree in accounting and finance from Zhoushan Commerce Institute (舟山商業學校) (currently known as Zhejiang Ocean University（浙江海洋大學）) in July 1991 and college diploma in accounting from Zhejiang Institute of Finance & Economics (浙江財經學院) (currently known as Zhejiang University of Finance & Economics（浙江財經大學）) (a long distance learning course) in October 1995. Ms. Xie was qualified as intermediate accountant accredited by the MOF in May 1999.

Mr. CHEN Xinxing, aged 37, has been a Director since April 2021, and was re-designated as a non-executive Director in May 2021.

Prior to joining our Group. Mr. Chen joined Boston Consulting Group as a senior associate from September 2007 to August 2010. He then joined Morgan Stanley as an associate in the China healthcare team of the investment banking department from August 2012 to April 2014. Mr. Chen served as a principal of the China healthcare team of Actis Capital, LLP from April 2014 to May 2018. From September 2018 to March 2020, Mr. Chen served as an executive director of Huaxing Healthcare Fund (華興醫療產業基金). He has been the executive director of Hillhouse Capital Group.

Mr. Chen obtained his bachelor's degree in finance from the Peking University (北京大學) in July 2007 and received the MBA degree from the Columbia University in May 2012. Mr. Chen is currently qualified as a CFA.

Independent Non-executive Directors

Dr. LIN Shoukang, aged 59, as an independent non-executive Director, is responsible for supervising and providing independent judgment and strategic advice to our Board.

Dr. Lin joined Deutsche Bank and served as the head of economic research of the Greater China from January 1998 to May 1999. He served as the deputy director of China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司) (a company listed on Main Board of the Stock Exchange, stock code: 1359) from May 1999 to October 2000. From November 2000 to November 2018, Dr. Lin served as the head of capital markets department, chief operating officer, head of investment management business, interim CEO, and chairman of management committee respectively during his time in CICC.

Dr. Lin obtained his bachelor's degree in mathematics from the Xiamen University in July 1983, master's degree in economics from Brown University in July 1987 and doctoral degree in monetary economics from Brown University in May 1990. Dr. Lin obtained the qualification of bond market executive (債券市場高管資質) accredited by the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) in May 2015.

Ms. DU Jiliu, aged 53, as an independent non-executive Director, is responsible for supervising and providing independent judgment and strategic advice to our Board.

Ms. Du has extensive experience in accounting and finance. Ms. Du served in CICC from April 2000 to February 2014 as an executive director and successively as the head of finance, during which she has had the experience in preparing, reviewing and analysing financial statements of listed companies and listing applicants. She then joined CICC Fund Management Limited as an executive general manager and later a vice general manager from September 2015 to September 2017, and has been its advisor from October 2017 to December 2021. Ms. Du has also been the director of Zhong Xin Tong Ren Capital Ltd. (中鑫同人資本管理有限公司) since October 2018.

Ms. Du obtained her bachelor's degree in economics from Central Institute of Finance and Banking (中央財政金融學院) (now known as the Central University of Finance and Economics (中央財經大學)) in June 1992. She received her EMBA degree from Shanghai Advanced Institute of Finance of Shanghai Jiao Tong University (上海交通大學上海高級金融學院) in December 2018. She was admitted as a member of China Institute of Internal Audit (中國內部審計師協會) in November 2002 and a fellow of Association of Chartered Certified Accountants in October 2004 and a member of the Chinese Institute of Certified Public Accountant (中國註冊會計師協會) in 1995. Ms. Du obtained a practising qualification in funds (基金從業資格) in November 2014 accredited by Asset Management Association of China (中國證券投資基金業協會).

Dr. MEI Lehe, aged 58, as an independent non-executive Director, is responsible for supervising and providing independent judgment and strategic advice to our Board.

Dr. Mei has joined the department of chemistry of the Zhejiang University (浙江大學) since August 1988. Since March 2009, Dr. Mei successively served as the dean of the school of biological and chemical engineering, director of scientific research division (科研處處長), vice principal (副院長) and currently serves as a professor of the Ningbo Institute of Technology, Zhejiang University (浙江大學寧波理工學院).

Dr. Mei obtained his bachelor's degree in chemistry in 1985, master's degree in chemical engineering in July 1988 and doctoral degree in biochemicals (生物化工) in June 2000 from the Zhejiang University.

SUPERVISORS

Ms. XU Jing (徐婧), aged 34, joined in our Group in March 2021 and has been our Supervisor and the chairwoman of Board of Supervisors since then.

Prior to joining our Group, Ms. Xu has been the general manger of Ningbo Lide Medical Technology Co., Ltd. (寧波理得醫療科技有限公司) since December 2018.

Ms. Xu obtained her bachelor's degree in aircraft manufacturing engineering (飛行器製造工程) from Northwestern Polytechnical University (西北工業大學) in July 2010, and her master's and doctoral degree in mechatronics from Université de Technologie de Compiègne in Compiègne, France in July 2012 and October 2016 respectively.

Mr. TANG Hao (唐皓), aged 38, joined our Group in October 2020 and has been our Supervisor since then.

Prior to joining our Group, Mr. Tang served as a project manager of BDO China Li Xin Da Hua Certified Public Accountants Co., Ltd. (立信大華會計師事務所有限公司)(now known as Da Hua CPAs (Special General Partnership), Shenzhen office (大華會計師事務所(特殊普通合夥)深圳分所)). He also served as an investment manager of Shenzhen Extra Investment Co., Ltd. (深圳市鼎泓乘方投資有限公司). He has been the assistant to the general manager of Ningbo Linfeng since June 2014, and the director and chief finance officer of Ningbo Pharmaceuticals Co., Ltd. (寧波藥材股份有限公司) since June 2016.

Mr. Tang obtained his bachelor's degree in finance management (財務管理) from Huazhong University of Science and Technology (華中科技大學) in June 2007.

Mr. HU Bo (胡波), aged 33, has been our Supervisor since March 2021. Mr. Hu joined our Group in February 2019 and is currently serving as our IT director since January 2023.

From February 2018 to January 2019, Mr. Hu served at HicRen Biotechnology Co., Ltd. (寧波華科潤生物科技有限公司) ("**HicRen**"), and during his term of office there, he served as an IT specialist from February 2018 to January 2019. From February 2019 to September 2019, Mr. Hu was an IT specialist at our Company. From October 2019 to January 2020, he was an assistant engineer at HicRen.

Mr. Hu obtained his bachelor's degree in software engineering (軟件工程) from Tianjin University of Science and Technology (天津科技大學) in June 2013.

SENIOR MANAGEMENT

For full details of senior management who are also our Directors, see "– Directors – Executive Directors" in this section.

Mr. LV Shiwen (呂世文), is an executive Director, chairman of the Board, chief executive officer and chief technology officer of our Company.

Mr. PAN Fei (潘斐), is an executive Director, vice president and chief financial officer of our Company.

Mr. LI Yibin (李毅斌), aged 37, has been our vice president since February 2016. Mr. Li joined our Group in November 2011 and successively served as project principal and manager of the R&D department of our Group. Mr. Li is responsible for the overall daily operation of our Group, including quality control, regulatory registration and IP related works.

Prior to joining our Group, Mr. Li worked in MicroPort Medical (Shanghai) Co., Ltd. (微創醫療器械(上海)有限公司), a wholly-owned subsidiary of MicroPort Scientific Corporation (a company listed on the Main Board of the Stock Exchange, stock code: 00853) from October 2010 to August 2011. Mr. Li participated in the China Innovation Funding (國家重點研發計劃) launched by the Ministry of Science and Technology of the People's Republic of China (中華人民共和國科學技術部).

Mr. Li obtained his bachelor's degree in mechanical manufacturing and automation (機械製造及自動化) from South China University of Technology (華南理工大學) in July 2008 and master's degree in material processing engineering (材料加工工程) from Shanghai Jiao Tong University (上海交通大學) in March 2011.

Mr. LI Biao (李彪), aged 38, has been our vice president since May 2021. Mr. Li joined our Group in October 2014 as the project manager of R&D department and has successively been a vice president of Ningbo Diochange since February 2017. He was appointed as the executive director and general manager of Ningbo Diochange since August 2020. Mr. Li is responsible for the overall research and development activities and overall business operations of Ningbo Diochange.

Prior to joining our Group, Mr. Li served as an R&D engineer and project manager of Microport Endovascular (Shanghai) Co., Ltd. (微創心脈醫療科技(上海)有限公司, currently known as 上海微創心脈醫療科技(集團)股份有限公司) (a company listed on the science and technology innovation board of the Shanghai Stock Exchange, stock code: 688016), a subsidiary of MicroPort Scientific Corporation (a company listed on the Main Board of the Stock Exchange, stock code: 00853) from April 2009 to September 2014, and he was primarily responsible for the improvement of the design and the materials of products under research and development. Mr. Li participated in the Science and Technology Innovation 2025 Major Projects (科技創新2025重大專項) and several science and technology projects at provincial and ministerial level.

Mr. Li obtained his bachelor's degree in material science and engineering (材料科學與工程) from Tongji University (同濟大學) in July 2006 and master's degree in material science from Donghua University (東華大學) in March 2009.

Mr. ZHANG Ruinian (張瑞年), aged 59, joined our Company in January 2023 and has been our vice president since then, being responsible for overseeing the commercialization of our products.

Mr. Zhang has over 20 years of experience in the fields of cardiovascular, general surgery, orthopedics, neurosurgery and neurovascular, in vitro diagnosis, diabetes and medical analytical instruments. Prior to joining our Group, Mr. Zhang served as the general manager of the Greater China region at Kexin Medical Technology (Shanghai) Co., Ltd. (恪心醫療科技(上海)有限公司). He also held senior management positions in various well-known global and domestic companies, including Xi'an Janssen Pharmaceutical Co., Ltd. (西安楊森製藥公司, Rhone-Poulenc Rorer S.A (China) (羅納普朗克(中國)公司), Medtronic, Inc. (美敦力公司), Baxter International Inc. (百特醫療公司), Edward Lifesciences Corporation (愛德華生命科學公司), Applied Biosystems Inc. (美國應用生物系統公司), Johnson & Johnson Medical (China) Ltd. (強生(中國)醫療器材有限公司), MicroPort Scientific Corporation (微創醫療科學有限公司) (a company listed on the Stock Exchange：stock code 853), Alcon Vision Products (China) Co., Ltd. (愛爾康(中國)眼科產品有限公司), Suzhou Jiecheng Medical Technology Co., Ltd. (蘇州杰成醫療科技有限公司), among others.

Mr. Zhang obtained his bachelor's degree in clinical medicine from the Shanghai Jiao Tong University School of Medicine (上海交通大學醫學院) (formerly known as the Shanghai Second Medical University) (上海第二醫科大學)) in July 1987, and his master's degree in business administration from the University of British Columbia in January 2004.

JOINT COMPANY SECRETARIES

Mr. LI Yuanyuan (李遠源), aged 37, was appointed as our joint company secretary on 21 May 2021 with his appointment taking effect upon Listing. Mr. Li joined our Group in December 2020 and has been our director of finance department since then.

Prior to joining our Group, Mr. Li served as an auditor of Deloitte Touche Tohmatsu Certified Public Accountants LLP (Beijing) (德勤華永會計師事務所有限公司北京分所) from September 2010 to December 2013. He then served as an investment consolidation accountant of Beijing World Xinghui Technology Co., Ltd. (北京世界星輝科技有限責任公司), a wholly-owned subsidiary of 360 Security Technology Inc. (三六零安全科技股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 601360) from February 2014 to September 2015. From March 2016 to November 2016, he served as a senior finance manager of Baofeng Technology Co., Ltd. (暴風科技股份有限公司). He then served as a director of finance of CICCB (Shenzhen) Investment Management Centre (Limited Partnership) (金建(深圳)投資管理中心(有限合夥)) from December 2016 to November 2020.

Mr. Li obtained his bachelor's degree in accounting and finance from the University of Southampton in June 2008 and master's degree in finance from the University of Warwick in November 2009. He was admitted as a fellow of Association of Chartered Certified Accountants in May 2019, a fellow of the Institute of Financial Accountants and the Institute of Public Accountant in August 2022.

Mr. WONG Wai Chiu (黃偉超) was appointed as one of the joint company secretaries of our Company on 21 May 2021 with his appointment taking effect upon Listing. Mr. Wong is the associate director of SWCS Corporate Services Group (Hong Kong) Limited and has extensive compliance and listed corporate secretarial experience including acting as the company secretary, information technology senior management and senior law enforcement officer in the areas of regulatory compliance and enforcement, internal control, corporate governance, company secretarial work, trust, financial crime investigation and forensics accounting in insurer, the Independent Commission Against Corruption and the Hong Kong Stock Exchange.

Mr. Wong is a fellow of the Hong Kong Institute of Chartered Secretaries, a fellow of The Chartered Governance Institute, a member of CPA Australia and a certified trust practitioner of the Hong Kong Trustees' Association Limited.

Mr. Wong has been admitted the degree of Bachelor of Social Sciences by the University of Hong Kong, granted a Postgraduate Diploma in English and Hong Kong Law (Common Professional Examination) from the Manchester Metropolitan University, awarded a Master of Arts in Arbitration and Dispute Resolution degree from City University of Hong Kong and Master of Applied Science degree from the University of Technology, Sydney.

CHANGES IN DIRECTORS' AND SUPERVISORS' INFORMATION

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the CG Code contained in Appendix 14 to the Listing Rules as its own code of corporate governance. During the period from the Listing Date to 31 December 2022, the Company has complied with all applicable code provisions of the CG Code, save and except for the following deviation:

Under paragraph C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Although such appointment is not consistent with such paragraph C.2.1, Mr. LV is our chairman of the Board and the chief executive officer of our Company. With extensive experience in the medical devices industry and having served in our Company since January 2013, Mr. LV is in charge of the overall management of business operation, strategy and corporate development of our Group. Our Board considers that vesting the roles of chairman and general manager in the same person is beneficial to the management of our Group.

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

THE BOARD OF DIRECTORS

Board composition

As at 31 December 2022, the Board consists of two executive Directors, namely Mr. LV Shiwen and Mr. PAN Fei, four non-executive Directors, namely Mr. TAN Ching, Mr. ZHENG Jiaqi, Ms. XIE Youpei and Mr. CHEN Xinxing, and three independent non-executive Directors, namely Dr. LIN Shoukang, Ms. DU Jiliu and Dr. MEI Lehe. A list of the Directors and their roles and functions is published on the websites of the Stock Exchange and of the Company. The overall management and supervision of the Company's operation and the function of formulating overall business strategies were vested in the Board. There are no financial, business, family or other material relationships among members of the Board.

During the year ended 31 December 2022, the Board has at all times met the requirements of Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. The three independent non-executive Directors represent more than one-third of the Board, complying with the requirement under Rule 3.10A of the Listing Rules whereby independent non-executive directors of a listed issuer must represent at least one-third of the board. The Board believes there is sufficient independence element in the Board to safeguard the interest of Shareholders.

Directors' responsibilities

The Board takes the responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitor the performance of the senior executives. The Directors have to make decisions objectively in the interests of the Company. As at 31 December 2022, the Board comprised nine Directors, including two executive Directors, four non-executive Directors and three independent non-executive Directors. Their names and biographical details are set out in the "Directors, Supervisors and Senior Management" section of this annual report.

Liability insurance for Directors and senior management of the Company is maintained by the Company with appropriate coverage for certain legal liabilities which may arise in the course of performing their duties.

Delegation by the Board

The management, consisting of executive Directors along with other senior executives, is delegated with responsibilities for implementing the strategy and direction as adopted by the Board from time to time, and conducting the day-to-day management and operations of the Group. Executive Directors and senior executives meet regularly to review the performance of the businesses of the Group as a whole, co-ordinate overall resources and make financial and operational decisions. The Board also gives clear directions as to their powers of management including circumstances where management should report back, and will review the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

Directors' responsibilities for financial statements

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors also acknowledge their responsibilities to ensure that the consolidated financial statements of the Group are published in a timely manner. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements of the Group on a going concern basis.

Independent non-executive Directors

The independent non-executive Directors play a significant role in the Board by virtue of their independent judgment and their views carry significant weight in the Board's decision. The functions of independent non-executive Directors include bringing an impartial view and judgement on issues of the Company's strategies, performance and control; and scrutinizing the Company's performance and monitoring performance reporting.

All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have made positive contributions to the development of the Company through providing their professional advice to the Board.

All independent non-executive Directors are appointed for a term of three years, which is renewable upon re-election and re-appointment.

Confirmation of independence

The independence of the independent non-executive Directors has been assessed in accordance with the applicable Listing Rules and each of the independent non-executive Directors has provided an annual written confirmation of independence to the Company pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules and are independent.

Board diversity policy

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

As at the date of this annual report, our Board consists of seven male members and two female members with three Directors of age 36 to 38 years old and six Directors of age 52 to 58 years old. Our Company has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable our Company to maintain high standard of operation.

The Nomination Committee will review this Diversity Policy, as appropriate, to ensure its effectiveness.

Gender Diversity

As at the date of this annual report, the Board currently has two female Directors. The Nomination Committee will take opportunities to increase female representation on the Board when selecting and recommending suitable candidates for Board appointments in accordance with the Company's diversity policy and nomination policy. The Group will continue to emphasize training of female talent and providing long-term development opportunities for female staff. As at December 31, 2022, the gender ratio in our workforce for male and female employees were 39.7% and 60.3%, respectively. For a discussion of the gender ratio in the workforce, please refer to the Environmental, Social and Governance Report in this annual report.

Appointment and re-election of Directors

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

Each of the executive Directors, non-executive Directors, independent non-executive Directors and Supervisors has entered into a service contract or a letter of appointment with the Company with a specific term. Such term is subject to his retirement and re-election at the general meeting of the Company in accordance with the Articles of Association.

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

Compensation of Directors, Supervisors and senior management

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

Details of the Directors' and Supervisors' emoluments and emoluments of the five highest paid individuals in the Group are set out in notes 8 to 9 to financial statements on pages 112 to 115 of this annual report. Details of the Executive Directors', Supervisors' and senior managements' emoluments are set out in note 8 to financial statement on pages 112 to 114 of this annual report.

For the Reporting Period, no emoluments were paid by the Group to any Director, Supervisors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the Directors or Supervisors has waived any emoluments for the year ended 31 December 2022.

Except as disclosed above, no other payments have been made or are payable, for the year ended 31 December 2022, by our Group to or on behalf of any of the Directors.

Directors' training and professional development

Every newly appointed Director has been given a comprehensive, formal and tailored induction on appointment. Subsequently, the Directors will receive updates on the Listing Rules, legal and other regulatory requirements and the latest development of the Group's business and are encouraged to participate in continuous professional development to develop their knowledge and skills.

During the year ended 31 December 2022, each Director, namely, Mr. LV Shiwen, Mr. PAN Fei, Mr. TAN Ching, Mr. ZHENG Jiaqi, Ms. XIE Youpei, Mr. CHEN Xinxing, Dr. LIN Shoukang, Ms. DU Jiliu, Dr. MEI Lehe has attended the training courses conducted by the legal adviser of the Company. The content of such training related to the duties of directors and on-going obligations of listed companies. All Directors are encouraged to attend relevant training courses at the Company's expense.

According to the information provided by the Directors, all of the Directors have (i) attended training relevant to the Directors' duties and responsibilities; (ii) read materials relevant to the legal and regulatory updates; (iii) read materials relevant to corporate governance, the Listing Rules and other relevant ordinances, for the Reporting Period.

Board meetings

During the year ended 31 December 2022, eight Board meetings were held at which the Board considered and approved the Global Offering, annual results announcement, annual report and other business affairs of the Group. The Company adopts the practice of holding board meetings regularly, at least four times a year, and at approximately quarterly intervals.

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

	Number of meeting(s) attended/number of meeting(s) held for the year ended December 31, 2022					
Name of Director	**Board**	**Shareholders' General Meeting**	**Audit Committee**	**Remuneration and Appraisal Committee**	**Nomination Committee**	**Strategy Committee**
Executive Directors						
Mr. LV Shiwen	8/8	4/4	N/A	2/2	2/2	1/1
Mr. PAN Fei	8/8	4/4	N/A	N/A	N/A	1/1
Non-executive Directors						
Mr. TAN Ching	8/8	4/4	N/A	N/A	N/A	N/A
Mr. ZHENG Jiaqi	8/8	4/4	N/A	N/A	N/A	N/A
Ms. XIE Youpei	8/8	4/4	N/A	N/A	N/A	N/A
Mr. CHEN Xinxing	8/8	4/4	N/A	N/A	N/A	N/A
Independent Non-executive Directors						
Dr. LIN Shoukang	6/8	2/4	1/1	2/2	2/2	1/1
Ms. DU Jiliu	6/8	2/4	1/1	2/2	N/A	N/A
Dr. MEI Lehe	6/8	2/4	1/1	N/A	2/2	N/A

The Board intends to meet at least four times per year in the future, and the Chairman intends to hold at least one meeting per year with the independent non-executive Directors without the presence of other Directors. None of the board or committee meetings were attended by an alternate of the director.

Nomination policy

The primary responsibilities of the nomination committee are to consider and recommend to the Board suitable and qualified candidates of Directors and to review the structure, size and composition of the Board and the board diversity policy adopted by the Company on a regular basis.

The nomination committee utilizes various methods for identifying candidates for directorship, including recommendations from Board members, management, and professional search firms. In addition, the nomination committee will consider candidates for directorship properly submitted by the Shareholders. The evaluation of candidates for directorship by the nomination committee may include, without limitation, review of resume and job history, personal interviews, and verification of professional and personal references. The Board will consider the recommendations of the nomination committee and is responsible for designating the candidates for directorship to be considered by the Shareholders for their election at the general meeting of the Company, or appointing the suitable candidate to act as Director to fill the Board vacancies or as an addition to the Board members, subject to compliance of the constitutional documents of the Company. All appointments of Director should be confirmed by letter of appointment and/or service contract setting out the key terms and conditions of the appointment of Directors.

The nomination committee should consider the following qualifications as a minimum to be required for a candidate in recommending to the Board to be a potential new Director, or the continued service of existing Director:

- the highest personal and professional ethics and integrity;
- proven achievement and competence in the nominee's field and the ability to exercise sound business judgment;
- skills that are complementary to those of the existing Board;
- the ability to assist and support management and make significant contributions to the Company's success;
- an understanding of the fiduciary responsibilities that is required for a member of the Board and the commitment of time and energy necessary to diligently carry out those responsibilities;
- independence: the candidates for independent non-executive directorship should meet the "independence" criteria as required under the Listing Rules and the composition of the Board is in conformity with the provisions of the Listing Rules.

The nomination committee may also consider such other factors as it may deem are in the best interests of the Company and the Shareholders as a whole.

Mechanism to Ensure Independent Views of Directors

To ensure that the Board can obtain independent views and opinions, our Company has established various formal and informal channels whereby independent non-executive directors can express their opinions in an open and candid manner, and in a confidential manner, should circumstances require.

Independent non-executive Directors provide constructive suggestions to the Board based on objective judgment through formal and informal channels to improve the efficiency and decision-making of the Board. According to the rules of proceedings of the Board, the views of independent non-executive Directors shall be recorded separately for resolutions which require independent non-executive Directors to express their special views. If the views of independent non-executive Directors are inconsistent, their views shall be recorded respectively. For resolutions which are required to be disclosed, the views of independent non-executive Directors shall be disclosed separately.

BOARD COMMITTEES

The Board delegates certain responsibilities to various Board committees. In accordance with the relevant PRC laws and regulations, the Articles and the Listing Rules, we have established our audit committee, remuneration and appraisal committee, nomination committee and strategy committee.

Audit Committee

The Company established an audit committee which consists of three independent non-executive Directors, Ms. DU Jiliu, Dr. LIN Shoukang and Dr. MEI Lehe, with Ms. DU Jiliu being the chairwoman of the committee.

The primary function of the audit committee is to assist our Board in providing an independent view of our financial reporting process, internal control and risk management system, overseeing the audit process and performing other duties and responsibilities as assigned by our Board which includes, amongst other things:

- proposing to the Board of Directors the appointment and replacement of external audit firms, and to consider the proposed audit fees of the auditor;
- supervising the implementation of our internal audit system;
- liaising between our internal audit department and external auditors;
- reviewing our financial information and related disclosures; and
- other duties conferred by the Board.

For the year ended 31 December 2022, the audit committee convened one meeting. The attendance record of the Directors at meetings of the audit committee is set out in the table on page 29. The Audit Committee discussed with the management and the external auditor on the issues concerning accounting policies and practices which may affect the Group, along with financial reporting matters.

Remuneration and Appraisal Committee

We have established a remuneration and appraisal committee which consists of two independent non-executive Directors, Dr LIN Shoukang and Ms. DU Jiliu, and one executive Director, Mr. LV Shiwen, with Dr. LIN Shoukang being the chairman of the committee.

The primary function of the remuneration and appraisal committee is to develop remuneration policies of our Directors, evaluate the performance, make recommendations on the remuneration of our Directors and senior management and evaluate and make recommendations on employee benefit arrangements which includes, amongst other things:

- establishing, reviewing and making recommendations to our Directors on our policy and structure concerning remuneration of our Directors and senior management;
- determining the terms of the specific remuneration package of each Director and members of senior management;
- reviewing and/or approving matters relating to the share scheme pursuant to Chapter 17 of the Listing Rules;
- reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time; and
- other duties conferred by the Board.

No Director nor any of his associates is involved in deciding his own remuneration.

For the year ended 31 December 2022, the remuneration and appraisal committee convened two meetings. The attendance record of the Directors at meetings of the remuneration and appraisal committee is set out in the table on page 29. The Remuneration and Appraisal Committee reviewed the effectiveness of the remuneration policy for directors and senior management.

Nomination Committee

We have established a nomination committee which consists of two independent non-executive Directors, Dr. LIN Shoukang and Dr. MEI Lehe, and one executive Director, Mr. LV Shiwen, with Dr. LIN Shoukang being the chairman of the committee.

The primary function of the nomination committee is to make recommendations to our Board in relation to the appointment and removal of Directors which includes, amongst other things:

- reviewing the structure, size and composition of our Board on a regular basis and making recommendations to the Board regarding any proposed changes;
- identifying, selecting or making recommendations to our Board on the selection of individuals nominated for directorships;
- assessing the independence of our independent non-executive Directors;
- making recommendations to the Board on relevant matters relating to the appointment, re-appointment and removal of our Directors; and
- other duties conferred by the Board.

For the year ended 31 December 2022, the nomination committee convened two meetings. The attendance record of the Directors at meetings of the nomination committee is set out in the table on page 29. The Nomination Committee reviewed the structure, size and composition of the Board.

Strategy Committee

We have established a strategy committee consists of two executive directors, Mr. LV Shiwen and Mr. PAN Fei, with one independent non-executive Director, Dr. LIN Shoukang, with Mr. LV Shiwen being the chairman of the committee. The primary duties of the strategy committee are to study and advise on the long term strategy and operation plans of our Group. The strategy committee will assist the Board, in conjunction with our management, in addressing our Company's overall mission, vision and strategic direction. Areas of focus will include: providing the Board and management, as applicable, with input and recommendations with respect to key strategic initiatives and major R&D programs and partnerships; and assisting management in establishing a strategic planning process, identifying and addressing organizational challenges and evaluating strategic alternatives.

For the year ended 31 December 2022, the strategy committee convened one meeting. The attendance record of the Directors at meetings of the strategy committee is set out in the table on page 29. The Strategy Committee discussed and advised the Board on the long-term development strategies and operation plans of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the guidelines for the Directors' and Supervisors' dealings in the securities of the Company since the Listing and, upon specific enquiries of all the Directors and Supervisors', each of them has confirmed that he complied with all applicable code provisions under the Model Code since the Listing and up to 31 December 2022.

As required by the Company, relevant officers and employees of the Company are also bound by the Model Code, which prohibits them to deal in securities of the Company at any time when he/she possesses insider information in relation to those securities. No incident of non-compliance of the Model Code by the relevant officers and employees was noted by the Company.

REMUNERATION PAYABLE TO MEMBERS OF SENIOR MANAGEMENT

Pursuant to code provision E.1.5 of Part 2 of the Corporate Governance Code, the annual remuneration of members of the senior management by band for the year ended 31 December 2022 is set out below:

Remuneration band	Number of members of senior management
Nil to HK$1,000,000	1
HK$1,000,001 to HK$2,000,000	1
HK$2,000,001 to HK$3,000,000	2

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties including:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to develop, review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with Appendix 14 to the Listing Rules (Corporate Governance Code and Corporate Governance Report).

The Board had performed the above duties during the year ended 31 December 2022.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness in order to achieve the Company's objectives. The Company adopted a series of internal control policies, measures, and procedures designed to provide reasonable assurance, which including effective standards, efficient operations, reliable financial reporting and compliance with applicable laws and regulations. The internal control system can only provide reasonable but not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives. The Company's risk management and internal control systems are reviewed annually, and the Company considers that its risk management and internal control systems are effective and adequate. Below is a summary of the internal control policies, measures, and procedures we have implemented:

- The Company conducted, through its internal audit team, an annual audit of the internal controls of each business department, a review on the effectiveness of the risk management and internal control systems and considered them effective and adequate. The audit included reviewing the management of financial statements, purchasing and payment, fixed assets and intangible assets, human resource, research and development, nature and extent of significant risks (and the Company's ability to respond to such risks and changes). The audit procedures could be summarized as below, including not limited:

    - Interview with responsible personnel;

    - Obtain and review the required documents;

    - Test the design and operating effectiveness of the internal control system

- The Company published the risk management and internal control policies, measures and procedures to ensure that the Company maintained reasonable and effective internal controls and compliance with applicable laws and regulations. Besides, the Company insisted on monitoring the implementation of internal control policies, measures, and procedures, making sure that they were the most updated version based on the current business model.

- The Company implemented the relevant internal control policies, measures and procedures on the site and making regular inspections about the on-site implementation of such policies, measures, and procedures for each stage of the Company's development process.

- The Company adopted various measures and procedures regarding each aspect of the Company's business operation, such as project management, quality assurance, environmental protection, and occupational health and safety. The Company provided the periodic training for the employees, which was one part of Employee Training Program. The Company also required the staff to carry out business activities in accordance with relevant laws, regulations and Company policies by regularly communicating updates and reminders through emails, staff meetings.

- The Company has developed internal policies that provide general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to prevent unauthorized access and use of inside information.

- The Company has also developed a risk management process to identify, evaluate and manage significant risks and to resolve material internal control defects. Senior management of the Group is responsible for the risk reporting process. Risks identified are documented and mitigation plans are deviced. The risk assessment is reviewed by certain members of the senior management and presented to the Audit Committee and the Board for their review.

- The audit committee had the responsibility for monitoring the effectiveness of the risk management and internal control systems. It is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective internal control systems.

- The Company engaged Somerley Capital Limited as the compliance adviser to provide professional advice to Directors and management team for the period commencing from the Listing Date and the ending on the date that our Company dispatched its annual report in respect of the first full financial year results regarding of the Listing Rules.

We are exposed to various risks during our operations and have established risk management systems with relevant policies and procedures that we believe are appropriate for our business operations.

Our policies and procedures relate to the R&D, manufacture and future commercialization of our products. To monitor the ongoing implementation of our risk management policies and corporate governance measures, we have adopted, among other things, the following risk management measures:

- establish an audit committee to review and supervise our financial reporting process and internal control system;

- adopt various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions, anti-corruption and anti-bribery compliance and information disclosure;

- arrange the training session for our Directors, Supervisors and senior management to attend regarding the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong; and

- engaged Somerley Capital Limited as the compliance adviser to provide professional advice to Directors and management team for the period commencing from the Listing Date and the ending on the date that the Company dispatched this annual report in respect of the first full financial year results regarding of the Listing Rules.

- The Company has also established policies and systems that promote and support anti-corruption laws and regulations. We require our employees to follow our employee manual and code of business conduct and ethics, which contains internal rules and guidelines regarding best commercial practice, work ethics, fraud prevention mechanisms, negligence and corruption. We also carry out regular on-the-job compliance training to our senior management and employees to maintain a healthy corporate culture and enhance their compliance perception and responsibility. Our staff can anonymously report any suspected corrupt incident to the Company.

  The Company has established a whistle-blowing policy and a system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matter related to the Company.

ENVIRONMENTAL POLICIES AND PERFORMANCE

It is our corporate and social responsibility in promoting a sustainable and environmental-friendly environment. The Group strives to minimize our environmental impact and to build our corporation in a sustainable way. The Group is subject to environmental protection and occupational health and safety laws and regulations in China. For the year ended December 31, 2022, the Group complied with the relevant environmental and occupational health and safety laws and regulations in China and we did not have any incidents or complaints, which had a material and adverse effect on our business, financial condition or results of operations. For details, please refer to the section headed "Environmental, Social and Governance Report" of this annual report.

AUDITOR'S REMUNERATION

For the year ended 31 December 2022, the remunerations paid or payable to Ernst & Young, the external auditor of the Company, in respect of its audit services are RMB2,000,000. A statement by Ernst & Young about their reporting responsibilities for the financial statements is included in the Independent Auditors' Report on pages 87 to 88.

Details of the fees paid/payable in respect of the audit provided by Ernst & Young for the year ended 31 December 2022 are set out in the table below:

Services rendered for the Company	Fees paid and payable RMB'000
Audit services	2,000

The fees excluded the service fees paid/payable to Ernst & Young as the reporting accountant of the Company in connection with the IPO. No non-audit services were provided by the external auditor of the Company for the year ended December 31, 2022.

JOINT COMPANY SECRETARIES

Directors have access to the services of the joint company secretary to ensure that the board procedures are followed. The current joint company secretaries of the Company are Mr. LI Yuanyuan ("Mr. LI") and Mr. WONG Wai Chiu ("Mr. WONG").

Mr. WONG is an associate member of The Hong Kong Institute of Chartered Secretaries, and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules. In compliance with Rule 3.29 of the Listing Rules, Mr. LI and Mr. WONG have undertaken no less than 15 hours of relevant professional training during the year of 2022. The main contact person of Mr. LI and Mr. WONG in the Company is Mr. Li.

The biographies of Mr. LI and Mr. WONG are set out in the "Directors, Supervisors and Senior Management" section on page 25 of this annual report.

DIVIDEND POLICY

The Company has a policy on payment of dividends pursuant to code provision F.1.1 of the CG Code as follows:

According to the Articles of Association, the Company may distribute dividends in the form of:

(1) cash;

(2) shares; or

(3) other manners permitted by by laws, administrative regulations and regulatory rules of the place where the shares are listed.

The Company shall pay cash dividends and other payments in RMB payable to the holders of domestic shares. Cash dividends and other payments payable to the holders of H Shares shall be calculated and declared in RMB by the Company, and such distribution shall be handled in accordance with applicable regulations on foreign exchange control of the PRC.

Unless otherwise provided for in relevant laws and administrative regulations, where cash dividends and other funds are to be paid in Hong Kong dollars, the applicable exchange rate shall be the average of the mid-point rate for the relevant foreign currency announced by the Peoples' Bank of China during the week prior to the announcement of payment of dividend and other funds.

Subject to the applicable laws and the Articles of Association, any future determination to pay dividends will be based on a number of factors, including the Company's future operations, capital requirements, general financial condition and other factors that the Board may deem relevant.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting and putting forward proposals

According to the Articles, the Board shall issue a notice to convene an extraordinary general meeting within 30 days when Shareholders individually or jointly holding more than 10% of the Company's Shares request in writing to hold an extraordinary general meeting. The Board will attend the extraordinary general meeting as far as practicable. Besides, according to the Articles of Association, Shareholders individually or jointly holding more than 3% of the Company's Shares may propose and submit an interim proposal in writing to the convener ten days prior to date of the meeting. The convener shall dispatch a supplementary notice of the Shareholders' general meeting within two days after receipt of the proposals and announce the contents of such interim proposal.

As regards the procedures for shareholders to propose a person for election as a Director, they are available on the Company's website at **www.jenscare.com**.

Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the joint company secretary of the Company at the Company's principal place of business in Hong Kong at 40/F, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong. The Company will not normally deal with verbal or anonymous enquiries.

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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. In order to promote effective communication, the Company has adopted a shareholder communication policy that aims at establishing a two-way relationship and communication between the Company and the Shareholders. 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.

To promote effective communication, the Company maintains a website at **www.jenscare.com**, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

During the Reporting Period, the Board has reviewed the effectiveness of the Company's shareholder communication policy. The Company believes that the Company's shareholder communication policy has facilitated adequate communication with Shareholders and considers the policy to be effective and appropriate.

Shareholders are entitled to supervise the business operations of the Company and put forward recommendations or enquiries in relation thereto. Shareholders and public investors are welcome to make enquiries and put forward suggestions to the Company, and the Board will strive to attend the general meeting so as to answer the questions of the Shareholders. In addition, Shareholders may send their written concerns and enquiries that need to be brought to the attention of the Board by email to the Company's email address at IR@jenscare.com.

CHANGES IN CONSTITUTIONAL DOCUMENTS

The Articles was adopted with effect from the Listing Date. Pursuant to a special resolution of the Board passed on 18 November 2022 under the authorization granted by the 2021 fourth extraordinary general meeting and a special resolution of the Shareholders passed on 23 December 2022, the amended and restated Articles of Association was adopted with effect from the same date, respectively. The amendment was adopted in order to update the share capital and the names of certain shareholders of the Company set out in Article 3.5 of the Articles of Association. For further details, please refer to the circular of the Company dated 7 December 2022.

Save as disclosed above, during the year ended 31 December 2022, the Company has not made any changes to its Articles. The amended and restated Articles of Association is available on the websites of the Company and the Stock Exchange.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1 ENVIRONMENTAL, SOCIAL AND GOVERNANCE OVERVIEW

1.1 Environmental, Social and Governance Report

1.1.1 Company Profile

Jenscare Scientific Co., Ltd. (hereinafter referred to as: the Group) is a medical device company developing innovative solutions focusing on structural heart diseases. Since our establishment in 2011, the Group has successfully developed a number of proprietary innovative products covering tricuspid valve, mitral valve, aortic valve, heart failure treatment, and cardioembolic thrombi prevention, and is continuously expanding our product pipeline with the aim of providing "heart power" to patients worldwide who do not have access to effective treatment solutions.

1.1.2 Basis of Report Preparation

The key performance indicators in this Environmental, Social and Governance Report (hereinafter referred to as: the Report) have been prepared with reference to the relevant calculation criteria and methodology provided in the Environmental, Social and Governance Reporting Guidelines as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The content of the Report has been defined and disclosed in accordance with the principles of materiality, quantitative, balance and consistency, and the calculation and coverage are consistent with that of the annual reports, and have been presented in such a way as to avoid selections, omissions or presentation formats that might influence the reader's decision or judgment. The standards, methodologies, assumptions and calculation tools for the reporting of emissions and energy consumption is in accordance with Reporting Guidance on Environmental KPIs and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

1.1.3 Reporting Coverage

The Report summarizes the annual performance of the Group in environmental, social and governance aspects, so that all stakeholders can have a better understanding of the sustainable development philosophy, management methods, measures and related performance of the Group. The Report specifies the principles that the Group upholds in fulfilling its corporate social responsibility, and sets forth the Group's vision and commitment to corporate social responsibility. The Report covers the Company and each of its subsidiaries and branches, and this annual report covers the period from 1 January 2022 to 31 December 2022.

1.1.4 Our Mission and Vision

As a medical device company with global presence, the Group is committed to becoming a global leader of innovative solutions for structural heart diseases, developing innovative products for the treatment of structural heart diseases, strategically focusing on the large, under-penetrated and fast-growing market for the treatment of structural heart diseases and developing comprehensive treatment solutions for different types of structural heart diseases.

The Group's corporate vision is to become a leading global medical technology platform with a full range of innovative products for the treatment of structural heart diseases. The Group recognizes that the Group's business is closely linked to the lives of patients, and it is the Group's responsibility and honor to continue to provide safe and effective treatment solutions to patients. The Group will strive to fulfill its corporate responsibility of giving back to the community and will adhere to a sustainable development path.

The Board of Directors of the Group is the highest decision-making body for ESG governance, which sets the ESG strategy and objectives of the Group and achieves reduction of carbon emissions at the current stage and analysis of the current situation through daily management. Based on the industry trends and the practices of outstanding peers, the Group continues to make efforts in the area of climate change adaptation and mitigation by strengthening energy consumption management, implementing energy saving and emission reduction measures, using energy-saving equipment, and enhancing the recycle of waste parts of equipment. The Board of Directors of the Group seeks to integrate the practice of sustainable development concepts into the Group's daily operation so that the overall strategic direction of the Group is in line with sustainable development objectives.

1.2 HONORS AND STAKEHOLDERS OF THE GROUP

1.2.1 Overview of Corporate Honor

In 2022, the Group was listed on various of lists, such as "Top10 Innovative Listed Companies in China's Health Industry 2022 (2022中國大健康產業創新上市企業TOP10)" and "Top100 Most Innovative Medical Technology Products 2022 (2022年度最具創新性醫療科技產品TOP100)", and won the awards of "Most Popular IPO Company (最受投資者歡迎新股公司)", and "Most Valuable IPO of the Year (年度最具投資價值IPO)" in the Golden Grid Award for Greater China's Outstanding Listed Companies 2022 (2022年度金格獎大中華區卓越上市公司).

1.2.2 Stakeholders Engagement

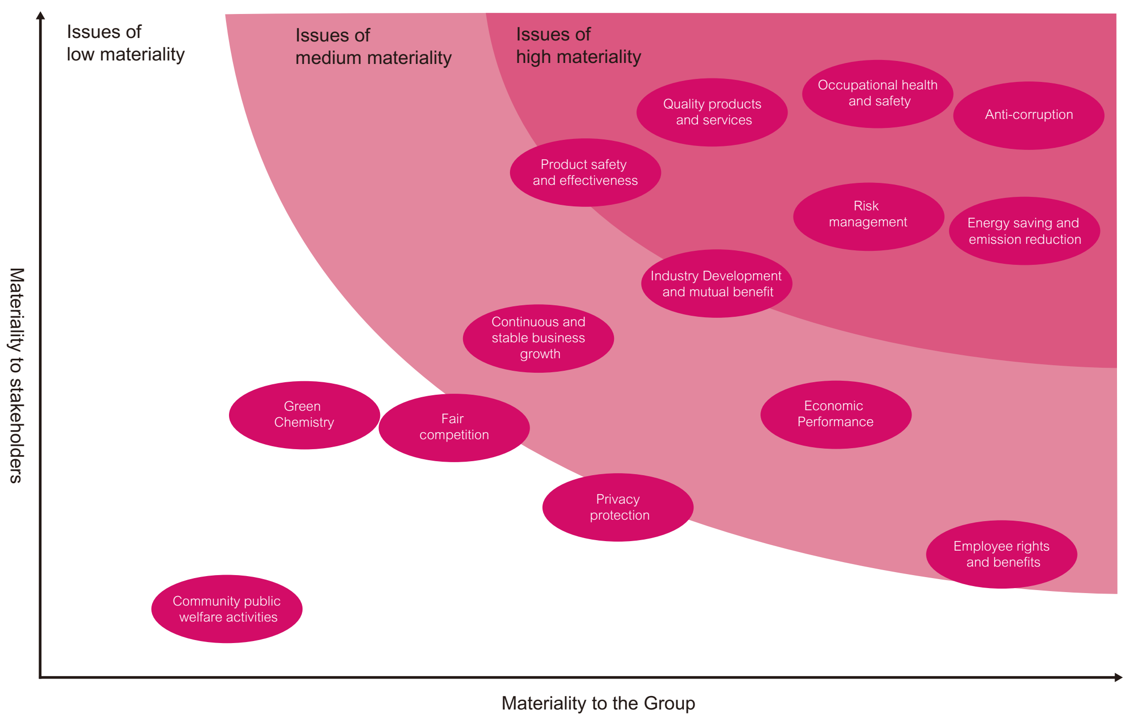
The Group is of the view that maintaining communication with stakeholders is crucial to the Group's sustainable development. Stakeholders of the Group include governments and regulatory authorities, shareholders and investors, customers and partners, suppliers, employees, the community and the public, members of the Board of Directors, doctors and patients, peers and industry associations. The Group actively maintains communication with stakeholders through various channels, and keeps abreast of their opinions and expectations on the Group's sustainable development performance.

Stakeholders	Expectations and Requirements	Ways of Communication
Governments and regulatory authorities	National policies and laws and regulations Emission management Product safety and effectiveness Business ethics and anti-corruption	Institution visits Advice and suggestions Registration and communication Adverse event reporting
Shareholders and investors	Corporate governance Risk management Investment returns Continuous and stable business growth	Shareholders' meeting Information disclosure Investor conference and communication
Partners	Contract fulfilment in compliance with laws Honest operation	Business engagement Exchange seminars
Suppliers	Compliance procurement Win-win cooperation	Business meetings and conferences Review and performance evaluation
Employees	Safeguarding of rights and remuneration packages Occupational health Diversity and equality Career Development	Labor union Information publication Democratic communication platform

Stakeholders	Expectations and Requirements	Ways of Communication
Community and public	Improving the community environment Involvement in public service Openness and transparency of information	Official company website Announcement of the Company Interview and exchange
Members of the Board of Directors	ESG management Risk management Industry development and mutual benefits	Board of Directors
Doctors and patients	Quality products and services Privacy protection	Clinical trials Conferences and meetings Company hotline and email Training and education
Peers and industry associations	Fair competition Contribution to industry development	Industry associations Industry conferences

1.2.3 Materiality Assessment

Based on the environmental and social aspects listed in the Environmental, Social and Governance Reporting Guide, the information collected from stakeholders, and the assessment of business materiality, the Group has established the following materiality matrix to demonstrate the areas of high importance to stakeholders and the Group.



2 CORPORATE ENVIRONMENTAL PERFORMANCE ANALYSIS

2.1 CORPORATE EMISSION RELATED ANALYSIS

The Group adheres to the implementation of sustainable development strategy and strictly complies with relevant laws, regulations, standards and local environmental protection management measures with respect to gas emissions and waste disposal, including but not limited to the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Law of the People's Republic of China on the Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》), the Law of the People's Republic of China on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), Integrated Emission Standards for Air Pollutants (《大氣污染物綜合排放標準》).

2.1.1 Analysis of Corporate Emission Related Indicators

Total emission volume and intensity of corporate exhaust gas

The Group's emissions of exhaust gas mainly include emissions from the Group's own vehicles, mainly comprised of nitrogen oxides (NO_x), sulphur oxides (SO_x) and suspended particulate matter (PM). In 2022, the Group recorded exhaust gas emissions of a total of approximately 62.7 kg, with an emission intensity of approximately 0.2 kg/person.

The volume and intensity of the Group's emissions in 2022 by type of exhaust gas are shown in the table below:

Type of exhaust gas	**Emission volume** (kg)	**Emission intensity** (kg/person)
Nitrogen oxides (NO_x)	57.1	0.2
Sulfur oxides (SO_x)	0.1	0.0
Suspended particulate matter (PM)	5.5	0.0
Total	**62.7**	**0.2**

Notes: (1) Exhaust gas emission mainly includes the exhaust gas generated by the Group's own vehicles;

(2) Emission intensity = emission volume/total number of current employees, same as below.

Total emission volume and intensity of corporate greenhouse gases

The Group's greenhouse gas emissions are classified into two main areas: (i) direct emissions including those from the combustion of fuel by the Group's vehicles, and (ii) indirect emissions including those from purchased electricity. In 2022, the Group recorded a total of approximately 1,270.5 tonnes of carbon dioxide equivalent, for greenhouse gas emissions with an emission intensity of approximately 4,351.0 kg of carbon dioxide equivalent/person.

The Group's emissions in 2022 by type and source of greenhouse gases are shown in the table below:

Direct greenhouse gas emissions

Type of greenhouse gas	**Emission volume** (tonne carbon dioxide equivalent)	**Emission intensity** (kg carbon dioxide equivalent/person)
Carbon dioxide (CO_2)	20.3	69.5
Methane (CH_4)	0.1	0.2
Nitrous oxide (N_2O)	3.0	10.3
Total	**23.4**	**80.0**

Indirect greenhouse gas emissions

Indirect emission sources	**Emission volume** (tonne carbon dioxide equivalent)	**Emission intensity** (kg carbon dioxide equivalent/person)
Electricity usage	1,247.1	4,271.0
Total	**1,247.1**	**4,271.0**

Note: The direct emissions of greenhouse gases mainly include the greenhouse gases generated by the Group's own vehicles.

Total discharge volume and intensity of corporate solid waste

The Group advocates energy saving and waste reduction and strictly regulates the management of solid waste generation and discharge in the course of operation. The Group's waste is mainly the waste generated from daily office work. In 2022, the waste discharged by the Group mainly included 0.1 tonnes of used dry batteries and 0.1 tonnes of office paper. The Group collected the waste and commissioned hazardous waste disposal companies to handle it.

The discharge volume and intensity of the Group's wastes by type in 2022 are shown in the table below:

Type of waste	Discharge volume	Discharge intensity
Hazardous waste		
Used dry batteries	0.1 tonnes	0.3 kg/person
Non-hazardous waste		
Office paper	0.1 tonnes	0.3 kg/person

2.1.2 *Emission and waste reduction measures and targets implemented by enterprises*

Emission reduction targets set by enterprises and corresponding measures

The Group strictly complies with the major laws and regulations promulgated by the State in relation to pollutant emissions, including the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and the Comprehensive Emission Standards for Air Pollutants (《大氣污染物綜合排放標準》), etc., implements relevant environmental protection facilities and measures and strictly controls the disorganised emissions of exhaust gases. The Group's administrative departments strictly manage vehicles on a daily basis, including the inspection, maintenance and energy consumption management of public vehicles, and strictly approve the use and registration system, make reasonable arrangements, co-ordinate the deployment, reasonably select the routes used for vehicle travel, reduce the number of empty vehicle miles, promote the concentration of vehicles in close proximity to each other and improve the efficiency of use; conduct regular training for drivers on fuel saving, maintenance and repair of vehicles, regulate driving operations, improve business skills, use vehicles scientifically and reduce fuel consumption and maintenance costs. The Group has also implemented a system for the sealing of public vehicles during festivals and holidays, so that excess vehicles can be sealed in a timely manner and private use of public vehicles can be eliminated.

In the future, the Group will continue to strive for energy saving and emission reduction by continuously improving the energy efficiency of the Group's facilities and further reducing the Group's total emissions by improving corresponding measures to minimize the possible impact of the Group's production and operation on the environment.

Methods of waste disposal, waste reduction targets and measures for enterprises

The Group strictly complies with the Law of the People's Republic of China on the Prevention and Control of Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》) and other relevant national and local laws and regulations on the management of pollutant discharge, and has formulated the Waste Management System (《廢棄物管理制度》), which clearly regulates the Group's internal instructions and authority on waste management and waste disposal work procedures. The Group requires its staff to make reasonable use of various maintenance consumables, so as not to waste or dispose of them indiscriminately, and to make full use of them in maintenance tasks; and to make full use of various equipment waste. The Group reassembles damaged valves, pumps, motors and other equipment so as to reuse the waste parts and maximise the savings in maintenance costs; minimises printing and copying; and prints all paper materials and daily documents for in-company transmission on both sides to minimise paper waste. The Group continuously monitors the disposal of waste to ensure the effective operation of the relevant environmental protection measures and the compliance of the Group's business operations.

2.2 Analysis Related to the Use of Corporate Resources

2.2.1 Structure of major corporate energy consumption

The Group advocates the conservation of resources and energy, reduces the consumption of energy and raw materials, strengthens energy management and enhances the rational use of energy, thereby reducing the consumption of energy and raw materials, and enhances the recycling of energy and resources in the production process to the maximum extent possible. In 2022, the Group consumed a total of approximately 8,622.0 litres of gasoline, approximately 1.55 million kilowatt hours (kWh) of electricity and approximately 12.0 thousand cubic metres of water resources.

The Group's energy consumption by type in 2022 is shown in the table below:

Energy Type	Consumption	Intensity of consumption
Gasoline	8,622.0 litres	29.5 litres/person
Electricity	1.55 million kWh	5,308 kWh/person
Water	12.0 thousand cubic metres	41.1 cubic metres/person

The following table shows all packaging materials for the Group's finished goods by product packaging material type in 2022:

Product Packaging Materials	Unit	Consumption
Plastic	Tonnes	0.5
Paper	Tonnes	0.5

2.2.2 Energy efficiency targets and measures developed by enterprises

The Group strictly complies with relevant laws and regulations, including but not limited to the Law of the People's Republic of China on Energy Conservation (《中華人民共和國節約能源法》), etc., and has formulated and implemented energy saving measures within the Group. The Group has established a quarterly notification system, held regular production and energy saving meetings, conducted monthly tariff analysis, analysed problems and proposed retrofitting measures for timely rectification. The Group has implemented zone-controlled retrofitting in factories and offices where lighting fixtures are heavily used, reasonably switching on the hours of use according to seasonal characteristics and staff distribution, and gradually phasing out daylight lamps and using energy-saving lamps. Infrared switches were replaced in the corridor lighting to ensure that the lights go out when people leave at night. The Group has strengthened the management of air-conditioning installation and operation, ensuring that the air-conditioning system is thoroughly maintained and cleaned every year, and that dedicated and general air-conditioning units are deactivated in a timely manner according to seasonal changes. In addition, the Group encourages staff to use computers wisely and reduce standby time. Computers, water dispensers, printers and other electrical equipment in office premises must be switched off after work to minimize energy consumption.

The Group has set targets for energy efficiency, which include: seriously determining the energy consumption base for 2022 from the verification, on top of which, a 10% reduction in electricity, 5% in water and 10% in gasoline consumption by 2023, and a reduction in office energy consumption and per capita energy consumption by more than 10% respectively. The Group will continue to monitor the progress of the target achievement and will continue to review and improve its environmental policies and practices.

2.2.3 Objectives and measures for enterprises to find suitable water sources and enhance water efficiency

The Group regards water conservation as an environmental obligation to be fulfilled in the course of its business development. The Group enhances water efficiency and strengthens the daily maintenance and management of the Group's water-using equipment, rigorously checks for leaks, and eliminates faults in a timely manner; consciously develops the habit of water conservation by turning off water taps and eliminating the phenomenon of long running water; strengthens the awareness of water conservation and uses water-saving equipment; lowers the water level in the toilet tanks and practically reduces water consumption on the basis of meeting basic needs. The Group did not have any issue in sourcing water that was fit for purpose in 2022.

2.3 Analysis Related to The Business Environment and Natural Resources

2.3.1 Analysis of the significant impact of the enterprise's business activities on the environment and natural resources and related measures

The Group understands that environmental protection is an indispensable social responsibility in corporate development. Therefore, the Group is always mindful of and committed to reducing the impact of its operations on the environment and natural resources. The Group conducts its business operations in accordance with the relevant national environmental protection policies and emission requirements, and has formulated the "Energy Saving Measures of Jenscare Scientific" within the Group and strictly enforces the quarterly reporting system to improve the efficiency of resource utilization and reduce the impact of energy consumption and business activities on the environment and natural resources.

2.4 Analysis Related to Corporate Response to Climate Change

2.4.1 Significant climate-related issues or policies that have an impact on the Group, and actions to address them

As a listed company, the Group is concerned about climate change and actively identifies the risks and opportunities that climate change brings to its operations. For the Group, extreme weather such as heavy rainfall, typhoons and various natural disasters caused by major climate change may have an impact on the Group's operations. The Group uses the Board of Directors as the highest decision-making body for ESG management to formulate actions to address major climate-related issues. At the same time, in the course of the Group's operations, the Group continues to actively identify the risks that climate change may pose to the Group's operations and the possible impact on climate and the environment in the course of its own operations, and continuously strengthens its ability to manage climate risks and opportunities in an effort to minimize the impact on climate change.

3 CORPORATE SOCIAL RESPONSIBILITY ANALYSIS

3.1 Analysis of Current Employment Situation in Enterprise

3.1.1 Employment Principles

The Group believes that human resources are vital to the development of an enterprise and considers it an important corporate responsibility to protect the rights and interests of its employees and to create an inclusive and equal working environment for them. The Group strictly complies with the laws and regulations of the places where it operates, including but not limited to the Labor Law of the PRC (《中華人民共和國勞動法》), the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) and the Regulations Concerning the Labor Protection of Female Staff and Workers (《女職工勞動保護規定》), in the recruitment and employment of employees. In accordance with the relevant laws and regulations, the Group has established an Employee Handbook (《員工手冊》), which clearly sets out the corporate employment guidelines on equal employment and the internal policies on hiring, remuneration, promotion, dismissal, leave and benefits, etc. The Handbook aims to provide employees with a clear understanding of the Group's system and culture, as well as a detailed explanation of the specific rights and interests of employees under the Group's system. At the same time, the Group has set up a labor protection team and established a reporting and grievance mechanism to ensure the effective implementation of the Group's employment policies and to fully protect the rights and interests of the Group's employees. The Group strictly prohibits discrimination on the basis of gender, race, ethnicity, age, religious beliefs, nationality and other forms of discrimination, and always adheres to the concepts of equality, honesty, diversity, transparency and tolerance, in an effort to provide a good working environment for its employees.

3.1.2 Performance Management

In order to scientifically assess the performance of employees and to provide timely recognition of their contributions, the Group has established a fair and transparent performance management system. Under this system, the Group has set up monthly, quarterly, semi-annual and annual appraisals for its employees, and provided employees with the opportunity to set performance targets with their department heads at the beginning of each appraisal cycle. To help employees achieve personal growth, department heads are responsible for providing coaching and timely feedback to employees, assessing their performance at the end of the appraisal cycle and working with them to set targets for the next performance appraisal cycle. The Group will use the results of the appraisal as the basis for promotion, salary adjustment, annual merit assessment and bonus payment. At the same time, to further ensure the fairness and reasonableness of the performance management mechanism, the Group has established a comprehensive performance grievance mechanism, through which employees can raise objections to the performance appraisal results and communicate with their department heads, supervisors and human resources department to obtain feedback. The Group has established a comprehensive talent assessment mechanism, which covers recruitment, performance appraisal, promotion and other aspects of employment, in an attempt to create a systematic performance management and assessment system for employees and help them achieve personal growth within the enterprise.

3.1.3 Remuneration and Benefits

The Group strictly complies with the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), the Administrative Regulations on Housing Provident Fund (《住房公積金管理條例》) and other relevant laws and regulations, and has formulated the Remuneration Management System (《薪酬管理制度》) to establish a comprehensive remuneration protection system for its employees. In accordance with the characteristics of the positions of its employees, the Group has established a systematic remuneration system for the ranks and strives to provide clear promotion paths for its employees through a fair and transparent remuneration system. The Group fully respects the value of talents and offers competitive remuneration levels in the industry to attract, motivate and retain high-quality talents while providing protection for employees' rights and benefits. The Group's remuneration includes basic salary, share options, various subsidies, project rewards and year-end bonuses. At the same time, the Group also provides various benefits and allowances to its employees, including paid holidays, supplementary medical insurance, long service awards, accommodation and transportation subsidies, meal subsidies, high temperature subsidies and preferential rental flats, etc., in an effort to create a work environment with a sense of affinity and belonging for its employees.

3.1.4 Working Hours and Leave

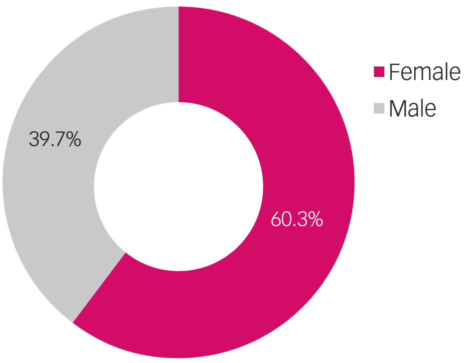
In order to protect the basic rights and interests of employees, the Group has set out clear regulations on the working hours and leave of employees in the Employee Handbook (《員工手冊》). The Group follows the provisions of the Labor Law of the PRC (《中華人民共和國勞動法》) and implements a five-day work week with daily working time of eight hours and an average working time of 40 hours per week. The Group advocates work-life balance and requires all departments to reasonably arrange the workload of employees and complete work within office hours as far as possible. To enhance the protection of employees' rights to rest, the Group has implemented a system for approving applications for overtime work, under which employees are required to submit applications for overtime work in advance for approval by their supervisors. Meanwhile, in order to further help employees achieve work-life balance, the Group requires employees to apply for a time-off of the same length after obtaining approval for overtime work.

The Group provides statutory holidays for its employees in strict accordance with the relevant regulations promulgated by the PRC, including marriage, maternity, paternity, miscarriage, breastfeeding and funeral leave. In the meantime, the Group also provides paid annual leave, sick leave, casual leave and other internal holidays to enhance employee satisfaction, in an effort to create a warm and humane corporate culture.

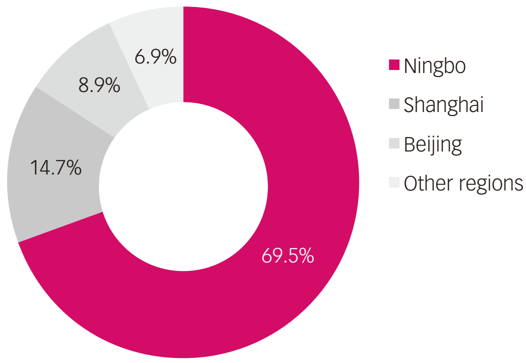
3.1.5 Employee Employment Status

As of 31 December 2022, the Group had a total of 292 employees, of which 203 were located in Ningbo, accounting for 69.5% of the total number of employees. By gender, the majority of the Group's employees are female, accounting for 60.3% of the total number of employees. By age group, employees aged 30 and below, 31-40, 41-50 and 51 and above accounted for 43.5%, 47.6%, 7.2% and 1.7% respectively. By educational attainment, 52.7% of the Group's employees were university graduates or above, representing a relatively high level of education in general. In addition, all 292 employees are full-time employees.

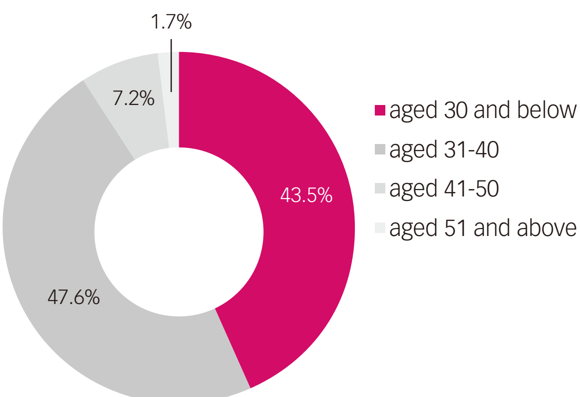
Percentage of on-the-job employees of the Group by major indicators in 2022



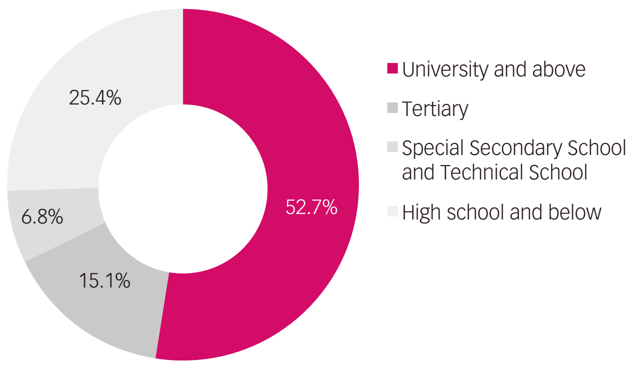
Gender



Work Area



Age



Academic qualifications

3.1.6 Employee Turnover

As of 31 December 2022, the Group's total employee turnover for the reporting period was 67, representing a total employee turnover rate of 18.7%. Of these, the turnover rate by gender was 11.5% for male employees and 22.8% for female employees. By age, the turnover rates for employees aged 30 and below, 31-40, 41-50 and 51 and above were 19.1%, 15.8%, 32.3% and 16.7% respectively. By region of work, the turnover rate in Ningbo was 20.4%, while the turnover rates in Shanghai, Beijing and other regions were 18.9%, 7.1% and 13.0% respectively.

The table below shows the Group's employee turnover for 2022:

Employee turnover rate	**18.7%**
By gender	
Male	11.5%
Female	22.8%
By age	
Aged 30 and below	19.1%
Aged 31-40	15.8%
Aged 41-50	32.3%
Aged 51 and above	16.7%
By region of work	
Ningbo	20.4%
Shanghai	18.9%
Beijing	7.1%
Other regions	13.0%

3.2 Employee Health and Safety Overview

The Group places a high priority on the health and safety of its employees and strives to create a safe workplace for them through comprehensive systems and procedures. The Group strictly abides by laws and regulations such as the Production Safety Law of the PRC (《中華人民共和國安全生產法》), the Occupational Disease Prevention and Control Law of the PRC (《中華人民共和國職業病防治法》), Technical Specifications for Occupational Health Surveillance (《職業健康監護技術規範》) and the Fire Protection Law of the PRC (《中華人民共和國消防法》). It has also regulated the code of conduct of the Group's employees in the Employee Handbook (員工手冊) with regard to the safety of the office environment, in an effort to protect the health and safety of employees on all fronts. The Group provides annual health check-ups for its employees and has established employee health records to ensure the protection of their personal health. The Group has established a comprehensive employee safety management system and provides training to employees on topics such as Level 3 safety education, hazardous chemical safety and protection, and microbiological safety according to the nature of their positions. Currently, the Group has obtained ISO14001, ISO45001 and other system certifications. From 2020 to 2022, there were no work-related fatalities of the Group's employees. The number of working days lost due to work-related injuries during the reporting period was 319. The Group has enhanced the training in its daily operation to raise the traffic awareness of employees.

3.2.1 Production Safety

The health and safety of employees in the Group's production operations has always been of paramount importance, and safety risk management has been integrated into all aspects of production. As the production process of the Group's products involves chemical products and special equipment, the Group strictly complies with the Regulations on the Safety Management of Hazardous Chemicals (《危險化學品安全管理條例》), the Regulations on the Safety Supervision of Special Equipment (《特殊設備安全監督條例》) and other relevant laws and regulations. In accordance with the requirements of the relevant laws and regulations, the Group has established a comprehensive production safety management system and a standardized management system to ensure the standardization and systematization of the production process, minimize the potential safety hazards that may exist in the production process and safeguard the health and safety of production personnel. In the meantime, the Group has set up a production safety management team to monitor and manage the entire production process and conduct regular risk checks to ensure the orderly operation of the system and the effective implementation of the relevant systems. The Group organizes regular production safety-related training to help staff identify and avoid risks in the production process and to enhance their safety awareness.

3.2.2 Fire Safety

In order to effectively reduce the risk of fire incidents, the Group strictly abides by relevant laws and regulations in the course of its operations, strictly implements fire safety related measures and conducts regular risk checks on the Group's fire safety system. The Group has installed fire prevention devices in various areas of the Group and conducts regular fire safety training and fire drills within the Group to enhance the fire safety awareness of all staff and conducts regular tests on the Group's fire evacuation system. The Group's safety management team also regularly monitors the Group's fire safety system, analyzes and summarizes the Group's fire safety, and issues corresponding analysis reports to identify risks in the system in a timely manner and to timely optimize the Group's fire safety system.

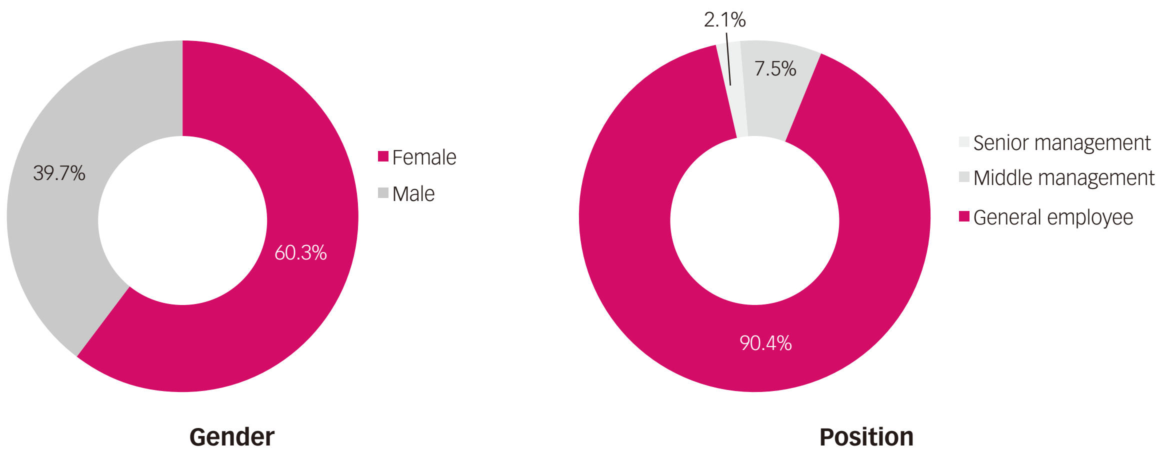
3.3 Employee Development and Training Overview

The Group regards the cultivation of talents as an important responsibility and insists on the mutual growth of employees and the enterprise. While developing the Group's business, the Group strives to establish a quality personal development platform for its employees. The Group has established a comprehensive staff training system and formulated a year-round training plan based on the Group's business development needs and staff's personal growth aspirations. In accordance with the plan, the Group has implemented relevant training for its staff, including induction training, training on job-related professional knowledge and skills, general skills training, management skills training, quality and regulatory training, and legal and compliance training. After the training is completed, the Group will evaluate the effectiveness of the training through questionnaires, interviews and seminars to continuously improve the Group's training system. Meanwhile, the Group regularly organizes internal seminars and sharing sessions for its staff, inviting staff with extensive experience in a particular field to share their knowledge and skills with other staff members of the Group, thereby providing diverse learning opportunities for staff and helping them to develop their skills in multiple dimensions. To further assist employees in their personal career development, the Group has established a mentorship system within the company, providing new employees with one-to-one mentors to work out their personal career development plans with them and provide them with regular guidance and feedback to help them settle into their roles faster and grow within the company. In 2022, the Group's main training topics include "Structured Thinking and Presentation", "Win-Win Business Negotiation", "Guiding Principles for Clinical Evaluation of Medical Devices", "Medical Knowledge Training", "Relevant Product Knowledge Training", "Basic Cardiac Knowledge and Anatomy Practice", and "15 Lectures on Medical Topic Compliance".

3.3.1 Trained Employees

As of 31 December 2022, the total number of trained employees of the Group was 292. By gender, female employees accounted for 60.3% of the total trained employees. By position, general employees were the main group of trained employees, accounting for 90.4%.

Percentage of trained employees of the Group by major indicators in 2022



3.3.2 Average Training Time for Employees

Average training time per employee of the Group in 2022 was 14.8 hours, of which, average training time per male employee and per female employee was 14.0 and 15.4 hours respectively. By position, the average training time per general employee was 14.6 hours, while the average training time for middle management and senior management was 18.3 hours and 13.2 hours respectively.

Average training hours for the Group's employees in 2022 are shown in the table below:

Average training time per employee	**Hour**	**14.8**
By gender		
Male	Hour	14.0
Female	Hour	15.4
By position		
Senior management	Hour	13.2
Middle management	Hour	18.3
General employee	Hour	14.6

3.4 Guidelines and Measures to Prevent Child Labor or Forced Labor

The Group strictly abides by relevant legal requirements such as the Law on the Protection of Minors (《未成年人保護法》) and the Provisions on the Prohibition of Child Labor (《禁止使用童工規定》), insists on legal employment and maintains a zero-tolerance attitude and stance towards any form of child labor and forced labor. In order to ensure that relevant violations of laws and regulations do not occur, the Group's human resources department will conduct comprehensive verification of the documents provided by employees upon their joining the Group and ensure that all employees are of legal working age through background checks by third-party organizations, etc., so as to safeguard the compliance and legality of employment. In the event that child labor is found, the Group maintains a zero-tolerance attitude and it is the responsibility of the relevant personnel to report to the management and the Human Resources Department in a timely manner so that immediate action can be taken to deal with the non-compliance seriously. In 2022, the Group did not have any cases of child labor and forced labor.

3.5 Analysis of the Current Situation of Operation Management

3.5.1 Supplier Overview

The regional distribution of the Group's suppliers in 2022 is shown in the table below:

Total number of suppliers	**Number**	**699**
By region		
PRC	%	94.3%
Out of PRC	%	5.7%

3.5.2 Supplier Management

The Group attaches great importance to the quality of its raw material suppliers and has established a comprehensive supplier management system. The Group has a supplier management system, which provides for important processes such as selection, assessment and annual audits of suppliers. To enhance the management of suppliers, the Group has adopted a stringent selection process for suppliers and has graded suppliers according to the impact of the purchased materials on the final products, adopting different evaluation standards for suppliers of different grades. The Group's Quality Department and related departments will conduct preliminary inspections of suppliers' samples and complete sample evaluation reports. The Procurement Department will conduct quality checks on suppliers who have passed the initial inspection, and will conduct documentary and on-site audits on their production conditions, relevant qualification certificates and operational capabilities according to their material grades. Only suppliers who have passed multiple audits will be included in the Group's list of qualified suppliers. To ensure the quality of the suppliers, the Group conducts annual re-evaluation of the suppliers and uses their historical delivery quality and up-to-date qualifications as an important basis for supplier evaluation, and scores them according to the evaluation results. For suppliers with high scores, the Group will strengthen cooperation with them. For suppliers with unsatisfactory evaluation results, the Group will immediately request them to stop supplying and carry out rectification to strictly safeguard the quality of the materials supplied. In 2022, the Group implemented the relevant supplier engagement management system practices for all 699 suppliers with whom the Group cooperates.

While the Group is concerned about the possible environmental and social risks arising from its own operation, it is equally concerned about the possible environmental and social impacts of its suppliers and regards the construction of a green and sustainable supply chain as an important responsibility of the Group. In order to enhance the identification of environmental and social risks at various stages of the supply chain, the Group conducts comprehensive audits on suppliers when selecting them, including the degree of compliance of their daily operations and their environmental impact in the course of operation. In order to enhance the environmental awareness of the suppliers, the Group will give priority to those suppliers who are qualified and have a higher level of environmental protection. At the same time, the Group will conduct regular reviews on the qualification and operation of the suppliers. If a supplier is found to have a significant negative impact on society and the environment, the Group will issue a feedback letter to the supplier and request it to rectify the problems in a timely manner, so as to control the environmental and social risks in all aspects of the supply chain and enhance the environmental friendliness of the suppliers.

3.5.3 Procurement Management

The Group has a sound procurement management system and is continuously optimizing the existing system to enhance the quality control of the Group's products. The Group has formulated the "Procurement Management Procedure" (《採購控制程序》), which provides detailed information on the duties and authority of the procurement department, specific procurement processes and classification of purchased materials. To strengthen the management of the Group's supply chain, the Group's procurement staff conducts dynamic management of suppliers, continuously monitors suppliers and regularly obtains the latest qualification documents from suppliers. When there are changes in the qualification documents, the Procurement Department is responsible for notifying the relevant departments to re-evaluate the new qualification documents, and then to include them in the list of qualified suppliers after they have passed the audit. To enhance procurement management, the Group plans to apply a digital process management system in the procurement process to strengthen the centralized management of procurement information and enhance the efficiency and transparency of procurement management.

3.6 Product Liability Overview

3.6.1 Health and Safety of Products and Services

As a leader in innovative solutions for structural heart diseases, the Group always adheres to its core commitment to research and innovation, to ensure the safety and effectiveness of the products, and to safeguard the safety of the patients and customers in a bid to provide safe and reliable products to patients around the world. The Group strictly complies with relevant applicable laws and regulations on product health and safety, advertising, labeling and remedies that have a significant impact on the Group, including but not limited to the Medical Instrument Administrative Regulations of the PRC (《中華人民共和國醫療器械管理條例》), the Product Quality Law of the PRC (《中華人民共和國產品質量法》), the Safety Production Law of the PRC (《中華人民共和國安全生產法》), the Advertising Law of the PRC (《中華人民共和國廣告法》) and the Trademark Law of the PRC (《中華人民共和國商標法》). The Group has established a sound quality management system and created documents such as the Quality Management Manual (《質量管理手冊》), Quality Management System (《質量管理制度》), Production Operation Procedures (《生產操作規程》) and Production Management System (《生產管理制度》) in strict accordance with the requirements of relevant laws and regulations, such as "Requirements for Medical Device Quality Management System for Use in Regulations (《醫療器械質量管理體系用於法規的要求》)", "Good Manufacturing Practice for Medical Devices (《醫療器械生產質量管理規範》)" and relevant appendices, and "Guidelines for Field Inspection of Sterile Medical Devices for Good Manufacturing Practice for Medical Devices (《醫療器械生產質量管理規範無菌醫療器械現場檢查指導原則》)". At the same time, the Group will regularly monitor the existing system to ensure the orderly operation of the system in order to fully safeguard the quality of the products. To strengthen the quality management of the Group's products, the Group plans to obtain ISO13458 and other system certifications.

3.6.2 Quality Assurance Process

The Group considers it an important responsibility and honor to provide safe and effective treatment solutions to patients on a continuous basis. In order to safeguard the quality of products, the Group has established an "Inspection Practice Guidelines" (《檢驗作業指導書》) which sets out detailed requirements on the entire process of product quality authentication, including incoming inspection, in-process inspection and outgoing inspection, in an effort to safeguard the quality and safety of products. In respect of incoming inspection, the Group will conduct comprehensive incoming inspection on purchased goods to ensure the safety of raw materials used. For the production process, the Group strictly complies with the requirements of the guidelines and conducts comprehensive monitoring and control on the production environment and workflow of processed products. As for the inspection process, the Group will strictly manage the microbiological limit check and other aspects to ensure that the products meet the requirements of the Group's product quality system. In addition, the Group has established documents such as "Inspection and Testing Control Procedures (《檢驗和試驗控制程序》)", "Warehouse Management System (《倉庫管理制度》)", "Non-conforming Product Control Procedures (《不合格品控制程序》)", "Product Production Information Management System (《產品生產信息管理制度》)" and "Product Expiry Date Management System (《產品有效期管理制度》)" to control the quality of products from various aspects and ensure maximum quality and safety of the Group's products.

3.6.3 Product Recall Procedures

In order to strengthen the management of product quality and to fully protect the health and life safety of patients, the Group has established the Product Recall Management System (《產品召回管理制度》), which sets out clear regulations on the duties and authority of the product recall team, the specific process of product recall, the triggering conditions for product recall, the levels of product recall, the time limit for product recall, the investigation and assessment of potential product safety hazards, the effectiveness of recall and evaluation, and the disposal of recalled products. In 2022, the Group had no commercialized products and therefore no products were subject to recall for safety and health reasons.

3.6.4 Customer Complaints

The Group considers satisfying customers' needs as an important move for the Group, and the continued provision of safe and effective solutions for customers as the core of the Group's work. While continuing to develop its business, the Group is committed to protecting the interests of its customers and enhancing customer satisfaction to the maximum extent possible. In 2022, the Group had no commercialized products and therefore did not have any complaints from customers about the Group's products or services.

3.6.5 Intellectual Property Management

Improving the level of corporate intellectual property management is an important guarantee for strengthening the independent research and development and innovation capability of enterprises. As a medical device company developing innovative solutions targeting different types of structural heart diseases, the Group places a high priority on the deployment and management of intellectual property rights.

The Group strictly abides by the laws and regulations related to intellectual property management, including but not limited to the Patent Law of the PRC (《中華人民共和國專利法》), the Copyright Law of the PRC (《中華人民共和國版權法》) and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》). In order to standardize the intellectual property management and strengthen the core competitiveness of the Group, the Group has formulated the Intellectual Property Management System (《知識產權管理制度》) and regularly updates the contents of the system to ensure its long-term effectiveness. To strengthen the intellectual property management, the Group has set up an Intellectual Property Department, which is responsible for the planning, application, maintenance, operation, risk identification, system establishment and response to litigation of intellectual property rights. At the same time, in order to encourage employees to invent and create and to enhance the overall research and development (R&D) and innovation capability of the Group, the Group has established a comprehensive "Intellectual Property Reward System" (《知識產權獎勵制度》), which defines the reward criteria and the process of reward payout. Meanwhile, the Group's Intellectual Property Department has formulated a patent layout for the Group's core products and planned to promote the protection of intellectual property through its patent operating system. During the reporting period, the "A heart valve prosthesis fixed through a ventricular septum and method of delivery and release thereof (一種通過室間隔固定的心臟瓣膜假體及其輸送和釋放方法)" compiled by the Group's Intellectual Property Department was awarded the Gold Patent Award in the Ningbo Patent Innovation Competition 2022.

3.6.6 Customer Data Protection and Privacy Policy

The Group is committed to protecting the information security, business information and personal privacy of the Group and its customers. The Group strictly complies with the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), the Data Security Law of the PRC (《中華人民共和國數據安全法》), the Network Security Law of the PRC (《中華人民共和國網絡安全法》) and other relevant laws and regulations, and implements strict information security control processes. The Group has formulated the "Company Confidentiality Management System (《公司保密管理制度》)" and has provided detailed regulations and explanations in the Employee Handbook on the confidentiality obligations to be observed by employees as well as the scope of the Group's confidential information, confidential carriers, confidentiality measures, confidentiality responsibilities and penalties, etc., so as to maximize the regulation of employee conduct and ensure the Group's information security. The Group requires all employees to sign the "Employee Confidentiality and Professional Restriction Agreement (《員工保密和敬業限制協議》)" and other relevant documents upon joining the Group, and has made detailed regulations on the use, filing, retention and registration of the Group's information and documents. For employees who violate the Group's confidentiality management system and cause serious losses, the Group will impose serious penalties on them according to the specific circumstances. At the same time, the Group will conduct regular confidentiality education for its staff and regularly monitor and maintain the Group's information security system in an effort to protect the information privacy of the Group's stakeholders.

3.6.7 Brief Analysis of Corporate Anti-corruption Measures

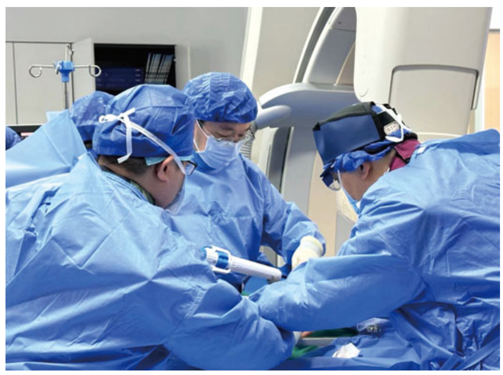
The Group regards honesty, integrity and fairness as core values to be upheld by the entire Board and staff. The Group always strictly complies with applicable laws and regulations in relation to anti-corruption, anti-bribery and anti-money laundering, including but not limited to the Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》) and the Anti-Improper Competition Law of the PRC (《中華人民共和國反不正當競爭法》). The Group provides anti-corruption and anti-commercial bribery training to the Group's board of directors and staff on a regular basis to promote awareness of relevant laws and regulations among the Group's staff and to enhance the standardization of staff conduct. The Group has established an internal whistleblowing policy and a complaint reporting channel through which all employees of the Group can report corruption in the Group. The Group maintains a zero-tolerance attitude towards corruption, bribery, fraud and money laundering to ensure the integrity and efficiency of the Group's operations. If any violation of the relevant laws and regulations and the Group's regulations is discovered, the Group will take serious actions against the staff concerned according to the circumstances of the incident, and if necessary, take measures such as terminating the employment relationship with them and pursuing their legal liabilities. The Group will continue to strengthen its control over any corrupt practices and promote the integrity and ethical standards of all employees, suppliers and partners in order to further promote the sustainable development of the Group. There are no corruption cases against the Group and the Group's employees in 2022.

3.7 Corporate Community Investment Overview

As a corporate citizen, the Group always strives to integrate its own advantages with business characteristics to actively invest in the community welfare. The Group is committed to fulfilling its social responsibility and has long focused on community investment and academic exchange activities in various fields such as health and medical care. In line with our philosophy of "Respect for Life and Pursuit of Excellence (敬畏生命、精益求精)", the Group seeks to develop its business while driving progress in the field of structural heart disease solutions through its own capabilities, and to take up its corporate social responsibility by making the benefit of patients worldwide a key area of concern. The Group's key achievements in community investment in 2022 are set out below:

Online symposium with Xiamen Cardiovascular Hospital affiliated to Xiamen University to promote academic exchange on tricuspid valve interventions on both sides of the Taiwan Strait

CHENG HSIN Live – TAIPEI CHIP&AORTA/VALVE SUMMIT was held online during the period from 2 December 2022 to 3 December 2022. The symposium, organized by Cheng Hsin General Hospital and co-organized by the Taiwan Society of Cardiovascular Interventions and the Xiamen Cardiovascular Hospital affiliated to Xiamen University, is a major conference for the exchange of transcatheter valve technology in Taiwan, aiming to provide a comprehensive exchange of information on the current status and treatment of transcatheter valves on both sides of the Taiwan Strait. At the symposium, a structural heart disease team led by Professor Yan Wang (王焱教授) of Xiamen Cardiovascular Hospital affiliated to Xiamen University performed a transcatheter tricuspid valve replacement surgery on a super-aged patient with severe tricuspid regurgitation using the LuX-Valve Plus (transcatheter tricuspid valve replacement ("TTVR") system) from Jenscare Scientific. The procedure went smoothly and the patient's tricuspid regurgitation improved significantly after the surgery, marking another successful implementation of the LuX-Valve Plus (transcatheter tricuspid valve replacement ("TTVR") system) in Fujian Province and adding to the medical evidence base for tricuspid valve interventions.



The first patient in China who underwent the LuX-Valve transcatheter tricuspid valve replacement surgery has completed the 4-year post-operative follow-up

In September 2022, Jenscare Scientific completed a 4-year post-operative follow-up for the first patient in China who underwent the LuX-Valve transcatheter tricuspid valve replacement surgery. The results of the follow-up showed that the patient was in good physical condition and the fixation of the prosthetic tricuspid valve holder was satisfactory with no regurgitation or perivalvular leakage. This marks an important milestone in China's independent innovation in the field of heart valve intervention, as the safety and efficacy of the LuX-Valve transcatheter tricuspid valve replacement system has been validated by long-term follow-up. The Group will continue to devote itself to the development and innovation of structural heart disease solutions in an effort to bring benefits to more patients through practical actions.

The Group's products were highly recognized at The Structural Heart Summit

In June 2022, the Group's self-developed LuX-Valve transcatheter tricuspid valve replacement products were presented at TVT 2022 – Structural Heart Summit, one of the most authoritative and prestigious summits in the field of structural heart disease worldwide. During the event, Professor Thomas Modine from CHU de Bordeaux, France shared the design concept of the LuX-Valve series and its excellent therapeutic effect, which was highly appreciated and recognized by the experts. Tricuspid regurgitation is one of the most common heart diseases, with a large number of patients. The inability of the tricuspid valve to close completely causes blood to flow backwards from the right ventricle to the right atrium during systole, which over time has a significant detrimental effect on the patient's health and can lead to heart failure. Due to the complex tricuspid valve anatomy and the difficulty of designing an interventional valve, safe and effective treatment options have been lacking for a long time. The Group's LuX-Valve product range is highly recognized by global academic authorities for its unique and ingenious design, which promises to provide patients with an effective long-term solution.

DIRECTORS' REPORT

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the Reporting Period.

GLOBAL OFFERING

The Company is a joint stock company incorporated in the PRC with limited liability. Its H Shares were listed and traded on the Main Board of the Stock Exchange on 10 October 2022. The Prospectus of the Company dated 23 September 2022 has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jenscare.com).

In connection with the IPO, the Company issued 8,076,400 ordinary shares at the offering price of HKD27.80 for a total cash consideration, before deducting the underwriting fees and commissions and other estimated listing expenses, of approximately HKD224.5 million (approximately RMB203.1 million). The nominal value of the share capital, RMB1.00 each, amounting to RMB8,076,400, was credited to the Company's share capital. The excess of the net proceeds converted over the nominal value of the share capital was credited to the Company's share premium. For further details of the allotment, please refer to the Company's announcement dated 7 October 2022.

PRINCIPAL ACTIVITIES

The Company is an international medical device company dedicated to the development of interventional products for the treatment of structural heart diseases. A summary of the corporate information and particulars of its subsidiaries are set out in note 1 to the consolidated financial statements of the Group.

An analysis of the Group's operating results for the year ended 31 December 2022 by its principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report and in the consolidated statement of profit or loss and other comprehensive income on page 89 of this annual report.

BUSINESS REVIEW

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance and an indication of likely future developments in the Group's business is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. These discussions form part of this annual report. Events affecting the Company that have occurred since the end of the financial year is set out in the section headed "Important Events After the Reporting Period" in this annual report. An account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company and a discussion of the Company's environmental policies and performance are set out in the "Environmental, Social and Governance Report".

PRINCIPAL RISKS AND UNCERTAINTIES

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

Risks Relating to our Financial Position and Need for Additional Capital

- We have incurred significant operating losses since our inception, and expect to continue to incur operating losses for the foreseeable future. As a result, you may lose substantially all your investments in us given the high risks involved in the medical device business.

- We had net cash outflows from our operating activities in the past and we will need to obtain additional financing to fund our operations.

Risks Relating to the Development of our Product Candidates

- Our future growth depends substantially on the successful development of our product candidates to commercialization. We may be unable to successfully complete clinical development, obtain regulatory approval and commercialize our product candidates, or experience significant delays in doing so.

- The initial or interim results of clinical trials may not be predictive of the final clinical trial results and may be subject to adjustments.

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

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

- We may not be successful in developing, enhancing or adapting to new technologies and methodologies.

- Our employees, collaborators, service providers, independent contractors, principal investigators, consultants, vendors, CROs and SMOs may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements, which could result in delay or failure to develop our products.

- We may be unable to develop our product candidates as anticipated if the third parties with which we contract for clinical trials do not perform in an acceptable manner or if these third parties do not successfully carry out their contractual duties or meet expected deadlines.

Risks Relating to the Commercialization of Our Product Candidates

- Our product candidates may not be well received by physicians and hospitals, and may face fierce competition against other products upon their commercialization.

- We might not be able to price our products competitively as compared to similar products in the market or other alternative treatment options, and our products might fail to achieve broad market acceptance.

- We may not be able to build, expand or integrate our in-house sales and marketing force successfully.

- Even if we are able to commercialize any of our product candidates, our future pricing strategy and downward pricing of our future products may have a material adverse effect on our business and results of operations.

- Even if we are able to commercialize any product candidates, our sales may be affected by the level of medical insurance reimbursement patients receive for treatments using our products.

- The actual market size of our Core Products may be smaller than we anticipate, which could render them ultimately unprofitable even if commercialized.

- There is no guarantee that we will effectively manage and succeed in expanding and deepening hospital penetration.

Risks Relating to Extensive Government Regulations

- The research, development and commercialization of our product candidates are heavily regulated in all material aspects, and changes in regulatory requirements may adversely affect our business.
- The regulatory approval processes are lengthy, expensive and inherently unpredictable, and we may not be able to obtain, or experience delays in obtaining, required regulatory approvals.

Risks Relating to Manufacture and Supply of Our Product Candidates

- The manufacture of our product candidates is a highly exacting and complex process and subject to strict quality controls. Our business could suffer if our product candidates are not produced in compliance with all the applicable quality standards.
- We may face damage to, destruction of or interruption of production at our facilities.
- We may be exposed to potential product liability claims, and our insurance coverage may be inadequate to protect us from all the liabilities we may incur.
- If we are unable to obtain and maintain patent protection for our product candidates through intellectual property rights, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties may compete directly against us.

Risks Relating to Our Operations

- Our future success depends on our ability to retain key executives and to attract, hire, retain and motivate other qualified and highly skilled personnel.
- We may face intense competition in the medical device business and fail to expand our business successfully.
- Acquisitions or strategic partnerships may increase our capital requirements, dilute our shareholders, cause us to incur debt or assume contingent liabilities, and subject us to other risks.
- If we fail to successfully integrate our recently acquired subsidiary or any future targets into our operations, our post-acquisition performance and business prospects may be adversely affected.

Risks Relating to Doing Business in China

- The medical device industry in China is highly regulated and such regulations are subject to change which may affect approval and commercialization of our product candidates.
- Changes in the political and economic policies of the PRC government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.
- There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth.

Further details of the Company's environmental policies and performance are disclosed in the Environmental, Social and Governance report of the Company for the year ended 31 December 2022 in this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board and senior management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2022, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

FINANCIAL RESULTS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and other comprehensive income of this annual report.

FINAL DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended 31 December 2022.

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

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

AGM will be held on 31 May 2023. The notice of the AGM will be despatched to the Shareholders in due course.

In order to determine the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 14 April 2023 to Wednesday, 31 May 2023, both days inclusive, during which period no transfer of shares will be registered. All transfer documents of the Company accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 13 April 2023. The record date for determining the eligibility to attend the AGM will be on Friday, 14 April 2023.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, the Group's five largest suppliers accounted for 15.8%, as compared to 13.5% of the Group's total purchases for the year ended 31 December 2021. The Group's single largest supplier accounted for 4.0% of the Group's total purchase for the year ended 31 December 2022, as compared to 4.5% for the year ended 31 December 2021.

During the year ended 31 December 2022, none of the Directors or any of their close associates or any Shareholders (which, to the knowledge of the Directors, own more than 5% of total issued Shares of the Company) had any interest in the Group's five largest suppliers.

During the year ended 31 December 2022, the Group had no commercialized products and therefore had no customers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the Reporting Period are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 25 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the Reporting Period are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

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

DEBENTURES

The Group did not issue any debentures during the Reporting Period.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2022 and the state of the Group's financial position as at that date are set out in the consolidated financial statements on pages 89 to 90 of this annual report.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the year ended 31 December 2022 and up to the date of this annual report are:

Executive Directors

Mr. LV Shiwen
Mr. PAN Fei

Non-executive Directors

Mr. TAN Ching
Mr. ZHENG Jiaqi
Ms. XIE Youpei
Mr. CHEN Xinxing

Independent non-executive Directors

Dr. LIN Shoukang
(appointed on 21 May 2021; effective from June 2022)
Ms. DU Jiliu
(appointed on 21 May 2021; effective from June 2022)
Dr. MEI Lehe
(appointed on 21 May 2021; effective from June 2022)

Supervisors

Ms. XU Jing
Mr. TANG Hao
Mr. HU Bo

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

Each of the executive Directors, non-executive Directors, independent non-executive Directors and Supervisors has entered into a service contract or a letter of appointment with the Company with a specific term. Such term is subject to his retirement and re-election at the general meeting of the Company in accordance with the Articles of Association.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent during the year ended 31 December 2022. The Company considers all of the independent non-executive Directors are independent.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No Director or Supervisor of the Company or an entity connected with a Director or Supervisor had a material interest, either 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 or fellow subsidiaries was a party during the Reporting Period.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save as disclosed in this annual report, no other contract of significance was entered into among the Company or any of its subsidiaries and the Controlling Shareholders or any of their subsidiaries, whether for the provision of services or otherwise, during the year ended 31 December 2022.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

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

Long positions in the Shares or underlying Shares of the Company

Name of Director/ Chief Executive	Capacity/Nature of Interest	Class of Shares	Number of Shares[1]	Approximate Percentage of Shareholding in the Company (%)
Mr. LV Shiwen[2][3][4][5]	Beneficial owner; interest in a controlled corporation; interest held jointly with another person	Domestic Shares	151,447,626(L)	36.30
		H Shares	59,344,614(L)	14.23
Mr. PAN Fei[6]	Interest in a controlled corporation	Domestic Shares	32,727,240(L)	7.85

Notes:

(1) The letter "L" denotes the person's long position in the Shares. The calculation is based on the total number of 417,167,290 Shares in issue as at 31 December 2022.

(2) On 16 March 2021, Mr. Lv and Ms. Li entered into a concert party agreement to confirm that they have acted in concert in the management, decision-making and all major decisions of our Group. As such, each of the Concert Parties are deemed to be interested in the Shares each other is interested in.

Ningbo Linfeng beneficially owns 13,720,590 Domestic Shares and 7,388,010 H Shares of our Company and is owned as to 65.00% by Shanghai Shidi, which in turn is wholly-owned by Ms. LI Hui ("Ms. Li"). As such, under the SFO, each of Ms. Li and Shanghai Shidi is deemed to be interested in the equity interests held by Ningbo Linfeng.

Shanghai Shidi beneficially owns 25,589,304 Domestic Shares and 13,778,856 H Shares of our Company and is wholly-owned by Ms. Li. As such, under the SFO, Ms. Li is deemed to be interested in the equity interests held by Shanghai Shidi.

(3) Mr. LV beneficially owns 25,516,296 Domestic Shares and 13,739,544 H Shares of our Company.

(4) Each of Hainan Maidi and Ningbo Sangdi is a limited partnership established in the PRC and one of our ESOP Platforms. Hainan Maidi beneficially owns 41,236,200 Domestic Shares of our Company. Ningbo Sangdi beneficially owns 20,107,386 Domestic Shares and 10,827,054 H Shares of our Company. Ningbo Dixiang is the executive partner of each of Hainan Maidi and Ningbo Sangdi and is owned as to 98% by Mr. Lv.

As such, under the SFO, each of Ningbo Dixiang and Mr. LV is deemed to be interested in the equity interests held by Hainan Maidi and Ningbo Sangdi.

(5) Each of Ningbo Mukang and Ningbo Kefeng is a limited partnership established in the PRC. Ningbo Mukang beneficially owns 16,829,046 Domestic Shares and 9,061,794 H Shares of our Company. Ningbo Kefeng beneficially owns 8,448,804 Domestic Shares and 4,549,356 H Shares of our Company. Ningbo Dixiang is the executive partner of each of Ningbo Mukang and Ningbo Kefeng and is owned as to 98% by Mr. LV.

As such, under the SFO, each of Ningbo Dixiang and Mr. LV is deemed to be interested in the equity interests held by Ningbo Mukang and Ningbo Kefeng.

(6) Hainan Hualing is one of our ESOP Platforms, a limited partnership established in the PRC, and beneficially owned 32,727,240 Domestic Shares of our Company. Hainan Yize Medical Technology Co., Limited (海南一則醫療科技有限公司) ("Hainan Yize") is the executive partner of Hainan Hualing and is owned as to 99% by Mr. PAN Fei.

As such, under the SFO, each of Hainan Yize and Mr. PAN Fei is deemed to be interested in the equity interests held by Hainan Hualing.

Save as disclosed above, as at 31 December 2022, to the best knowledge of the Directors, Supervisors or chief executive of the Company, none of the Directors, Supervisors or 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 its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors of the Company or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, so far as the Directors are aware, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Substantial Shareholder	Capacity/ Nature of Interest	Class of Shares	Number of Shares[1]	Approximate Percentage of Shareholding in the Company (%)
Mr. LV Shiwen[2][3][4][5]	Beneficial owner; interest in a controlled corporation; interest held jointly with another person	Domestic Shares H Shares	151,447,626 (L) 59,344,614 (L)	36.30 14.23
Ms. LI[2][6][7]	Interest in a controlled corporation; interest held jointly with another person	Domestic Shares H Shares	151,447,626 (L) 59,344,614 (L)	36.30 14.23
Ningbo Dixiang[4][5]	Interest in a controlled corporation	Domestic Shares H Shares	86,621,436 (L) 24,438,204 (L)	20.76 5.86
Shanghai Shidi[6][7]	Beneficial owner; interest in a controlled corporation	Domestic Shares H Shares	39,309,894 (L) 21,166,866 (L)	9.42 5.07

Name of Substantial Shareholder	Capacity/ Nature of Interest	Class of Shares	Number of Shares[1]	Approximate Percentage of Shareholding in the Company (%)
Hainan Maidi[4]	Beneficial owner	Domestic Shares	41,236,200 (L)	9.88
Ningbo Sangdi[5]	Beneficial owner	Domestic Shares H Shares	20,107,386 (L) 10,827,054 (L)	4.82 2.60
Ningbo Mukang[6]	Beneficial owner	Domestic Shares H Shares	16,829,046 (L) 9,061,794 (L)	4.03 2.17
Ningbo Linfeng[8]	Beneficial owner	Domestic Shares H Shares	13,720,590 (L) 7,388,010 (L)	3.29 1.77
AUT-VII HK Holdings Limited[9]	Beneficial owner	Unlisted Foreign Shares	21,750,000 (L)	5.21
AUT-VII HOLDINGS LIMITED[9]	Interest in a controlled corporation	Unlisted Foreign Shares	21,750,000 (L)	5.21
Hillhouse Capital Management, Ltd.[9] ("Hillhouse Capital")	Interest in a controlled corporation	Unlisted Foreign Shares	21,750,000 (L)	5.21
Zhuhai Yuheng Equity Investment L.P. (Limited Partnership) (珠海嶼恒股權投資合夥企業(有限合夥))[10] ("Zhuhai Yuheng")	Beneficial owner	Domestic Shares	18,618,120 (L)	4.46
Shenzhen Gao Ling Tiancheng III Investment Co., Ltd. (深圳高瓴天成三期投資有限公司)[10]	Interest in a controlled corporation	Domestic Shares	18,618,120 (L)	4.46
Zhuhai Gao Ling Equity Investment Management Co., Ltd. (珠海高瓴股權投資管理有限公司)[10]	Interest in a controlled corporation	Domestic Shares	18,618,120 (L)	4.46
Ms. MA Cuifang[10]	Interest in a controlled corporation	Domestic Shares	18,618,120 (L)	4.46
Mr. LI Liang[10]	Interest in a controlled corporation	Domestic Shares	18,618,120 (L)	4.46
Hainan Hualing[11]	Beneficial owner	Domestic Shares	32,727,240 (L)	7.85

Name of Substantial Shareholder	Capacity/ Nature of Interest	Class of Shares	Number of Shares[1]	Approximate Percentage of Shareholding in the Company (%)
Hainan Yize Medical Technology Co., Limited (海南一則醫療科技有限公司)[11] ("Hainan Yize")	Interest in a controlled corporation	Domestic Shares	32,727,240 (L)	7.85
Mr. PAN Fei[11]	Interest in a controlled corporation	Domestic Shares	32,727,240 (L)	7.85
Shanghai Jiachen Investment Co., Ltd.) (上海甲辰投資有限公司)[12] ("Shanghai Jiachen")	Interest in a controlled corporation	Domestic Shares H Shares	9,926,280 (L) 15,189,840 (L)	2.38 3.64
Hangzhou Chende Investment L.P. (Limited Partnership) (杭州辰德投資合夥企業(有限合夥))[12] ("Hangzhou Chende")	Beneficial owner	H Shares	10,935,720 (L)	2.62
Janecox Investment IV HK Limited[13]	Beneficial owner	Unlisted Foreign Shares H Shares	6,825,000 (L) 3,675,000 (L)	1.64 0.88
Janecox Investment IV Limited[13]	Interest in a controlled corporation	Unlisted Foreign Shares H Shares	6,825,000 (L) 3,675,000 (L)	1.64 0.88
Duckling Fund L.P.[14] ("Duckling")	Beneficial owner	Unlisted Foreign Shares H Shares	3,536,578 (L) 1,904,312 (L)	0.85 0.46
Grandiflora Hook GP Limited[14]	Interest in a controlled corporation	Unlisted Foreign Shares H Shares	3,536,578 (L) 1,904,312 (L)	0.85 0.46
Lionet Fund, L.P.[14]	Interest in a controlled corporation	Unlisted Foreign Shares H Shares	3,536,578 (L) 1,904,312 (L)	0.85 0.46

Notes:

(1) The letter "L" denotes the person's long position in the Shares. The calculation is based on the total number of 417,167,290 Shares in issue as at 31 December 2022.

(2) On 16 March 2021, Mr. LV and Ms. LI entered into a concert party agreement to confirm that they have been acting in concert in the management and operation of the Group since 1 January 2018, and they have agreed to continue to act in concert and reach consensus on any proposal related to the daily management and operation of the Group presented to the general meeting of the Shareholders of the Company for voting.

(3) Mr. LV beneficially owns 25,516,296 Domestic Shares and 13,739,544 H Shares of the Company.

(4) Each of Hainan Maidi and Ningbo Sangdi is a limited partnership established in the PRC and one of the ESOP Platforms. Hainan Maidi beneficially owns 41,236,200 Domestic Shares of the Company. Ningbo Sangdi beneficially owns 20,107,386 Domestic Shares and 10,827,054 H Shares of the Company. Ningbo Dixiang is the executive partner of each of Hainan Maidi and Ningbo Sangdi and is owned as to 98% by Mr. Lv.

As such, under the SFO, each of Ningbo Dixiang and Mr. LV is deemed to be interested in the equity interests held by Hainan Maidi and Ningbo Sangdi.

(5) Each of Ningbo Mukang and Ningbo Kefeng is a limited partnership established in the PRC. Ningbo Mukang beneficially owns 16,829,046 Domestic Shares and 9,061,794 H Shares of the Company. Ningbo Kefeng beneficially owns 8,448,804 Domestic Shares and 4,549,356 H Shares of the Company. Ningbo Dixiang is the executive partner of each of Ningbo Mukang and Ningbo Kefeng and is owned as to 98% by Mr. LV.

As such, under the SFO, each of Ningbo Dixiang and Mr. LV is deemed to be interested in the equity interests held by Ningbo Mukang and Ningbo Kefeng.

(6) Shanghai Shidi beneficially owns 25,589,304 Domestic Shares and 13,778,856 H Shares of the Company and is wholly-owned by Ms. LI. As such, under the SFO, Ms. LI is deemed to be interested in the equity interests held by Shanghai Shidi.

(7) Ningbo Linfeng beneficially owns 13,720,590 Domestic Shares and 7,388,010 H Shares of the Company and is owned as to 65.00% by Shanghai Shidi, which in turn is wholly-owned by Ms. LI. As such, under the SFO, each of Ms. LI and Shanghai Shidi is deemed to be interested in the equity interests held by Ningbo Linfeng.

(8) AUT-VII HK Holdings Limited beneficially owns 21,750,000 Unlisted Foreign Shares of the Company and is a limited company incorporated in Hong Kong and is owned as to 100% by AUT-VII HOLDINGS LIMITED. AUT-VII HK Holdings Limited is an investment vehicle ultimately managed by Hillhouse Capital. As such, under the SFO, each of AUT-VII HOLDINGS LIMITED and Hillhouse Capital is deemed to be interested in the equity interests held by AUT-VII HK Holdings Limited.

(9) Zhuhai Yuheng is a limited partnership established in the PRC and beneficially owns 18,618,120 Domestic Shares of the Company. Shenzhen Gao Ling Tiancheng III Investment Co., Ltd. (深圳高瓴天成三期投資有限公司) ("Shenzhen Gao Ling") is the general partner of Zhuhai Yuheng. The limited partners investors of Zhuhai Yuheng are private equity funds managed by Zhuhai Gao Ling Equity Investment Management Co., Ltd. (珠海高瓴股權投資管理有限公司) ("Zhuhai Gao Ling"), which is in turn owned as to more than 30% by each of Ms. MA Cuifang (馬翠芳) and Mr. LI Liang (李良), respectively. As such, under the SFO, Shenzhen Gao Ling, Zhuhai Gao Ling, Ms. MA Cuifang and Mr. LI Liang are deemed to be interested in the equity interests held by Zhuhai Yuheng.

(10) Hainan Hualing is one of our ESOP Platforms, a limited partnership established in the PRC, and beneficially owned 32,727,240 Domestic Shares of the Company. HainanYize is the executive partner of Hainan Hualing and is owned as to 99% by Mr. PAN Fei.

As such, under the SFO, each of HainanYize and Mr. PAN Fei is deemed to be interested in the equity interests held by Hainan Hualing.

(11) Suzhou Chenzhide Investment L.P. (Limited Partnership) (蘇州辰知德投資合夥企業(有限合夥)) ("Suzhou Chenzhide") is a limited partnership established in the PRC and beneficially owns 9,926,280 Domestic Shares and 4,254,120 H Shares of the Company. Shanghai Jiachen is the executive partner of Suzhou Chenzhide. As such, under the SFO, Shanghai Jiachen is deemed to be interested in the equity interests held by Suzhou Chenzhide.

Hangzhou Chende is a limited partnership established in the PRC and beneficially owns 10,935,720 H Shares of the Company. Shanghai Jiachen is the executive partner of Hangzhou Chende. As such, under the SFO, Shanghai Jiachen is deemed to be interested in the equity interests held by Hangzhou Chende.

(12) Janecox Investment IV HK Limited beneficially owns 6,825,000 Unlisted Foreign Shares and 3,675,000 H Shares of the Company and is a limited company incorporated in Hong Kong and is owned as to 100% by Janecox Investment IV Limited. As such, under the SFO, Janecox Investment IV Limited is deemed to be interested in the equity interests held by Janecox Investment IV HK Limited.

(13) Duckling beneficially owns 3,536,578 Unlisted Foreign Shares and 1,904,312 H Shares of the Company and is a limited liability company incorporated in the Cayman Islands. Grandiflora Hook GP Limited and Lionet Fund, L.P. is the general partner and sole limited partner of Duckling, respectively. As such, under the SFO, each of Grandiflora Hook GP Limited and Lionet Fund, L.P. is deemed to be interested in the equity interests held by Duckling.

Save as disclosed above, as at 31 December 2022, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the year ended 31 December 2022 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

NON-COMPETITION UNDERTAKING

Our Controlling Shareholders provided a deed of non-competition (the "Non-Competition Undertaking") in favour of the Company, pursuant to which our Controlling Shareholders undertook not to, and to procure their respective close associate(s) (as appropriate) (other than our Group) not to, either directly or indirectly, compete with our business, which includes innovative products for the treatment of structural heart diseases ("Restricted Activities") and granted our Group the option for new business opportunities. Our Controlling Shareholders have further irrevocably undertaken in the Non-Competition Undertaking that, during the term of the Non-Competition Undertaking, they will not, and will also procure their respective close associate(s) (as appropriate) (other than our Group) not to, alone or with a third party, in any form, directly or indirectly, engage in, participate in, support to engage in or participate in any business that competes, or is likely to compete, directly or indirectly, with the Restricted Activities. Details of the Non-Competition Undertaking are set out in the section headed "Relationship with our Controlling Shareholders – Non-competition Undertaking" in the Prospectus.

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

CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions which will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon the Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, waivers in relation to certain continuing connected transactions between us and the following connected persons under Chapter 14A of the Listing Rules.

Connected Person	Business Nature	Connected Relationship
Ningbo Trandomed 3D Medical Technology Co., Ltd. (寧波創導三維醫療科技有限公司) ("TrandoMed")	Developing, manufacturing and sales of 3-dimensional printed silicone medical simulators	TrandoMed is a wholly-owned subsidiary of Ningbo Linfeng and is therefore a connected person of our Company under Rule 14A.12(c) of the Listing Rules.
Ningbo Shidi Medical Technology Co., Ltd. (寧波仕地醫療科技有限公司) ("Ningbo Shidi")	Sterilization services for medical devices	Ningbo Shidi is a wholly-owned subsidiary of Ningbo Linfeng and is therefore a connected person of our Company under Rule 14A.12(c) of the Listing Rules.
Ningbo Linfeng Biotechnology Co., Ltd. (寧波麟灃生物科技有限公司) ("Ningbo Linfeng")	Investment holding	Ningbo Linfeng is a non-wholly owned subsidiary of Shanghai Shidi, which is in turn wholly-owned by Ms. Li, one of our Controlling Shareholders. Ningbo Linfeng is therefore a connected person of our Company under Rule 14A.12(c) of the Listing Rules.
Ningbo Linstant Polymer Materials Co., Ltd. (寧波琳盛高分子材料有限公司) ("Linstant")	Manufacturing of polymer accessories for medical devices	Linstant is a non-wholly owned subsidiary of Ningbo Linfeng and is therefore a connected person of our Company under Rule 14A.12(c) of the Listing Rules.

From the Listing and until 31 December 2022, details of the Group's continuing connected transactions subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement are set out as follows:

Continuing connected transaction	Date	Connected person	Description and purpose of the transaction	Annual cap for the year ended 31 December 2022	Actual transaction value for the year ended 31 December 2022
3D Printing Services Agreement	16 September 2022	TrandoMed	Purchases of 3-D printed silicone medical simulators	710,000	229,000
Sterilization Services Agreement	16 September 2022	Ningbo Shidi	Sterilization services for medical devices	950,000	158,000
Master Lease Agreement	16 September 2022	Ningbo Linfeng	Leases of properties	2,100,000	1,886,000
Medical Devices Accessories Purchase Agreement	16 September 2022	Linstant	Provision of certain polymer accessories such as sheaths to the Company	5,120,000	2,327,000

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

3D Printing Services Agreement

Our Company entered into a 3-dimensional printing services agreement dated 16 September 2022 with TrandoMed (the "3D Printing Services Agreement"), pursuant to which we may engage TrandoMed for its 3-dimensional printing services. TrandoMed specializes in developing, manufacturing and sales of 3-dimensional printed silicone medical simulators. Such silicone medical simulators are required as we will make use of such simulators for the research and development activities and clinical trials of our Group.

Our Company and TrandoMed will enter into separate individual agreements or work orders which will set out the specific terms and conditions according to the principles in the 3D Printing Services Agreement. The 3D Printing Services Agreement is effective from the Listing Date until 31 December 2024 and may be renewed conditional on the fulfillment of the relevant requirements under the relevant laws, regulations and the Listing Rules.

For the years ending 31 December 2022, 2023 and 2024, the maximum aggregate transaction amounts payable to TrandoMed under the 3D Printing Services Agreement shall not exceed RMB710,000, RMB860,000 and RMB860,000, respectively.

The service fees will be charged at rates no less favorable to our Company than rates at which our Company pays independent third parties and other connected persons for comparable transactions, and will be determined by our Company and TrandoMed through arm's length negotiation with reference to a number of factors applicable to all service providers, including but not limited to the nature, complexity, and value of tasks completed by TrandoMed under each work order, the applicable technology, the market rates, quantity and sourcing of materials, the time and method of delivery and delivery costs, the fees charged for historical transactions of similar nature and the then prevailing market rates by obtaining and comparing against fee quotes provided by other third-party companies.

The transaction above is entered into in the ordinary and usual course of business of our Company, on normal commercial terms where each of the applicable percentage ratios in respect of such transaction will, as our Company currently expects, be less than 5% on an annual basis and the total consideration is less than HK$3 million, the transactions under the 3D Printing Services Agreement would, upon the Listing, be exempt from the reporting, announcement, annual review and independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

Sterilization Services Agreement

Our Company entered into a sterilization services agreement dated 16 September 2022 with Ningbo Shidi (the "Sterilization Services Agreement"), pursuant to which we may engage Ningbo Shidi for its sterilization services. Ningbo Shidi provides sterilization services for medical devices and our Group requires such services for the sterilization of our medical devices.

Our Company and Ningbo Shidi will enter into separate individual agreements or work orders which will set out the specific terms and conditions according to the principles in the Sterilization Services Agreement. The Sterilization Services Agreement is effective from the Listing Date until 31 December 2024 and may be renewed conditional on the fulfillment of the relevant requirements under the relevant laws, regulations and the Listing Rules.

For the years ending 31 December 2022, 2023 and 2024, the maximum aggregate transaction amounts payable to Ningbo Shidi under the Sterilization Services Agreement shall not exceed RMB950,000, RMB1,010,000 and RMB1,050,000, respectively.

The service fees will be charged at rates no less favorable to our Company than rates at which our Company pays independent third parties and other connected persons for comparable transactions, and will be determined by our Company and Ningbo Shidi through arm's length negotiation based on factors applicable to all service providers, including but not limited to the nature, complexity, and value of tasks completed by Ningbo Shidi under each work order, the market rates, the fees charged for historical transactions of similar nature and the then prevailing market rates by obtaining and comparing against fee quotes provided by other third-party companies.

The transaction above is entered into in the ordinary and usual course of business of our Company, on normal commercial terms where each of the applicable percentage ratios in respect of such transaction will, as our Company currently expects, be less than 5% on an annual basis and the total consideration is less than HK$3 million, the transactions under the Sterilization Services Agreement would, upon the Listing, be exempt from the reporting, announcement, annual review and independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

Master Lease Agreement

Our Company entered into a master lease agreement dated 16 September 2022 with Ningbo Linfeng (for and on behalf of itself and its subsidiaries) (the "Master Lease Agreement"), pursuant to which we may lease from Ningbo Linfeng properties in the Linfeng Medical Technology Campus (麟灃醫療科技產業園) located at No. 777, Binhai 4th Road, Hangzhou Bay New District, Ningbo (the "Campus") for use as plants and staff quarters.

The Master Lease Agreement has an initial term commencing from the date of Listing till 31 December 2024 and may be renewed upon prior written notice by our Company. Our Company will comply with the applicable Listing Rules in the event of such renewal. Our Group and Ningbo Linfeng and/or its subsidiaries (the "Ningbo Linfeng Group") will enter into separate lease agreements which will set out the specific terms and conditions according to the principles in the Master Lease Agreement.

The Master Lease Agreement was entered into (i) in the ordinary and usual course of business of our Company; (ii) on arm's length basis; and (iii) on normal commercial terms with the rent being determined by our Company and Ningbo Linfeng with reference to, among other, the prevailing market rates of similar properties located in the vicinity and the term of the lease.

The Master Lease Agreement is on normal commercial terms. The rental was determined by our Company and Ningbo Linfeng through arm's length negotiation based on a number of factors, including but not limited to prevailing market rent of similar property located in the vicinity and the term of the lease.

According to IFRS 16 Leases which was adopted by our Group effective from 1 January 2019, short-term lease payments under the Master Lease Agreement are recognized as expenses incurred by our Group. Our Company will set the annual caps for the short-term lease payments. For the years ending 31 December 2022, 2023 and 2024, the maximum aggregate annual amount of rentals and other charges under the Master Lease Agreement shall not exceed RMB2.10 million, RMB2.52 million and RMB2.798 million, respectively. For details, please refer to the Prospectus and the announcement of the Company dated 28 March 2023. As each of the applicable percentage ratios in respect of such transaction will, as our Company currently expects, be less than 5% on an annual basis and the total consideration is less than HK$3 million, the transactions under the Master Lease Agreement would, upon the Listing, be exempt from the reporting, announcement, annual review and independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

Medical Devices Accessories Purchase Agreement

Our Company entered into a medical devices accessories purchase agreement dated 16 September 2022 with Linstant (the "Medical Devices Accessories Purchase Agreement"), pursuant to which we may purchase from Linstant certain polymer accessories such as sheaths. Linstant is principally engaged in the manufacturing of polymer accessories for medical devices.

The Medical Devices Accessories Purchase Agreement has an initial term commencing from the date of Listing until 31 December 2024 and may be renewed upon prior written notice by our Company. Our Company will comply with the applicable Listing Rules in the event of such renewal. Our Company and Linstant will enter into separate individual agreements or work orders which will set out the specific terms and conditions according to the principles in the Medical Devices Accessories Purchase Agreement.

In order to ensure that the terms of transactions under the Medical Devices Accessories Purchase Agreement are fair and reasonable and in line with market practices, and that the terms of transactions will be no less favorable to our Company than the terms of transactions between our Company and Independent Third Parties, we have adopted the following measures:

(i) to have regular contact with the suppliers of our Group (including Linstant) to keep abreast of market developments and the price trend of products; and

(ii) to assess, review and compare the quotations or proposals taking into account various factors including quality, payment, flexibility and after-sales services to ensure that the proposed transactions will be consistent with the general interest of our Group and our Shareholders as a whole.

For the years ending 31 December 2022, 2023 and 2024, the maximum aggregate transaction amounts payable to Linstant under the Medical Devices Accessories Purchase Agreement shall not exceed RMB5.12 million, RMB6.576 million and RMB7.038 million, respectively. For details, please refer to the Prospectus and the announcement of the Company dated 28 March 2023.

The fees will be charged at rates no less favorable to our Company than rates at which our Company pays independent third parties for comparable transactions. The above annual caps for purchase amount are determined by our Company and Linstant through arm's length negotiation with reference to a number of factors applicable to all suppliers, including but not limited to (i) the estimated increase in demand for polymers accessories, mainly for the clinical trials of JensClip, LuX-Valve Plus, KenFlex, MicroFlux and AlginSys; (ii) the market price of the products; (iii) quantity and method of procurement; (iv) specifications of the products; (v) the fees charged for historical transactions with Linstant and transactions of similar nature; and (vi) the then prevailing market rates based on unit price for different polymer accessories.

The transaction above is entered into in the ordinary and usual course of business of our Company, on normal commercial terms where each of the applicable percentage ratios in respect of such transaction will, as our Company currently expects, be less than 5% on an annual basis but the total consideration is more than HK$3 million, the transactions under the Medical Devices Accessories Purchase Agreement would, upon the Listing, be subject to the reporting, announcement and annual review but would be exempt from the independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

Revision of Annual Caps

Reference is made to the Prospectus in relation to the Master Lease Agreement dated 16 September 2022 entered into by and between the Company and Ningbo Linfeng, and the Medical Devices Accessories Purchase Agreement dated 16 September 2022 entered into by and between the Company and Linstant. As the actual transaction amount of the transactions in 2023 and 2024 contemplated under the Master Lease Agreement and the Medical Devices Accessories Purchase Agreement may exceed the annual caps as set out in the Prospectus, the Board has resolved to revise the existing annual caps in respect of the two years ending 31 December 2024. For details, please refer to the announcement of the Company dated 28 March 2023.

Confirmation from Independent Non-Executive Directors

Pursuant to Rule 14A.55 of the Listing Rules, all the independent non-executive Directors have reviewed the aforesaid continuing connected transactions conducted by the Group for the year ended 31 December 2022 (the "Agreements"), and confirmed the Agreements have been entered into: (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmation of the auditor

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

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

i. have not been approved by the Board;

ii. were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

iii. have exceeded the annual cap as set by the Company.

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

Save as disclosed above and disclosed as fully exempt and partially exempt continuing connected transactions in the Prospectus, (i) none of the related party transactions constituted a connected transaction or continuing connected transaction ; and (ii) there was no connected transaction nor continuing connected transaction of the Group which has to be disclosed in accordance with the Chapter 14A of the Listing Rules during the Reporting Period. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules (if applicable) in respect of the aforementioned transactions. Details on exempt related party transactions for the year ended 31 December 2022 are set out in note 30 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

The Stock Exchange has granted the Company a waiver from strict compliance with the requirements of Rule 8.08(1) of the Listing Rules ("Waiver from Compliance with Public Float Requirement"). In accordance with the Waiver from Compliance with Public Float Requirement, the Company shall maintain the minimum percentage of public float of at least 17.32% of our issued share capital.

Pursuant to information available for public and as far as Directors are aware, during the period from the Listing Date to 31 December 2022 and as of the date of this annual report, the Company has maintained the public float in accordance with the Listing Rules and the Waiver from Compliance with Public Float Requirement.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2022 are set out in note 1 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

Under the Articles of Association, every Director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified against all actions, costs, charges, losses, damages and expenses which he may incur or sustain in or about the execution of his duties in his office. The Company has arranged appropriate insurance cover in respect of legal action against its Directors.

EQUITY-LINKED AGREEMENTS

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the year ended 31 December 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The H Shares of the Company were listed on the Main Board of the Stock Exchange on 10 October 2022. During the period from the Listing Date to 31 December 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SIGNIFICANT LEGAL PROCEEDINGS

During the Reporting Period, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

EMPLOYEE INCENTIVE PLANS

The Employee Incentive Plans do not constitute a share scheme under Chapter 17 of the Listing Rules, and were carried out through the Employee Incentive Platforms, which did not involve the Company directly issuing new Shares of the Company or granting existing Shares to the Participants. The participants of the Employee Incentive Plans (the "Participants") become direct/indirect limited partners of the Employee Incentive Platforms upon registration of their interests. In effect, the Participants do not have any voting rights in the Company, but they are beneficially interested in the Shares through their released partnership interests in the Employee Incentive Platforms, and the voting power of the Shares held by the Employee Incentive Platforms is exercisable by the respective general partners of the Employee Incentive Platforms, namely, Hainan Yize Medical Technology Co., Ltd. (海南一則醫療科技有限公司) and Ningbo Dixiang Venture Capital Co., Ltd. (寧波迪翔創業投資有限公司), which are owned as to 99% and 98% respectively by Mr. Pan Fei and Mr. Lv Shiwen, who are the executive directors of the Company.

As of the date of this annual report, all of the restricted partnership interests in the Employee Incentive Platforms have been granted to certain eligible participants of the Company under the Employee Incentive Plans.

SHARE OPTION SCHEME

From the Listing Date and up to the date of this annual report, the Company did not have any share option scheme which was required to be disclosed.

USE OF NET PROCEEDS FROM LISTING

On 10 October 2022, the Company was successfully listed on the Stock Exchange. The net proceeds received by the Group from the Global Offering (after deducting underwriting fees and relevant expenses) amounted to approximately HK$206.4 million. The Company intends to apply such net proceeds in accordance with the purposes as set out in the Prospectus.

The table below sets out the planned applications of the net proceeds from the Global Offering and actual usage up to the date of 31 December 2022:

Use of proceeds amount	Percentage of total net proceeds	Allocation of net proceeds (HK$ million)	Utilized amount as of the date of 31 December 2022 (HK$ million)	Unutilized amount as of the date of 31 December 2022 (HK$ million)	Expected timeline for utilization of unutilized proceeds
To fund the research and development, manufacturing and commercialization of our Core Products, namely, LuX-Valve and Ken-Valve	65.0%	134.1	–	134.1	31 December 2024
To fund the research and development, clinical trials and product registration of other product candidates in our pipeline, including LuX-Valve Plus, KenFlex and mitral valve products	25.0%	51.6	–	51.6	31 December 2024
Working capital and general corporate purposes	10.0%	20.7	–	20.7	31 December 2023
Total		206.4	–	206.4	–

Since the Listing Date and as of 31 December 2022, the Group had not utilized any proceeds from the Global Offering. The Group will gradually utilize the proceeds from the Global Offering in accordance with the intended purposes as mentioned above.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Proposed A Share Listing on the STAR Market

At a meeting of the Board held on 14 April 2023, the Company has proposed to apply to the relevant regulatory authorities in the PRC for the allotment and issue of not more than 73,617,757 A Shares (excluding the number of A Shares to be issued pursuant to the over-allotment option) and proposed to apply to the Shanghai Stock Exchange for the listing of, and permission to deal in, the A Shares on the STAR Market.

The Issue of A Shares will be subject to, among other things, the approval by the Shareholders by way of special resolutions at the EGM and the Class Meetings, as well as the approvals by the China Securities Regulatory Commission and the Shanghai Stock Exchange. Further details are set forth in the announcement and circular, respectively, dated 14 April 2023 of the Company published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jenscare.com).

STRATEGIC COOPERATION AGREEMENT WITH LIFETECH SCIENTIFIC CORPORATION

The Company entered into a strategic cooperation agreement (the "Strategic Cooperation Agreement") with LifeTech Scientific Corporation ("LifeTech") on 6 February 2023 in respect of potential cooperation including but not limited to business development, project investments and financing in the PRC and overseas. Further details are set forth in the Company's voluntary announcement dated 6 February 2023.

Save as disclosed in this annual report, no important events affecting the Company occurred since the Reporting Period and up to the date of this annual report.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in this annual report, we do not have other plans for material investments and capital assets.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this annual report, we do not have other plans for material investments and capital assets.

EMPLOYEES AND REMUNERATION POLICIES

As of 31 December 2022, we had 292 employees in total. In compliance with the relevant PRC labor laws, we enter into individual employment contracts with our employees covering matters such as terms, wages, bonuses, employee benefits, workplace safety, confidentiality obligations and grounds for termination. 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 and opportunity to participate in employee incentive plans to our employees. We believe our benefits, working environment and development opportunities for our employees have contributed to good employee relations and employee retention.

Our Company has adopted Employee Incentive Plans on 30 October 2020 and 27 April 2021 (details of which are set forth in the section headed "Employee Incentive Plans" in this annual report, in the Company's circular dated 6 December 2022, and in our Prospectus).

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

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

Details of the emoluments of the Directors, Supervisors, and five highest paid individuals during the Reporting Period are set out in notes 8 to 9 to the consolidated financial statements. No Directors have waived or agreed to waive any emoluments during the Reporting Period.

Except as disclosed above, no other payments have been made or are payable, for the year ended 31 December 2022, by the Group to or on behalf of any of the Directors or Supervisors.

AUDIT COMMITTEE

The Board has established the Audit Committee which comprises three independent non-executive Directors, namely Ms. DU Jiliu, Dr. LIN Shoukang and Dr. MEI Lehe. Ms. DU Jiliu serves as the chairman of the Audit Committee, who has the professional qualification and experience in financial matters in compliance with the requirements of the Listing Rules. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting process and internal controls.

The Audit Committee, together with the management and external auditor of the Company of the Company, has reviewed the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the condensed consolidated financial statements of the Group for the year ended 31 December 2022) of the Group, and is of the view that the annual results of the Group is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

CHARITABLE DONATIONS

During the year ended December 31, 2022, the Group did not make any charitable or other donations.

AUDITOR

The financial statement has been audited by Ernst & Young. The Company has not changed its auditors since the Listing Date or the preceding three years.

Ernst & Young will retire at the AGM and, being eligible, will offer itself for re-appointment as auditor of the Company. A resolution for the re-appointment of Ernst & Young as auditor of the Company will be proposed at the AGM.

On behalf of the Board
Mr. LV Shiwen
Chairman

Hong Kong, 28 March 2023

SUPERVISORS' REPORT

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

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

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

As of the date of this annual report, none of the Directors, chief executive officer and senior management staff had been found to have abused their authority, damaged the interests of the Company or infringed upon the interests of its shareholders and employees. None of them was found to be in breach of any laws and regulations or the Articles of Association of the Company.

The Board of Supervisors is satisfied with the achievement and cost-effectiveness of the Company in 2022 and has great confident in the future prospect of the Company.

On behalf of the Board of Supervisors
Ms. XU Jing
Chairperson of the Board of Supervisors

Hong Kong, 28 March 2023

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

Independent auditor's report
To the shareholders of Jenscare Scientific Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Jenscare Scientific Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 89 to 138, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS *(cont'd)*

Key audit matter

Measurement of research and development costs

The Group incurred significant research and development ("R&D") costs of RMB291,580,000 as disclosed in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022, mainly consisting of staff costs, cost of materials and consumables, and service fees paid to contract research organisations, clinical site management operators and clinical trial centres (collectively referred to as the "Outsourced Service Providers").

We identified the measurement of R&D costs as a key audit matter due to the significant amount and the risk of not recording R&D costs incurred in the appropriate financial reporting period.

The Group's disclosures about R&D costs are included in note 2.4 *Summary of significant accounting policies* and 3 *Significant accounting judgements and estimates* to the financial statements.

How our audit addressed the key audit matter

Our procedures to assess the measurement of R&D costs included the following:

1. We obtained an understanding of and evaluated the key controls over the R&D process;

2. We inquired management and R&D project managers about the progress of the major R&D projects;

3. We evaluated the accrual and allocation of R&D-related staff costs by checking to the working time records maintained by the R&D project management department;

4. We evaluated the R&D-related costs of materials and consumables by inspecting, on a sample basis, materials and consumables purchase orders, payment slips and other supporting documents;

5. For the service fees paid/payable to the Outsourced Service Providers, we, on a sampling basis, reviewed the key terms set out in the agreements with the Outsourced Service Providers, evaluated the completion status of the R&D projects with reference to the progress reported by the project managers based on inputs such as number of patient enrolments, time elapsed and milestone achieved, and inspected the supporting documents to determine whether the service fees were properly recorded in the appropriate financial reporting periods based on the respective contract terms, progress and/or the milestones achieved;

6. We obtained external confirmation from major Outsourced Service Providers, to check the amount of the R&D services fees incurred for the year ended 31 December 2022 and the amounts payable under the CRO/SMO agreements as of 31 December 2022; and

7. We tested the R&D expenses by comparing the subsequent milestone billings and payments with the accrued R&D expenses, to determine whether the R&D expenses were recorded in the appropriate financial reporting periods.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)*

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

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

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

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and 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 Yin Guo Wei.

Ernst & Young
Certified Public Accountants
Hong Kong
28 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Other income and gains	5	**54,424**	8,910
Research and development expenses		**(291,580)**	(265,336)
Administrative expenses		**(219,697)**	(238,506)
Other expenses		**(117)**	(6,954)
Finance costs	7	**(113)**	(130)
Share of profit of an associate		**16,169**	1,343
LOSS BEFORE TAX	6	**(440,914)**	(500,673)
Income tax expenses	10	**–**	–
LOSS FOR THE YEAR		**(440,914)**	(500,673)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**8,285**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**8,285**	–
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(432,629)**	(500,673)
Loss attributable to:			
Owners of the parent		**(439,311)**	(500,517)
Non-controlling interests		**(1,603)**	(156)
		(440,914)	(500,673)
Total comprehensive loss attributable to:			
Owners of the parent		**(431,026)**	(500,517)
Non-controlling interests		**(1,603)**	(156)
		(432,629)	(500,673)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted			
– For loss for the year		**(1.20)**	(1.48)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**42,681**	17,699
Other intangible assets	14	**4,194**	2,394
Right-of-use assets	15	**29,204**	2,758
Investment in an associate	16	**483,730**	467,561
Other non-current assets	17	**16,161**	22,142
Total non-current assets		**575,970**	512,554
CURRENT ASSETS			
Inventories	18	**9,893**	4,672
Prepayments, other receivables and other assets	19	**20,356**	23,543
Financial assets at fair value through profit or loss	20	**97,746**	–
Cash and cash equivalents	21	**727,364**	800,590
Total current assets		**855,359**	828,805
CURRENT LIABILITIES			
Trade payables	22	**10,950**	8,445
Other payables and accruals	23	**43,481**	39,913
Lease liabilities	15	**2,305**	1,342
Total current liabilities		**56,736**	49,700
NET CURRENT ASSETS		**798,623**	779,105
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,374,593**	1,291,659
NON-CURRENT LIABILITIES			
Lease liabilities	15	**1,566**	1,068
Total non-current liabilities		**1,566**	1,068
Net assets		**1,373,027**	1,290,591
EQUITY			
Equity attributable to owners of the parent			
Share capital	25	**417,167**	409,091
Reserves	26	**956,119**	888,001
Shares held for share compensation plan		**–**	(6,345)
		1,373,286	1,290,747
Non-controlling interests		**(259)**	(156)
Total equity		**1,373,027**	1,290,591

Mr. LV Shiwen
Director

Mr. PAN Fei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Attributable to owners of the parent										
	Share capital (note 25) RMB'000	Paid-in capital (note 25) RMB'000	Share premium* (note 26) RMB'000	Other reserve* (note 26) RMB'000	Share-based payment* (note 26) RMB'000	Exchange fluctuation reserve* (note 26) RMB'000	Accumulated losses* (note 26) RMB'000	Shares held for share compensation plan RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	–	19,617	440,249	–	277,809	–	(384,892)	–	352,783	–	352,783
Loss and total comprehensive loss for the year	–	–	–	–	–	–	(500,517)	–	(500,517)	(156)	(500,673)
Capital contribution from shareholders	49,091	5,073	1,024,151	–	–	–	–	–	1,078,315	–	1,078,315
Share-based compensation	–	–	–	–	366,511	–	–	–	366,511	–	366,511
Consolidation of special purpose vehicles	–	–	–	–	–	–	–	(6,345)	(6,345)	–	(6,345)
Conversion into a joint stock company	360,000	(24,690)	(430,899)	–	(294,956)	–	390,545	–	–	–	–
At 31 December 2021	409,091	–	1,033,501	–	349,364	–	(494,864)	(6,345)	1,290,747	(156)	1,290,591
At 1 January 2022	**409,091**	**–**	**1,033,501**	**–**	**349,364**	**–**	**(494,864)**	**(6,345)**	**1,290,747**	**(156)**	**1,290,591**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(439,311)**	**–**	**(439,311)**	**(1,603)**	**(440,914)**
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**8,285**	**–**	**–**	**8,285**	**–**	**8,285**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**8,285**	**(439,311)**	**–**	**(431,026)**	**(1,603)**	**(432,629)**
Issue of H Shares from initial public offering ("IPO") (note 25)	**8,076**	**–**	**181,269**	**–**	**–**	**–**	**–**	**–**	**189,345**	**–**	**189,345**
Share-based compensation	**–**	**–**	**–**	**–**	**317,875**	**–**	**–**	**–**	**317,875**	**–**	**317,875**
Deconsolidation of shareholding platforms	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,345**	**6,345**	**–**	**6,345**
Contribution by non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,500**	**1,500**
At 31 December 2022	**417,167**	**–**	**1,214,770**	**–**	**667,239**	**8,285**	**(934,175)**	**–**	**1,373,286**	**(259)**	**1,373,027**

* These reserve accounts comprise the consolidated reserves of RMB956,119,000 (2021: RMB888,001,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(440,914)**	(500,673)
Adjustments for:			
Finance costs	7	**113**	130
Share of profit of an associate		**(16,169)**	(1,343)
Gains on financial assets at fair value through profit or loss	5	**(719)**	(6,487)
Depreciation of property, plant and equipment	13	**6,457**	3,407
Amortisation of other intangible assets	14	**342**	150
Depreciation of right-of-use assets	15	**2,400**	1,704
Recognition of impairment of other receivables	19	**106**	102
Loss on disposal of items of property, plant and equipment	6	**9**	14
Foreign exchange differences, net		**(34,622)**	6,836
Share-based compensation expenses		**317,875**	366,511
Termination of a lease		**–**	(171)
Increase in inventories		**(5,221)**	(3,152)
Increase in prepayments, other receivables and other assets		**(552)**	(34,404)
Increase in trade payables		**2,505**	4,655
Decrease/(Increase) in shares held for share compensation plan		**6,345**	(6,345)
Increase in other payables and accruals		**3,568**	27,172
Net cash flows used in operating activities		**(158,477)**	(141,894)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**–**	13
Purchases of items of property, plant and equipment		**(21,664)**	(13,278)
Purchases of items of other intangible assets		**(2,142)**	(2,077)
Acquisition of an investment in an associate		**–**	(466,218)
Proceeds from disposal of financial assets at fair value through profit or loss		**3,667**	6,487
Acquisition of leasehold land		**(25,750)**	–
Purchase of financial assets at fair value through profit or loss		**(100,694)**	–
Net cash flows used in investing activities		**(146,583)**	(475,073)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from IPO in Hong Kong		**189,345**	–
Proceeds from issue of shares		**–**	1,078,056
Contribution by non-controlling shareholders		**1,500**	–
Principal portion of lease liabilities		**(1,919)**	(2,357)
Payments of financing expenses		**–**	(373)
Net cash flows from financing activities		**188,926**	1,075,326
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(116,134)**	458,359
Cash and cash equivalents at beginning of year		**800,590**	349,067
Effect of foreign exchange rate changes, net		**42,908**	(6,836)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**727,364**	800,590

NOTES TO FINANCIAL STATEMENTS

31 December 2022

1. CORPORATE AND GROUP INFORMATION

Jenscare Scientific Co., Ltd. (the "Company") was incorporated in the People's Republic of China (the "PRC") on 8 November 2011 as a limited liability company. On 23 March 2021, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The registered office of the Company is located at No. 777 Binhai Forth Road, Hangzhou Bay New District, Ningbo, Zhejiang, the PRC.

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 October 2022.

During the year, the Company and its subsidiaries (the "Group") were mainly engaged in the research and development of interventional products for the treatment of structural heart diseases and other related medical products.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Ningbo Diochange Medical Technology Co., Ltd. ("Diochange") (寧波迪創醫療科技有限公司)^	PRC/Mainland China	RMB15,000,000	100%	–	Research and development
Jenscare (Hainan) Venture Capital Co. Ltd. (健世(海南)創業投資有限公司)^	PRC/Mainland China	RMB10,000,000	100%	–	Consulting and investment
Shanghai Xuanmai Medical Technology Co., Ltd.* (上海炫脈醫療科技有限公司)^	PRC/Mainland China	RMB10,000,000	55%	–	Research and development
Jenscare Scientific (Netherlands) B.V.	Netherlands	EUR17,500,000	100%	–	Research and development
Jenscare International Co. Ltd	Hong Kong	HKD109,830,000	100%	–	Research and development
Jenscare Scientific (Wuhan) Co., Ltd. (健世科技(武漢)有限責任公司)^	PRC/Mainland China	RMB10,000,000	100%	–	Research and development

* The English names of these companies represent the best effort made by the directors of the Company (the "Directors") to translate the Chinese names as these companies have not been registered with any official English names.

^ These entities are limited liability companies established in the PRC.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all IFRSs, International Accounting Standards ("IASs") and interpretations) issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 BASIS OF PREPARATION *(cont'd)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(cont'd)*

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

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

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024
5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023
6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(cont'd)*

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in an associate

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

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

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

Goodwill arising from the acquisition of an associate is included as part of the Group's investment in an associate.

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

Fair value measurement

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Fair value measurement *(cont'd)*

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

Impairment of non-financial assets

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

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

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

Related parties

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

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

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

  (ii) has significant influence over the Group; or

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

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Related parties *(cont'd)*

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

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

Office equipment	19%
Motor vehicles	24%
Plant and machinery	19%
Leasehold improvements	10%-20%

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Property, plant and equipment and depreciation *(cont'd)*

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

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

Intangible assets (other than goodwill)

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

Intangible assets are amortised on the straight-line basis over the following useful economic lives which are estimated based on the management's judgement:

Software	5-10 years

Research and development expenses

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

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

Leases

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Leases *(cont'd)*

Group as a lessee

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

(a) Right-of-use assets

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

Office premises and buildings	2 to 4 years
Leasehold land	50 years

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

(b) Lease liabilities

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at FVTPL

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

General approach

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Impairment of financial assets *(cont'd)*

General approach (cont'd)

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables as appropriate.

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

The Group's financial liabilities include other payables and accruals, and interest-bearing bank and other borrowings.

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash at banks.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash at banks.

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Income tax *(cont'd)*

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Government grants

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

Other income

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Share-based payments

The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for share grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 27 to the financial statements.

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

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where grants include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled grant are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the grant are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled grant is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the grant is recognised immediately. This includes any grant where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new grant is substituted for the cancelled grant, and is designated as a replacement award on the date that it is granted, the cancelled and new grants are treated as if they were a modification of the original grant, as described in the previous paragraph.

Other employee benefits

Pension scheme

The employees of the Group in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

These financial statements are presented in RMB. Each entity in the Group uses RMB as its functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(cont'd)*

Judgements

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

Research and development expenses

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

Estimation uncertainty

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

Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgement on the future tax treatment of certain transactions when certain matters relating to the income taxes have not been confirmed by the local tax bureau. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences and unused tax losses. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the losses can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered. Further details are included in notes 10 and 24 to the financial statements.

Share-based payments

The Group has set up the share compensation plan for the Company's directors and the Group's employees.

Estimating the fair value of share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model, including the volatility, risk-free interest rate and exercise multiple and making assumptions about them.

For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses a binomial model. The assumptions and models used for estimating the fair value of share-based payment transactions are disclosed in note 27.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(cont'd)*

Estimation uncertainty *(cont'd)*

Impairment of non-financial assets

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

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

Since nearly all of the Group's non-current assets were located in Mainland China during the reporting period, no further geographical segment information is presented.

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	2022 RMB'000	2021 RMB'000
Other income		
Government grants	**10,702**	646
Bank interest income	**8,360**	1,766
Others	**21**	11
	19,083	2,423
Gains		
Foreign exchange differences, net	**34,622**	–
Gain on financial assets at fair value through profit or loss	**719**	6,487
	35,341	6,487
	54,424	8,910

6. LOSS BEFORE TAX

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

	Notes	2022 RMB'000	2021 RMB'000
Depreciation of items of property, plant and equipment	13	**6,457**	3,407
Amortisation of intangible assets	14	**342**	150
Depreciation of right-of-use assets	15	**2,400**	1,704
Research and development expenses		**291,580**	265,336
Loss on disposal of items of property, plant and equipment	13	**9**	14
Impairment of other receivables	19	**106**	102
Auditor's remuneration		**2,000**	–
Government grants	5	**(10,702)**	(646)
Bank interest income	5	**(8,360)**	(1,766)
Lease payments not included in the measurement of lease liabilities	15	**1,372**	909
Fair value gains, net:			
Financial assets at fair value through profit or loss	5	**(719)**	(6,487)
Foreign exchange differences, net		**(34,622)**	6,836
		249,863	269,559
Staff cost (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**50,716**	34,163
Pension scheme contributions		**11,474**	6,767
Staff welfare expenses		**2,447**	2,166
Equity-settled share compensation expense		**79,236**	106,342

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities (note 15)	**113**	130

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

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

	Group	
	2022 RMB'000	2021 RMB'000
Fees	**–**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**3,965**	3,906
Performance related bonuses	**922**	919
Equity-settled share option expense	**238,639**	260,169
Pension scheme contributions	**230**	295
	243,756	265,289

8. DIRECTORS' AND SUPERVISORS' REMUNERATION *(cont'd)*

During the year, options were granted to Mr. LV Shiwen and Mr. PAN Fei in respect of their services to the Group, further details of which are set out in note 27 to the financial statements. The fair value of such awarded shares, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is set out in the above directors' and supervisors' remuneration disclosures.

Executive directors, non-executive directors, and supervisors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Equity-settled share option expense RMB'000	Total remuneration RMB'000
2022						
Executive directors:						
Mr. LV Shiwen	–	1,926	480	99	219,367	221,872
Mr. PAN Fei	–	1,700	424	99	19,272	21,495
	–	3,626	904	198	238,639	243,367
Non-executive directors:						
Mr. TAN Ching	–	–	–	–	–	–
Mr. ZHENG Jiaqi	–	–	–	–	–	–
Ms. XIE Youpei	–	–	–	–	–	–
Mr. CHEN Xinxing	–	–	–	–	–	–
	–	–	–	–	–	–
Independent non-executive directors:						
Ms. DU Jiliu	–	75	–	–	–	75
Dr. LIN Shoukang	–	75	–	–	–	75
Dr. MEI Lehe	–	75	–	–	–	75
	–	225	–	–	–	225
Supervisors:						
Mr. TANG Hao	–	–	–	–	–	–
Ms. XU Jing	–	–	–	–	–	–
Mr. HU Bo	–	114	18	32	–	164
	–	114	18	32	–	164

8. DIRECTORS' AND SUPERVISORS' REMUNERATION *(cont'd)*

Executive directors, non-executive directors and supervisors *(cont'd)*

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Equity-settled share option expense RMB'000	Total remuneration RMB'000
2021						
Executive directors:						
Mr. LV Shiwen	–	2,101	480	143	245,125	247,849
Mr. LI Biao	–	432	–	22	989	1,443
Mr. PAN Fei	–	1,274	424	111	14,055	15,864
	–	3,807	904	276	260,169	265,156
Non-executive directors:						
Mr. TAN Ching	–	–	–	–	–	–
Mr. ZHENG Jiaqi	–	–	–	–	–	–
Ms. XIE Youpei	–	–	–	–	–	–
Mr. CHEN Xinxing	–	–	–	–	–	–
	–	–	–	–	–	–
Supervisors:						
Mr. TANG Hao	–	–	–	–	–	–
Ms. XU Jing	–	–	–	–	–	–
Mr. HU Bo	–	99	15	19	–	133
	–	99	15	19	–	133

There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the year. During the year, no director or supervisor received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2021: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2021: three) highest paid employees, who are neither a director nor chief executive of the Company are as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances, and benefits in kind	**2,322**	1,391
Performance related bonuses	**442**	331
Equity-settled share option expenses	**14,088**	19,062
Pension scheme contributions	**371**	192
	17,223	20,976

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2022	2021
HKD3,000,001 to HKD3,500,000	**–**	1
HKD3,500,001 to HKD4,000,000	**–**	1
HKD4,500,001 to HKD5,000,000	**2**	–
HKD5,500,001 to HKD6,000,000	**1**	–
HKD8,000,001 to HKD8,500,000	**–**	1
	3	3

10. INCOME TAX

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

(a) Pursuant to the Corporate Income Tax Law of the PRC (the "CIT Law") and the respective regulations, the applicable tax rate of the Company and its subsidiaries in Mainland China is 25%. No provision for Mainland China income tax has been made as the Group's entities in the PRC had no estimated assessable profits during the year.

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

(c) No provision for Netherlands income tax has been made at a rate of 25.8% as the Group's entity in the Netherlands has no estimated assessable profits during the year.

(d) A reconciliation of the tax expense applicable to loss before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	2022 **RMB'000**	2021 RMB'000
Loss before tax	**(440,914)**	(500,673)
Tax at the statutory tax rate (25%)	**(110,229)**	(125,168)
Effect of different tax rate of a subsidiary operating in other jurisdictions and tax concession	**82**	–
Profits attributable to an associate	**(4,042)**	(336)
Additional deductible allowance for qualified research and development expenses	**(22,815)**	(19,725)
Expenses not deductible for tax	**1,729**	922
Deductible temporary difference and tax losses not recognised	**135,278**	144,307
Utilisation of deductible temporary differences previously not recognised	**(3)**	–
Tax charge at the Group's effective rate	**–**	–

10. INCOME TAX *(cont'd)*

Deferred tax assets have not been recognised in respect of the following items:

	2022 RMB'000	2021 RMB'000
Unused tax losses	**844,438**	359,181
Deductible temporary differences	**543,149**	486,481
	1,387,587	845,662

The Group has tax losses of RMB844,438,000 as at 31 December (2021: RMB359,181,000). Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

11. DIVIDENDS

No dividend was paid or declared by the Company during the year.

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss attributable to owners of the parent, and the weighted average number of ordinary shares of 365,375,000 (2021: 338,446,000) in issue during the year, as adjusted to reflect the rights issue during the year or period. The weighted average number of ordinary shares in issue before the conversion into a joint stock company was determined by assuming that the paid-in capital had been fully converted into share capital at the same conversion ratio as upon transformation into a joint stock company in March 2021, as further detailed in note 25.

Under the share-based payment schemes, certain share options were granted to eligible employees. Except for the shares without vesting condition and already vested, the vesting requirements of the remaining shares have not been satisfied. The effect of such shares held for share-based payment schemes has not been taken into account in the calculation of basic loss per share until the related employee incentive platforms were deconsolidated on 23 December 2022, as further detailed in note 27. Since 23 December 2022, such shares had been included in the calculation of basic loss per share by weighted average number.

The Group had potential dilutive shares throughout the year related to the shares held for the share compensation plan. Due to the Group's negative financial results during the year, shares held for the share compensation plan have an anti-dilutive effect on the Group's loss per share. Thus, diluted loss per share is equivalent to the basic loss per share.

13. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2022						
At 1 January 2022:						
Cost	**12,753**	**565**	**3,501**	**11,081**	**1,012**	**28,912**
Accumulated depreciation	**(4,050)**	**(189)**	**(775)**	**(6,199)**	**–**	**(11,213)**
Net carrying amount	**8,703**	**376**	**2,726**	**4,882**	**1,012**	**17,699**
At 1 January 2022, net of accumulated depreciation	**8,703**	**376**	**2,726**	**4,882**	**1,012**	**17,699**
Additions	**16,956**	**–**	**769**	**–**	**13,723**	**31,448**
Depreciation provided during the year	**(4,057)**	**(122)**	**(718)**	**(1,560)**	**–**	**(6,457)**
Transfer	**–**	**–**	**474**	**1,841**	**(2,315)**	**–**
Disposals	**(6)**	**–**	**(3)**	**–**	**–**	**(9)**
At 31 December 2022, net of accumulated depreciation	**21,596**	**254**	**3,248**	**5,163**	**12,420**	**42,681**
At 31 December 2022:						
Cost	**29,665**	**564**	**4,713**	**12,921**	**12,420**	**60,283**
Accumulated depreciation	**(8,069)**	**(310)**	**(1,465)**	**(7,758)**	**–**	**(17,602)**
Net carrying amount	**21,596**	**254**	**3,248**	**5,163**	**12,420**	**42,681**
31 December 2021						
At 1 January 2021:						
Cost	7,435	125	913	6,081	1,247	15,801
Accumulated depreciation	(2,417)	(72)	(409)	(5,061)	–	(7,959)
Net carrying amount	5,018	53	504	1,020	1,247	7,842
At 1 January 2021, net of accumulated depreciation	5,018	53	504	1,020	1,247	7,842
Additions	5,078	269	1,976	46	5,909	13,278
Depreciation provided during the year	(1,769)	(117)	(383)	(1,138)	–	(3,407)
Transfer	388	171	631	4,954	(6,144)	–
Disposals	(12)	–	(2)	–	–	(14)
At 31 December 2021, net of accumulated depreciation	8,703	376	2,726	4,882	1,012	17,699
At 31 December 2021:						
Cost	12,753	565	3,501	11,081	1,012	28,912
Accumulated depreciation	(4,050)	(189)	(775)	(6,199)	–	(11,213)
Net carrying amount	8,703	376	2,726	4,882	1,012	17,699

At 31 December 2022 and 2021, there were no pledged property, plant and equipment.

14. OTHER INTANGIBLE ASSETS

	Software RMB'000
31 December 2022	
Cost at 1 January 2022, net of accumulated amortisation	**2,394**
Additions	**2,142**
Amortisation provided during the year	**(342)**
At 31 December 2022	**4,194**
At 31 December 2022:	
Cost	**4,700**
Accumulated amortisation	**(506)**
Net carrying amount	**4,194**
31 December 2021	
At 1 January 2021:	
Cost	480
Accumulated amortisation	(13)
Net carrying amount	467
Cost at 1 January 2021, net of accumulated amortisation	467
Additions	2,077
Amortisation provided during the year	(150)
At 31 December 2021	2,394
At 31 December 2021 and at 1 January 2022:	
Cost	2,557
Accumulated amortisation	(163)
Net carrying amount	2,394

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of leasehold land, office premises and buildings used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with a lease period of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of office premises and buildings generally have lease terms between 2 and 4 years. Other rental agreements generally have lease terms of 12 months or less and are individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

15. LEASES *(cont'd)*

The Group as a lessee *(cont'd)*

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land RMB'000	Office premises and buildings RMB'000	Total RMB'000
As at 1 January 2021	–	2,573	2,573
Additions	–	2,717	2,717
Termination of a lease	–	(828)	(828)
Depreciation charge	–	(1,704)	(1,704)
As at 31 December 2021 and 1 January 2022	**–**	**2,758**	**2,758**
Additions	**25,750**	**3,267**	**29,017**
Depreciation charge	**(386)**	**(2,185)**	**(2,571)**
As at 31 December 2022	**25,364**	**3,840**	**29,204**

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	**2,410**	2,918
New leases	**3,267**	2,718
Accretion of interest recognised during the year	**113**	130
Termination of a lease	**–**	(999)
Payments	**(1,919)**	(2,357)
Carrying amount at 31 December	**3,871**	2,410
Analysed into:		
Current portion	**2,305**	1,342
Non-current portion	**1,566**	1,068

The maturity analysis of lease liabilities is disclosed in note 33 to the financial statements.

15. LEASES *(cont'd)*

The Group as a lessee *(cont'd)*

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	**113**	130
Depreciation charge of right-of-use assets	**2,400**	1,704
Expense relating to short-term leases and leases of low-value assets	**1,372**	909
Total amount recognised in profit or loss	**3,885**	2,743

16. INVESTMENT IN AN ASSOCIATE

	2022 RMB'000	2021 RMB'000
Share of net assets	**179,764**	163,595
Goodwill on acquisition	**303,966**	303,966
Net carrying amount	**483,730**	467,561

At 31 December 2022, particulars of the Group's material associate are as follows:

Name	**Paid-in capital** RMB'000	**Place of registration and business**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
Starway Medical Technology, Inc. (北京華醫聖傑科技有限公司) ("Starway")	100,000	Beijing	24.98%	Manufacturing and sale of interventional medical devices for congenital heart diseases

Starway, which is considered a material associate of the Group, is engaged in manufacturing and sale of interventional medical devices for congenital heart diseases in Beijing and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Starway adjusted for fair value adjustments made and amortisation of intangible assets identified at the time of acquisition and reconciled to the carrying amount in financial statements:

16. INVESTMENT IN AN ASSOCIATE *(cont'd)*

	2022 RMB'000	2021 RMB'000
Current assets	**361,780**	236,433
Non-current assets, excluding goodwill	**496,189**	532,047
Goodwill on acquisition of the associate	**1,217,037**	1,217,037
Current liabilities	**(69,572)**	(38,259)
Non-current liabilities	**(68,646)**	(75,208)
Net assets	**1,936,788**	1,872,050
Net assets, excluding goodwill	**719,751**	655,013
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**24.98%**	24.98%
Group's share of net assets of the associate, excluding goodwill	**179,764**	163,595
Goodwill on acquisition	**303,966**	303,966
Carrying amount of the investment	**483,730**	467,561
Revenue	**278,285**	150,243
Profit and total comprehensive income for the year	**64,739**	5,377

17. OTHER NON-CURRENT ASSETS

	2022 RMB'000	2021 RMB'000
Other deposits	**5,000**	–
Prepayment for purchase of property, plant and equipment	**2,547**	12,160
Value-added tax recoverable	**8,614**	9,982
	16,161	22,142

18. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	**9,893**	4,672
Less: Provision for inventories	**–**	–
	9,893	4,672

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 RMB'000	2021 RMB'000
Due from related parties (note 30)	**681**	528
Deposits	**1,944**	1,846
Prepayment to suppliers	**17,511**	12,348
Deferred offering expense	**–**	8,680
Others	**453**	268
	20,589	23,670
Impairment allowance	**(233)**	(127)
	20,356	23,543

In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data. During the year, the Group estimated that the expected credit loss rate for other receivables and deposits is minimal.

The movements in provision for impairment of other receivables are as follows:

	2022 RMB'000	2021 RMB'000
At beginning of year	**127**	25
Impairment losses	**106**	102
At end of year	**233**	127

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RMB'000	2021 RMB'000
Other unlisted investments, at fair value	**97,746**	–

The above unlisted investments were wealth management products, which were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

21. CASH AND CASH EQUIVALENTS

	2022 RMB'000	2021 RMB'000
Cash and cash equivalents	**727,364**	800,590
Denominated in:		
RMB	**261,200**	233,761
USD	**459,994**	566,829
HKD	**5,786**	–
EUR	**384**	–
	727,364	800,590

21. CASH AND CASH EQUIVALENTS *(cont'd)*

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

22. TRADE PAYABLES

The trade payables are non-interest-bearing and are normally settled within two months.

	2022 RMB'000	2021 RMB'000
Trade payables		
Within 1 year	**10,928**	8,004
Over 1 year	**22**	441
	10,950	8,445

Included in the trade payables were an amount due to a related party of RMB52,000 as at 31 December 2022 (2021: nil), which was repayable within 60 days, representing credit terms similar to those offered by the related party to its major customers.

23. OTHER PAYABLES AND ACCRUALS

	2022 RMB'000	2021 RMB'000
Amount due to related parties (note 30)	**802**	210
Payroll and welfare payable	**15,943**	11,579
Government grants payable	**11,680**	11,476
Other payables*	**15,056**	16,648
	43,481	39,913

* Other payables primarily consisted of accrued or invoiced but unpaid fees for utilities, office leasing and services.

Included in the other payables are also government grants payable that will not be recognised in profit or loss because the criteria attached to the grants have not been met by the Group.

Other payables and accruals are unsecured, non-interest-bearing and repayable on demand. The carrying amounts of financial liabilities included in other payables and accruals as at the end of the year approximated to their fair values due to their short-term maturities.

24. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Right-of-use assets RMB'000
At 1 January 2022	**603**
Deferred tax charged to profit or loss during the year	**365**
Gross deferred tax liabilities at 31 December 2022	**968**
At 1 January 2021	730
Deferred tax charged to profit or loss during the year	(127)
Gross deferred tax liabilities at 31 December 2021	603

Deferred tax assets

	Lease liabilities RMB'000
As at 1 January 2022	**603**
Deferred tax charged to profit or loss during the year	**365**
Gross deferred tax assets at 31 December 2022	**968**
As at 1 January 2021	730
Deferred tax charged to profit or loss during the year	(127)
Gross deferred tax liabilities at 31 December 2021	603

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes.

Net deferred tax recognised in the consolidated statement of financial position

	2022 RMB'000	2021 RMB'000
Net deferred tax assets/liabilities in respect of continuing operations	**–**	–

25. SHARE CAPITAL/PAID-IN CAPITAL

A summary of movements in the Company's share capital is as follows:

	Total RMB'000
Issued and fully paid as at 1 January 2021	–
Issue of ordinary shares upon conversion into a joint stock company (b)	360,000
Issue of shares (c)	49,091
As at 31 December 2021	409,091
Issued and fully paid as at 1 January 2022	**409,091**
Issue of shares from initial public offering (d)	**8,076**
As at 31 December 2022	**417,167**

Paid-in capital

	Total RMB'000
At 1 January 2021	19,617
Capital contribution by shareholders (a)	5,073
Conversion into a joint stock company (b)	(24,690)
At 31 December 2021 and 31 December 2022	**–**

Notes:

(a) In July 2020, the Company entered into capital increase agreement with Hainan Maidi Enterprise Management L.P. (Limited Partnership). According to the agreement, total capital of RMB2,828,000 was to be injected into the Company with approximately RMB2,828,000 credited to the Company's paid-in capital. During the year ended 31 December 2021, 100% of the total capital was contributed by the shareholders.

In February 2021, the Company entered into a capital increase agreement with Hainan Hualing Investment L.P. (Limited Partnership). According to the agreement, total capital of RMB2,245,000 was to be injected into the Company with approximately RMB2,245,000 credited to the Company's paid-in capital. During the year ended 31 December 2021, 100% of the total capital was contributed by the shareholders.

(b) In March 2021, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company as of the conversion base date, including paid-in capital, other reserves and accumulated losses, amounting to RMB375,081,726 were converted into 360,000,000 ordinary shares at RMB1.00 per share. The excess of the net assets converted over the nominal value of the ordinary shares was credited to the Company's share premium.

(c) In April 2021, the Company entered into a capital increase agreement with AUT-VII HK Holdings Limited, Janecox Investment IV HK Limited, Duckling Fund, L.P, Cormorant Global Healthcare Master Fund, LP, ChinaAMC Summerbrook Fund, Forebright Keen Ascent Limited, FutureX Investment I Company Limited and Start New Limited. According to the agreement, the Company issued 49,090,890 ordinary shares to the above investors with par value of RMB1.00 each. The registered share capital was increased from RMB360,000,000 to RMB409,090,890, for a total subscription price of USD163,636,300, which was converted into RMB1,054,101,000 with approximately RMB49,091,000 and RMB1,005,010,000 credited to the Company's share capital and share premium, respectively.

(d) On 10 October 2022, the Company successfully completed the IPO on Hong Kong Stock Exchange. The Company issued 8,076,400 ordinary shares at the offering price of HKD27.80 per share.

26. RESERVES

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity on page 91 of the financial statements.

27. SHARE-BASED PAYMENTS

The Group operates a share-based payment scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors and Group's employees. During the year, the Group granted equity interests of the Company under the share-based payment scheme through the employee incentive platforms, Hainan Maidi Enterprise Management L.P. (Limited Partnership) ("Hainan Maidi") and Hainan Hualing Investment Management LLP ("Hainan Hualing").

Pursuant to the general meeting of shareholders on 27 April 2021, the maximum aggregate number of shares that may be issued under the Original Scheme is 102,273,000 ordinary shares.

Pursuant to the general meeting of shareholders on 23 December 2022, an amendment was made to the share-based payment schemes under Hainan Maidi and Hainan Hualing, in which all the options granted previously were transferred into restricted shares.

The Company had power to govern the relevant activities of Hainan Maidi and Hainan Hualing and could derive benefits from the contributions of the eligible employees who are awarded with the shares under the share-based payment scheme. Therefore Hainan Maidi and Hainan Hualing were consolidated until partner agreements were further revised on 23 December 2022, from which, these two entities have been deconsolidated as the control power ceased.

27. SHARE-BASED PAYMENTS *(cont'd)*

The following share options were outstanding under the share-based payment scheme during the year.

	Jenscare Number of options	Diochange Number of options
At 1 January 2021	10,052,029	356,800
Granted during the year	37,227,059	–
Exercised during the year	(19,199,901)	(356,800)
At 31 December 2021 and 1 January 2022	28,079,187	–
At 1 January 2022	**28,079,187**	**–**
Granted during the year	**17,790,090**	**–**
At 31 December 2022	**45,869,277**	**–**

The number of shares before the conversion into a joint stock company was determined by assuming that the paid-in capital had been fully converted into share capital at the same conversion ratio as upon transformation into a joint stock company in March 2021.

The fair values of the restricted share units granted during the year ended 31 December 2022 were RMB511,191,000 (2021: RMB541,598,000). The Group recognised an equity-settled share-based payment expense of RMB317,875,000 during the year (2021: RMB366,511,000).

The fair values of the equity-settled share options granted during the year were estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	31 December 2021
Expected volatility (%)	39.94%-47.36%
Risk-free interest rate (%)	1.48%-3.07%
Exercise multiple	2.2-2.8

	31 December 2022
Expected volatility (%)	**61.98%-64.47%**
Risk-free interest rate (%)	**1.11%-2.83%**
Exercise multiple	**2.2-2.8**

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

28. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2022, the Group had non-cash additions to right-of-use and lease liabilities of RMB3,267,000 (2021:RMB2,718,000), in respect of lease arrangements for buildings.

(b) Changes in liabilities arising from financing activities

	Other borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2021	611	2,918
Interest exemption	(611)	–
Lease payments	–	(2,357)
New leases	–	2,718
Interest expense	–	130
Termination of a lease	–	(999)
At 31 December 2021 and 1 January 2022	**–**	**2,410**
Lease payments	**–**	**(1,919)**
New leases	**–**	**3,267**
Interest expense	**–**	**113**
At 31 December 2022	**–**	**3,871**

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 RMB'000	2021 RMB'000
Within operating activities	**1,372**	909
Within financing activities	**1,919**	2,357
	3,291	3,266

29. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2022 RMB'000	2021 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**108,092**	–

30. RELATED PARTY TRANSACTIONS

(a) Related parties for the years ended 31 December 2021 and 2022 were as follows:

Name	Relationship with the Company
Ms. LI Hui	Shareholder of the Company
Ningbo Linfeng Biotechnology Co., Ltd.	Controlled by Ms. LI Hui
Ningbo Linstant Polymer Materials Co., Ltd	Controlled by Ms. LI Hui
Ningbo Shouquanzhai Chinese Traditional Medicine Service Ltd.	Controlled by Ms. LI Hui
Ningbo Trandomed 3D Medical Technology Co., Ltd	Controlled by Ms. LI Hui
Ningbo Lide Medical Technology Co., Ltd	Controlled by Mr. LV Shiwen
Ningbo Hangzhou Bay New District Muhe Property Co., Ltd	Controlled by Ms. LI Hui
Ningbo Chinese Herbal Pieces Co., Ltd.	Controlled by Ms. LI Hui
Ningbo Shidi Medical Technology Co., Ltd	Controlled by Ms. LI Hui
Shanghai Jianshi Bio-tech Co., Ltd.	Controlled by Ms. LI Hui
Ningbo Muhe Catering Management Co., Ltd.	Controlled by Ms. LI Hui

(b) The Group had the following transactions with related parties during the year:

	2022 RMB'000	2021 RMB'000
Rental expense		
Ningbo Linfeng Biotechnology Co., Ltd.	**3,022**	2,200
Purchase of materials		
Ningbo Linstant Polymer Materials Co., Ltd	**2,327**	1,248
Ningbo Trandomed 3D Medical Technology Co., Ltd	**229**	336
Ningbo Shouquanzhai Chinese Traditional Medicine Service Ltd.	**109**	53
Ningbo Lide Medical Technology Co., Ltd.	**–**	18
	2,665	1,655
Purchase of services		
Ningbo Hangzhou Bay New District Muhe Property Co., Ltd	**691**	345
Ningbo Chinese Herbal Pieces Co., Ltd.	**209**	138
Ningbo Shidi Medical Technology Co., Ltd.	**158**	134
Ningbo Muhe Catering Management Co., Ltd.	**67**	–
	1,125	617
Advances of payroll from a related party		
Shanghai Jianshi Bio-tech Co., Ltd.	**–**	272

The pricing of services was made according to the published prices and conditions similar to those offered to the major customers of the suppliers.

30. RELATED PARTY TRANSACTIONS *(cont'd)*

(c) Outstanding balances with related parties:

	Note	2022 RMB'000	2021 RMB'000
Prepayments, other receivables and other assets:			
Due from related parties:			
Ningbo Linstant Polymer Materials Co., Ltd	(i)	**561**	306
Ningbo Lide Medical Technology Co., Ltd.	(i)	**114**	114
Ningbo Shidi Medical Technology Co., Ltd	(i)	**6**	25
Ningbo Trandomed 3D Medical Technology Co., Ltd	(i)	**–**	83
		681	528
Other payables and accruals:			
Due to related parties:			
Ningbo Linfeng Biotechnology Co., Ltd.	(i)	**651**	123
Ningbo Muhe Catering Management Co., Ltd.	(i)	**67**	–
Ningbo Shouquanzhai Chinese Traditional Medicine Service Ltd.	(i)	**40**	–
Ningbo Chinese Herbal Pieces Co., Ltd.	(i)	**24**	25
Ningbo Hangzhou Bay New District Muhe Property Co., Ltd	(i)	**20**	62
		802	210
Trade payables:			
Due to related parties:			
Ningbo Shidi Medical Technology Co., Ltd	(i)	**45**	–
Ningbo Trandomed 3D Medical Technology Co., Ltd	(i)	**7**	–
		52	–

(i) The Group's balances due from and due to the related parties are trade in nature, unsecured, non-interest-bearing and have no fixed terms of repayment.

(d) Compensation of key management personnel of the Group:

	2022 RMB'000	2021 RMB'000
Salaries, allowances, and benefits in kind	**9,383**	7,650
Performance related bonuses	**2,392**	1,859
Pension scheme contributions	**1,143**	803
Equity-settled share option expense	**258,736**	304,824
Total compensation paid to key management personnel	**271,654**	315,136

31. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

As at 31 December 2022

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	**97,746**	**–**	**97,746**
Financial assets included in prepayments, other receivables and other assets	**–**	**2,847**	**2,847**
Cash and cash equivalents	**–**	**727,364**	**727,364**
	97,746	**730,211**	**827,957**

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	**10,950**
Financial liabilities included in other payables and accruals	**15,858**
	26,808

As at 31 December 2021

Financial assets

	Financial assets at amortised cost RMB'000
Financial assets included in prepayments, other receivables and other assets	2,515
Cash and cash equivalents	800,590
	803,105

31. FINANCIAL INSTRUMENTS BY CATEGORY *(cont'd)*

As at 31 December 2021 *(cont'd)*

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	8,445
Financial liabilities included in other payables and accruals	16,858
	25,303

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments approximate to fair values.

Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments, other receivables and other assets, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The Directors review the results of the fair value measurement of financial instruments periodically for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The Group invests in wealth management products issued by portfolio companies and banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 31 December 2022 Financial assets at fair value through profit and loss	–	–	**97,746**	**97,746**

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(cont'd)*

The Group did not have any financial liabilities measured at fair value as at 31 December 2022 and 2021.

The Group did not have any financial assets measured at fair value as at 31 December 2021.

During the year ended 31 December 2022 and 2021, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

The movements in fair value measurements within Level 3 during the year are as follows:

Financial assets at fair value through profit or loss	**2022 RMB'000**	2021 RMB'000
At beginning of year	**–**	–
Additions/(disposals), net	**97,027**	(6,487)
Total gains recognised in other income and gains	**719**	6,487
At end of year	**97,746**	–

For financial assets in Level 3, the Group adopts the valuation technique to determine the fair value. The valuation technique is the Income Method. The fair value measurement of the financial instrument may involve one unobservable input, which is the expected rate of return. The Group periodically reviews this significant unobservable input and valuation adjustments used to measure the fair value of the financial asset in Level 3.

A summary of the significant unobservable input used in the fair value measurement categorized with Level 3 of the fair value hierarchy, together with a quantitative analysis as at 31 December 2022 is shown below:

	Valuation technique	**Significant unobservable inputs**	**Range (weighted average)**	**Sensitivity of the input to the fair value**
Financial assets at fair value through profit and loss (FVTPL):	Present Earning Value Method	Expected rate of return	31 December 2022: 1.50%	1% increase/(decrease) in the expected rate of return would result in an increase/(decrease) in fair value by RMB158,765.41/(RMB158,765.41)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents and financial assets at fair value through profit or loss. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as other receivables and other payables, which arise directly from its operations.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(cont'd)*

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. The Group has currency exposures mainly arising from cash at banks denominated in USD. At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. However, management constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's loss before tax (due to retranslation of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in rate of foreign currency %	Increase/ (decrease) in loss before tax RMB'000	Increase/ (decrease) in equity RMB'000
31 December 2022			
If RMB weakens against USD	**5**	**(17,053)**	**17,053**
If RMB strengthens against USD	**(5)**	**17,053**	**(17,053)**
31 December 2021			
If RMB weakens against USD	5	(28,341)	28,341
If RMB strengthens against USD	(5)	28,341	(28,341)

Credit risk

The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(cont'd)*

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

31 December 2022

	12-month ECLs	Lifetime ECLs		
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets				
– Normal*	**1,754**	**1,093**	**–**	**2,847**
Cash and cash equivalents				
– Not yet past due	**727,364**	**–**	**–**	**727,364**
	729,118	**1,093**	**–**	**730,211**

31 December 2021

	12-month ECLs	Lifetime ECLs		
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets				
– Normal*	2,196	319	–	2,515
Cash and cash equivalents				
– Not yet past due	800,590	–	–	800,590
	802,786	319	–	803,105

* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(cont'd)*

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of each of the reporting period, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2022				
	On demand RMB'000	**Less than 3 months RMB'000**	**3 to less than 12 months RMB'000**	**1 to 5 years RMB'000**	**Total RMB'000**
Trade payables	**10,950**	**–**	**–**	**–**	**10,950**
Financial liabilities in other payables and accruals	**15,858**	**–**	**–**	**–**	**15,858**
Lease liabilities	**–**	**578**	**1,863**	**1,596**	**4,037**
	26,808	**578**	**1,863**	**1,596**	**30,845**

	As at 31 December 2021				
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade payables	8,445	–	–	–	8,445
Financial liabilities in other payables and accruals	16,858	–	–	–	16,858
Lease liabilities	–	244	1,178	1,095	2,517
	25,303	244	1,178	1,095	27,820

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.

34. EVENTS AFTER THE REPORTING PERIOD

(a) On 5 January 2023, the Company's associate, Starway Medical Technology, Inc., passed a board resolution to increase its paid-in capital from RMB10,000,000 to RMB11,111,000. The Company agreed to waive their pre-emptive rights. As a result, the percentage of the Company's ownership of Starway Medical Technology, Inc. dropped from 24.98% to 22.48%.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	40,708	16,852
Other intangible assets	4,178	2,376
Right-of-use assets	29,204	2,758
Investments in subsidiaries	415,955	171,116
Investment in an associate	483,730	467,561
Other non-current assets	15,115	21,499
Total non-current assets	988,890	682,162
CURRENT ASSETS		
Inventories	7,897	3,427
Prepayments, other receivables and other assets	39,250	32,712
Cash and cash equivalents	594,527	794,268
Total current assets	641,674	830,407
CURRENT LIABILITIES		
Trade payables	10,122	7,756
Other payables and accruals	37,249	28,326
Lease liabilities	2,305	1,342
Total current liabilities	49,676	37,424
NET CURRENT ASSETS	591,998	792,983
TOTAL ASSETS LESS CURRENT LIABILITIES	1,580,888	1,475,145
NON-CURRENT LIABILITIES		
Lease liabilities	1,566	1,068
Total non-current liabilities	1,566	1,068
Net assets	1,579,322	1,474,077
EQUITY		
Share capital	417,167	409,091
Reserves (note)	1,162,155	1,064,986
Total equity	1,579,322	1,474,077

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(cont'd)*

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2021	583,054	276,846	(368,430)	491,470
Total comprehensive loss for the year	–	–	(479,666)	(479,666)
Others	405	–	–	405
Capital contribution from shareholders	1,023,531	–	–	1,023,531
Share-based compensation	–	364,556	–	364,556
Conversion into a joint stock company	(430,899)	(294,956)	390,545	(335,310)
At 31 December 2021 and 1 January 2022	**1,176,091**	**346,446**	**(457,551)**	**1,064,986**
Total comprehensive loss for the year	**–**	**–**	**(401,975)**	**(401,975)**
Issue of H Shares from initial public offering	**181,269**	**–**	**–**	**181,269**
Equity-settled share-based payment arrangement	**–**	**317,875**	**–**	**317,875**
At 31 December 2022	**1,357,360**	**664,321**	**(859,526)**	**1,162,155**

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2023.