

RainMed

Rainmed Medical Limited
潤邁德醫療有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : 2297



/ 2022

ANNUAL REPORT

年度報告





CONTENTS

- 2** Company Profile
- 3** Corporate Information
- 5** Financial Highlights
- 7** Chairman's Statement
- 10** Management Discussion and Analysis
- 23** Directors and Senior Management
- 30** Directors' Report
- 54** Corporate Governance Report
- 72** Independent Auditor's Report
- 76** Consolidated Income Statement
- 77** Consolidated Statement of Comprehensive Income
- 78** Consolidated Balance Sheet
- 80** Consolidated Statement of Changes in Equity
- 82** Consolidated Statement of Cash Flows
- 83** Notes to the Consolidated Financial Statements
- 157** Financial Summary
- 158** Definitions
- 163** Environmental, Social and Governance Report 2022

COMPANY PROFILE

Summary

Founded in 2014, we are committed to becoming a global leading vascular interventional surgical robotics company, with our current focus on the design, development and commercialization of coronary angiography-derived fractional flow reserve system (“**caFFR System**”) and coronary angiography-derived index of microvascular resistance system (“**calMR System**”). Our Core Products, caFFR System and calMR System, are innovative medical devices used to evaluate the severity of myocardial ischemia arising from coronary artery stenosis and microvascular dysfunction, which are the underlying causes of CAD. They are designed to eliminate the usage of pressure wires, significantly reduce the risk of technical errors and operation time, and improve physiological assessment. These two systems are currently utilized singularly for precision diagnosis of CAD. As FFR measures the macrocirculation of arteries which account for 5% of all arteries and IMR measures the micro-circulation of arteries which account for 95% of all arteries, therefore, using a combination of IMR and FFR can provide a comprehensive evaluation on the coronary circulation status of CAD patients. These two systems are expected to form the center and crucial modules for our future vascular interventional surgical robots.

Our caFFR System has obtained both certificates of CE Mark in Europe and NMPA approval in China. It was also successfully registered in the Commonwealth of Australia (“**Australia**”) and was approved by the Therapeutic Goods Administration (the “**TGA**”) in 2022. With the high accuracy rate of over 95% and convenient operation process that takes less than five minutes, our caFFR System has become a leading domestic FFR measurement product and is currently competing closely with an international leading medical device company for the national leader position in the FFR measurement market in China. We plan to expand the indication of our caFFR System from the current scope (covering patients with stable angina pectoris, unstable angina pectoris and post-acute phase of myocardial infarction) to further cover patients experiencing acute STEMI, acute NSTEMI and HFpEF. In addition, we are also developing our calMR System, which is the only less-invasive IMR measurement product having completed a confirmatory clinical trial globally and is expected to become the first less-invasive IMR system approved for commercialization globally in 2023. Currently, we expect to obtain NMPA approval for commercialization of our calMR System in the second quarter of 2023. In December 2022, our caFFR System and calMR System were included into the Chinese Expert Consensus on Computation of Coronary Physiological Assessment Technology (《中國計算冠狀動脈生理學檢測技術專家共識》) (the “**Expert Consensus**”). The Expert Consensus will fill the gap of the lack of guidance and norm in the clinical application of physiological indicators calculation in the intervention of coronary heart disease in China, and will provide a basis for its standardized application and expansion of the scope of application. Building on our caFFR System and calMR System, we aim to launch our vascular interventional surgical robot, a one-stop hybrid procedure, that can be carried out for diagnostic and therapeutic purposes by connecting and integrating all our clinical applications, to automate the whole process of PCI by 2024.

Our Vision

We will adhere to the purpose of “Targeted Medical Services for People’s Health”, relying on the experience in medical image algorithm, fluid dynamics analysis, high-performance mechanical design, high-end intervention consumables research and development capabilities to launch interventional surgical robots, and gradually build unmanned operating room. It aims to enhance the clinical value of products and create a new situation for the development of precision medicine in the interventional field.

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Huo Yunfei (霍雲飛)

(Chairman and Chief Executive Officer)

Mr. Lyu Yonghui (呂永輝) *(Joint Chief Executive Officer)*

Mr. Zhang Liang (張亮) *(Chief Financial Officer)*

Ms. Gu Yang (谷陽) *(Vice President)*

Non-Executive Directors

Mr. Wang Lin (王霖)

Mr. Heng Lei (衡磊)

Independent Non-Executive Directors

Mr. Liu Shuen Kong (廖船江)

Mr. Li Ho Man (李浩民)

Mr. Lau Tsz Ho Tony (劉梓浩)

Audit Committee

Mr. Liu Shuen Kong *(Chairman)*

Mr. Li Ho Man

Mr. Lau Tsz Ho Tony

Remuneration Committee

Mr. Li Ho Man *(Chairman)*

Ms. Gu Yang

Mr. Liu Shuen Kong

Nomination Committee

Mr. Huo Yunfei *(Chairman)*

Mr. Liu Shuen Kong

Mr. Li Ho Man

Joint Company Secretaries

Mr. Zhang Liang

Ms. Chu Cheuk Ting (朱卓婷)

Authorized Representatives

Mr. Zhang Liang

Ms. Chu Cheuk Ting

Legal Advisers

As to Hong Kong law and United States law:

O'Melveny & Myers

As to PRC law:

Jingtian & Gongcheng

As to Cayman Islands law:

Campbells

Auditor

PricewaterhouseCoopers

Certified Public Accountants and Registered

Public Interest Entity Auditor

Compliance Adviser

Opus Capital Limited

Corporate Information (Continued)

Registered Office

Floor 4, Willow House
Cricket Square
Grand Cayman KY1-9010
Cayman Islands

Headquarters and Principal Place of Business in China

Building 31, Northeast District
No. 99, Jinji Lake Avenue
Suzhou Industrial Park
Suzhou, Jiangsu Province, PRC

Principal Place of Business in Hong Kong

Room 2723, 27/F, AXA Southside
38 Wong Chuk Hang Road
Wong Chuk Hang, Hong Kong

Principal Share Registrar and Transfer Office

Campbells Corporate Services Limited
Floor 4, Willow House
Cricket Square
Grand Cayman KY1-9010
Cayman Islands

Hong Kong Share Registrar

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

Principal Bankers

China Merchants Bank Co., Ltd.
(Suzhou Dushuhu Branch)

China CITIC Bank Corporation
(Suzhou Branch)

Company Website

www.rainmed.com

Stock Code

2297

Listing Date

July 8, 2022

FINANCIAL HIGHLIGHTS

The following table sets out a comparison of key financial data for the years ended December 31, 2022 and 2021:

	Year Ended December 31,			
	2022 RMB'000 (Except percentage)	2021 RMB'000 (Except percentage)	Change RMB'000	Change
Revenue	83,604	81,199	2,405	3.0%
Gross profit	69,824	69,032	792	1.2%
Gross profit margin	83.5%	85.0%		
Loss attributable to Shareholders of the Company	(1,345,963)	(633,645)	(712,318)	112.4%
Adjusted non-HKFRS loss attributable to Shareholders of the Company ^{Note}	(100.9)	(51.7)	(49.2)	95.2%
	RMB	RMB	RMB	
Loss per share				
— Basic and diluted	(1.50)	(0.99)	(0.51)	51.5%
Adjusted non-HKFRS loss per share				
— Basic and diluted	(0.11)	(0.08)	(0.03)	37.5%

Note: For the year ended December 31, 2022, the Group incurred loss of RMB1,346.0 million, which was mainly attributable to changes in the fair value of Preferred Shares of RMB1,210.9 million. Changes in the fair value of Preferred Shares was a non-cash item. The Preferred Shares were irrevocably converted into ordinary shares upon the listing of the Shares on July 8, 2022, and no further losses or gains will be recognized on changes in the fair value of Preferred Shares thereafter. Share-based payment expenses are non-cash expenses arising from share awards and Pre-IPO Share Option Scheme granted to certain management personnel and employees, which are commonly not included in similar non-HKFRS measures adopted by other companies in our industry. Listing expenses are expenses in relation to the Listing and the Global Offering and commonly not included in similar non-HKFRS measures. After eliminating potential impacts of certain non-cash or other expenses that do not affect our ongoing operating performance, including fair value loss of financial liabilities, share-based payment expenses and listing expenses, the Group's adjusted non- HKFRS loss attributable to equity holders of the Company was RMB100.9 million.

Financial Highlights (Continued)

	Year Ended December 31,			
	2022 RMB'000 (Except percentage)	2021 RMB'000 (Except percentage)	Change RMB'000	Change
Financial position				
Non-current assets	86,897	64,547	22,350	34.6%
Cash and cash equivalents	91,118	559,140	(468,022)	(83.7%)
Bank deposits with the maturity over three months	355,196	—	355,196	—
Total assets	690,330	640,192	50,138	7.8%
Non-current liabilities	3,575	1,370,609	(1,367,034)	(99.7%)
Current liabilities	68,119	44,067	24,052	54.6%
Total liabilities	71,694	1,414,676	(1,342,982)	(94.9%)
Total equity/(deficit)	618,636	(774,484)	1,393,120	(179.9%)

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors of Rainmed Medical Limited and its subsidiaries, we are pleased to present to you the 2022 annual report of the Group.

Time flies, flowers bloom in the spring and bear fruit in the fall. The year 2022 is an important milestone in the history of the Rainmed Medical Group. Despite the recurring COVID-19 outbreaks, the complex international situation, and the many uncertainties and difficulties in the development of the entire industry, the Rainmed Medical team has continued to walk and move forward. With the support and trust of our partners and investors, we have successfully landed on the Stock Exchange as a listed company on the Main Board and successfully raised funds. The global commercialization of the coronary angiography-derived fractional flow reserve system, the Company's first commercialized core product, led to a steady increase in the Company's sales. In addition, we will fully promote the research and development of core products, scientific research and academics, strategic cooperation, pipeline expansion, etc., in order to achieve the Company's strategic goal of building an interventional surgical robot platform and realizing the unmanned operating room.

Rainmed Medical does not forget its original intention and aims high. As a national high-tech enterprise, Rainmed Medical insists on independent research and development and technological innovation, and has set a differentiated strategic goal of vascular interventional surgical robot. After years of hard work, the Company has accumulated strong technical expertise in medical imaging algorithms, fluid mechanics analysis, high-performance mechanical design, high-end interventional consumables research and development. Currently, the Company has taken the lead in the scientific research and technological innovation of coronary angiography-derived fractional flow reserve system (caFFR System), coronary angiography-derived index of microvascular resistance system (caIMR System), FlashBot vascular interventional surgical robots and various other products under research:

- As the domestic FFR measurement product with the highest accuracy, Rainmed Medical's caFFR System has been widely promoted in clinical practice due to its excellent accuracy and convenience since its overseas and domestic commercialization in 2019. Over the past year, we have achieved a continuous and rapid increase in the number of hospital admissions and the number of surgeries performed under the guidance of the product, as well as the continuous increase in the patient charging price and the number of provinces that have included the product into the medical insurance reimbursement list. The improvement in these marketing business metrics will serve as the foundation for our equipment and consumables sales to hospitals, thereby driving our overall sales revenue growth.
- The caIMR System, the world's first non-invasive coronary microcirculation diagnostic product, also reached a development milestone in 2022. In March 2022, we completed a confirmatory clinical study of the world's first innovative IMR product, with Academician Ge Junbo of Zhongshan Hospital of Fudan University and Professor Huo Yong of Peking University First Hospital as principal investigators. In April 2022, the caIMR System successfully entered the special approval channel of the NMPA for innovative medical devices. In May 2022, Academician Ge Junbo announced the results of a confirmatory clinical study of the caIMR System at EuroPCR, the world's top academic conference on new vascular interventions, with an online accuracy of 93.81% compared to wire IMR. caIMR is expected to be approved by the NMPA and begin its commercialization in the second quarter of 2023.

Chairman's Statement (Continued)

- The FlashBot vascular interventional surgical robot is expected to become the world's first vascular interventional surgical robot that covers the entire process of diagnosis and treatment. In the past year, we have comprehensively promoted the strategic planning of vascular interventional surgical robots. We continue to develop the FlashBot vascular interventional surgical robot, advancing the product to the animal testing stage. Currently, the Company continues to optimize and upgrade FlashBot through various animal tests to improve its clinical adaptability and achieve precise and accurate automated surgical operations.

In terms of scientific research and academics, 2022 is a memorable year. Domestic cardiovascular experts highly recognize the important role of caFFR System and caIMR System in promoting precise diagnosis and treatment of coronary arteries. In December 2022, Academician Ge Junbo and Professor Huo Yong, leading more than 50 authoritative experts in the industry including Professor Chen Yundai from the Chinese PLA General Hospital, Professor Xu Yawei from the Shanghai Tenth People's Hospital, Professor Wang Jian'an from the Second Affiliated Hospital of Zhejiang University School of Medicine, Professor Ma Yitong from the First Affiliated Hospital of Xinjiang Medical University, Professor Yu Bo from the Second Affiliated Hospital of Harbin Medical University, and Professor Yuan Zuyi from the First Affiliated Hospital of Xi'an Jiaotong University, drafted the Chinese Expert Consensus on Computation of Coronary Physiological Assessment Technology (《中國計算冠狀動脈生理學檢測技術專家共識》), the first national consensus of its kind. The consensus groundbreakingly standardizes the scope of operation and application of caFFR System and caIMR System, provides clinical guidelines for the use of coronary functional assessment, and helps China achieve high-level development of coronary intervention.

In terms of commercialization, 2022 is a year of continuous expansion. We have continued to build an extensive marketing network both domestically and internationally, enabling original Chinese products to benefit vascular patients worldwide. The commercialization of caFFR System is progressing well. With its outstanding clinical performance, competitive pricing strategy, our strong internal marketing and sales team and external distributors, we are working on patient education, operator training and clinical promotion to rapidly increase the number of hospital admissions and consumable usage. By the end of 2022, caFFR System had been available in 30 provinces and regions nationwide, with 21 provinces and regions covered by medical insurance, and more than 1,000 hospitals have used our caFFR System. Meanwhile, we continued to expand our overseas market presence, and caFFR System has covered nine overseas countries and regions. In September 2022, we successfully obtained approval from the Therapeutic Goods Administration in Australia, laying a solid foundation for further overseas commercialization in the future.

In terms of strategic cooperation, 2022 is a fruitful year. The Company actively expanded its circle of friends in the industry. It has entered into a strategic cooperation with Anjite (Tianjin) Technology Co., Ltd. (安吉特(天津)科技有限公司), and is also negotiating with Sino Medical Sciences Technology Inc. for strategic cooperation. We believe that through the strong alliance and complementary advantages with our partners, we will further improve the level of our product research, promote large-scale clinical studies at home and abroad, increase product awareness, and establish international market presence.

Chairman's Statement (Continued)

In terms of our pipeline layout, 2022 is a year of determination and progress. We have clarified and refined our strategic goals and we are walking more firmly on the path to realizing our dreams. Relying on its accumulated technical expertise, the Company has not only overcome the technical difficulties of the diagnostic module of the vascular interventional surgical robot, but also continuously advanced the technical breakthrough in the treatment field, realized the development and design of the prototype shock wave balloon, and completed nearly 20 performance tests. The Company is also actively seeking investment and acquisition targets. In addition to internal research, the Company is actively considering improving its product mix through mergers and acquisitions and expanding its precision diagnostic and therapeutic product lines.

In terms of business operations, 2022 is a year of continuous progress. After a rigorous selection process, Rainmed Medical stood out among many high-quality enterprises in Jiangsu Province and was awarded the honorary title of the first batch of "Specialized and Sophisticated Enterprises" in Jiangsu Province for 2022, inspiring the Company to further improve its economic efficiency, specialization, innovation ability and management level.

Looking ahead to 2023, Rainmed Medical will continue to focus on the coronary artery precision diagnosis and treatment market, which has a huge clinical demand, to realize its continuous growth and ensure continuous dramatic performance. We will make every effort to promote the domestic commercialization of the caFFR System, ensure the smooth implementation of large-scale overseas clinical trials, and further expand international marketing. The caIMR System is expected to be approved by the NMPA to achieve commercialization and enable more patients with human microcirculatory diseases to be effectively treated. For FlashBot, we will enter into clinical agreements with top domestic hospitals to promote commercial development to a new stage. The design of the shock wave balloon will be finalized and proceed to type testing, thereby improving the diagnosis and treatment function of the Company's vascular interventional surgical robot. In addition, we will consider investments in and acquisitions of companies in the industry to expand our product pipeline and bring innovative products to market that will provide new impetus for our long-term growth. We will also continue to optimize our supply chain to control production costs and ensure the stability of raw material procurement, and strengthen our long-term competitive advantages through lean manufacturing.

Over the past nine years, we have forged ahead with hard work, regardless of wind and rain. The year 2022 is an important milestone for Rainmed Medical, and also a new starting point for a great journey. In the future, we will strive to live up to everyone's expectations, uphold the original intention of "providing precision medical care to serve the health of all people", further strengthen investment in research and innovation, explore the path of corporate growth, and reward society and investors with excellent products and outstanding performance.

Yours faithfully,

Huo Yunfei

Chairman and Executive Director

March 30, 2023

MANAGEMENT DISCUSSION AND ANALYSIS

Founded in 2014, we are committed to becoming a global leading vascular interventional surgical robotics company, with our current focus on the design, development and commercialization of coronary angiography-derived fractional flow reserve system (“**caFFR System**”) and coronary angiography-derived index of microvascular resistance system (“**calMR System**”). Our Core Products, caFFR System and calMR System, are innovative medical devices used to evaluate the severity of myocardial ischemia arising from coronary artery stenosis and microvascular dysfunction, which are the underlying causes of CAD. They are designed to eliminate the usage of pressure wires, significantly reduce the risk of technical errors and operation time, and improve physiological assessment. These two systems are currently utilized singularly for precision diagnosis of CAD. As FFR measures the macrocirculation of arteries which account for 5% of all arteries and IMR measures the micro-circulation of arteries which account for 95% of all arteries, therefore, using a combination of IMR and FFR can provide a comprehensive evaluation on the coronary circulation status of CAD patients. These two systems are expected to form the center and crucial modules for our future vascular interventional surgical robots.

As FFR plays an increasingly important role in clinical practice, the global FFR measurement market is expected to grow from approximately USD504.1 million in 2020 to approximately USD1,200.0 million in 2025 at a compound annual growth rate (“**CAGR**”) of 18.9%, and further increase to approximately USD2,250.7 million in 2030 at a CAGR of 13.4% from 2025 to 2030, according to China Insights Industry Consultancy Limited. Benefiting from the increasing penetration of FFR due to (i) strong clinical evidence and recommendations by multiple guidelines and expert consensus in China and overseas; (ii) technology developments and (iii) growing public awareness, the FFR measurement market in China is expected to grow from RMB78.6 million in 2020 to approximately RMB2,385.7 million in 2025 at a CAGR of 97.9%, and expected to reach approximately RMB5,385.5 million in 2030 at a CAGR of 17.7% from 2025 to 2030. In 2020, the penetration rate of FFR measurement performed along with CAG in China was 0.4%, which was far below 22.5% in the U.S., 17.2% in Japan, and 6.9% in the European Union.

IMR is a quantitative method to assess the microvascular function of blood vessels, and is used to identify effective adjunctive treatment to reduce microcirculatory dysfunction and improve future prognosis after PCI. IMR can guide the diagnosis and management of patients with CAD without obstructive coronary arteries. Multiple authoritative studies globally have indicated a significant correlation between IMR value and risk for cardiac death or readmission due to heart failure: patients with $IMR \geq 25$ showed significantly higher risk for cardiac death or readmission due to heart failure than those with $IMR < 25$. In addition, as FFR measures the macro-circulation of epicardial arteries which account for 5% of all arteries and IMR measures the microcirculation of pre-arterioles, arterioles and capillaries, which account for 95% of all arteries, therefore, using a combination of IMR and FFR can provide a comprehensive evaluation on coronary circulation status of CAD patients.

As the IMR measurement market is still at a nascent stage, we will focus on educating physicians, patients and hospital administrators on the benefits of IMR measurements as well as our advantages in providing less-invasive IMR system. We plan to work closely with influential hospitals and cardiovascular centers in China by sponsoring industry conferences. We also plan to continue providing training to hospitals and physicians to introduce our calMR System. In particular, to commercialize our calMR System in Europe and further increase awareness of our products and brand name, we will support our overseas consultants to participate in well-known local conferences for cardiovascular diseases and share our cases through seminars and academic events.

Management Discussion and Analysis (Continued)

Our caFFR System has obtained both certificates of CE Mark in Europe and NMPA approval in China. It was also successfully registered in the Commonwealth of Australia (“**Australia**”) and was approved by the Therapeutic Goods Administration (the “**TGA**”) in 2022. With the high accuracy rate of over 95% and convenient operation process that takes less than five minutes, our caFFR System has become a leading domestic FFR measurement product and is currently competing closely with an international leading medical device company for the national leader position in the FFR measurement market in China. We plan to expand the indication of our caFFR System from the current scope (covering patients with stable angina pectoris, unstable angina pectoris and post-acute phase of myocardial infarction) to further cover patients experiencing acute STEMI, acute NSTEMI and HFpEF. In addition, we are also developing our calMR System, which is the only less-invasive IMR measurement product having completed a confirmatory clinical trial globally and is expected to become the first less-invasive IMR system approved for commercialization globally in 2023. Currently, we expect to obtain NMPA approval for commercialization of our calMR System in the second quarter of 2023. In December 2022, our caFFR System and calMR System were included into the Chinese Expert Consensus on Computation of Coronary Physiological Assessment Technology (《中國計算冠狀動脈生理學檢測技術專家共識》) (the “**Expert Consensus**”). The Expert Consensus will fill the gap of the lack of guidance and norm in the clinical application of physiological indicators calculation in the intervention of coronary heart disease in China, and will provide a basis for its standardized application and expansion of the scope of application. Building on our caFFR System and calMR System, we aim to launch our vascular interventional surgical robot, a one-stop hybrid procedure, that can be carried out for diagnostic and therapeutic purposes by connecting and integrating all our clinical applications, to automate the whole process of PCI by 2024.

Commercialization

In 2022, we continued to deepen and kept on expanding the market channels of our commercialized product, caFFR System, and achieved steady and outstanding results, which have strengthened our competitive advantages in the FFR field. Our revenue increased from RMB81.2 million for the year ended December 31, 2021 to RMB83.6 million for the year ended December 31, 2022, all of which was generated from the sales of our caFFR System, representing a year-on-year increase of approximately 3.0%.

We have a proven track record in commercializing our Core Product, caFFR System, with a comprehensive commercialization network in China. We actively engage with KOLs — such as Dr. Ge Junbo and Dr. Huo Yong — physicians and medical associations as a part of our academic promotion and marketing strategy. As of December 31, 2022, our efficient and highly experienced sales team have established an extensive distribution network comprising 151 domestic distributors who are authorized by us to cover over 1,000 hospitals across 22 provinces, four autonomous regions and four municipal cities in China. With our effective and extensive sales and marketing activities, as of December 31, 2022, our caFFR Systems had been sold to and installed in over 400 hospitals and had been performed at over 1,100 hospitals in China, and we had completed the procurement approval procedure with over 500 hospitals in China. We have also obtained the patient charging price, the price ranged from RMB10,200 to RMB12,000 for our proprietary consumable of caFFR System in 30 provinces and regions, among which 21 provinces and regions (such as Shanghai, Guangdong, Chongqing, Henan, etc.) included our proprietary consumable of caFFR System into the medical insurance reimbursement list.

Management Discussion and Analysis (Continued)

Research and Development

Our R&D team develops innovative products focusing on the field of interventional precision diagnosis and treatment. We have a dedicated in-house R&D team of over 100 members primarily based in Suzhou, Jiangsu province, China. The R&D team accounts for around one third of our total employees and is led by Mr. Liu Guangzhi, our chief technology officer, who has over nine years of experience in medical device development and over 16 years of experience in software and algorithm development as well as profound management experience.

Our four R&D platforms include the medical imaging algorithm and application R&D platform, the fluid dynamics simulating calculation platform, the high-performance device R&D platform and the interventional consumables R&D platform. These platforms adhere to in-house development and innovation, capture market demand and actively explore various clinical applications for our products so as to timely upgrade our products and product candidates catering to the market demands. Our platform technologies complement each other and create a synergistic effect for our R&D efforts.

As of December 31, 2022, we had (i) 102 approved patents, including 98 approved in China, one approved in the U.S. and three approved in Japan; (ii) 178 pending patent applications, including 129 in China and 49 overseas; (iii) 23 active PCT patent applications; (iv) 269 registered trademarks; and (v) 13 registered software copyrights.

Manufacturing

Our commercialization efforts are well supported by our growing manufacturing capability. As of December 31, 2022, we had two manufacturing sites located in Suzhou, Jiangsu province, China, including one principal manufacturing site with an aggregate floor area of 5,143 sq.m. in operation and another auxiliary manufacturing site with an aggregate floor area of 1,019 sq.m. Both our manufacturing facilities are in compliance with the GMP for medical devices in China. Once our two facilities are put under full operation, it is expected to be able to produce 11,375 units of consoles as well as 1,130,765 units of pressure transducers (disposable consumables) each year. The console and the single-use pressure transducer can be used for assembling our caFFR System and caIMR System.

Products and Pipeline

Products and Product Candidates ⁽²⁾	Indication	Type	Stage				Upcoming Milestone	Expected Commercial Launch
			Preclinical	Clinical	Registration	Approval		
Digital Functional Diagnostic Module	caFFR System (comprising the FlashAngio caFFR System and the FlashPressure caFFR pressure transducer)	Coronary Artery Disease	III	China	NMPA Approval		N/A	Launched
			III	China	Post Registration clinical trial for indication expansion ⁽¹⁾		Registration submission (2025)	2026
			IIa	Europe	CE Mark: exempted from clinical trial requirement		N/A	Launched
			II	Japan, South Korea			Initiation of clinical trials (2023Q3)	2025
			II	United States			Initiation of clinical trials (2023Q3)	2026
	calMR System (comprising the FlashAngio calMR System and the FlashPressure calMR pressure transducer)	Coronary Artery Disease	III	China			Regulatory approval (2023Q2)	2023Q2
			III	China	Post Registration clinical trial for indication expansion ⁽³⁾		Initiation of clinical trials (2023Q4)	2026
			IIa	Europe ⁽²⁾	CE Mark: exempted from clinical trial requirement		Acceptance process of registration submission	2023Q3
			II	Japan, South Korea			Initiation of clinical trials (2023Q3)	2025
			II	United States			Initiation of clinical trials (2023Q3)	2026
Automated Interventional Module	Intelligent Angiographic Injection System	Vascular Disease	III		NMPA Approval: Exempted from clinical trial requirement		Registration submission (2023Q3)	2024
	Flash Robot Vascular Intervention Navigation Operation System	Coronary Artery Disease	III				Initiation of clinical trials (2023Q3)	2024
		Peripheral Vascular Disease	III				Initiation of clinical trials (2024Q3)	2027
		Neurovascular Disease	III				Initiation of clinical trials (2024Q3)	2027
	Flash RDN System	Hypertension	III				Initiation of clinical trials (2023Q3)	2026

★ Core Product

▲ This device is exempted from clinical trial requirements in accordance with the Catalogue of Medical Devices Exempted from Clinical Evaluation (《免於臨床評價醫療器械目錄》) promulgated by the NMPA.

Notes:

- (1) Indication expansion of caFFR System includes acute STEMI, acute NSTEMI and HFpEF.
- (2) We have global commercial rights for all of our products and product candidates.
- (3) Indication expansion calMR System includes STEMI immediately after successful revascularization of targeted vessels.

caFFR System

Our caFFR System is a less-invasive physiological assessment of coronary artery ischemia severity based on CAG images, and it is indicated for monitoring real-time aortic pressure in all stages of the cardiac cycle and assessing various physiological parameters for patients with stable angina pectoris, unstable angina pectoris and acute myocardial infarction (at least seven days after myocardial infarction). Our caFFR System is a Class III medical device under the classification criteria of the NMPA.

Management Discussion and Analysis (Continued)

We commenced the confirmatory clinical trial for our caFFR System in March 2018 and completed such trial in May 2019. We obtained the CE Mark in the European Union in September 2019 and started to commercialize our caFFR System in overseas markets (such as the Czech Republic, France and Austria) in October 2019. In addition, we received the registration certificate of Class III medical device from the NMPA in December 2019 and began to commercialize our caFFR System in China in January 2020. In 2022, we successfully registered our caFFR System in Australia and received the approval by the TGA in respect of our caFFR System. Our R&D in relation to our caFFR System has been a continuing effort. We initiated a post-registration clinical trial in China in August 2020 to expand the indication of our caFFR System from its current scope to further cover patients experiencing acute STEMI, acute NSTEMI and HFpEF.

caIMR System

We are currently developing our caIMR System, which is the only less-invasive IMR measurement product having completed a confirmatory clinical trial globally and is expected to become the first less-invasive IMR system approved for commercialization globally in 2023. Our caIMR System is a Class III medical device under the classification criteria of the NMPA. As of December 31, 2022, we held four material patents and three material patent applications in relation to our caIMR System. In March 2022, we completed the confirmatory clinical trial of our caIMR System in China with 116 human subjects enrolled. Subsequently, we submitted the confirmatory clinical trial results of caIMR System to the NMPA for regulatory approval in April 2022. In May 2022, Dr. Ge Junbo, the president of the Cardiovascular Society of the Chinese Medical Doctor Association and the chief of the Department of Cardiology in the Zhongshan Hospital of Fudan University, published the confirmatory clinical research results of our caIMR System at the European Association of Percutaneous Cardiovascular Interventions, the world's top academic conference for cardiovascular intervention. Compared with wire-based IMR, the diagnostic performance of our caIMR System indicated a diagnostic accuracy of 93.8%, sensitivity of 95.1%, and specificity of 93.1%. Currently, we expect to obtain NMPA approval for commercialization of our caIMR System in the second quarter of 2023.

Flash Robot Vascular Intervention Navigation Operation System

Flash Robot Vascular Intervention Navigation Operation System is our proprietary robot-assisted platform designed for navigation and operation. We plan to provide a “one-stop hybrid procedure” that can be carried out for diagnostic and therapeutic purposes at the same time in the future. Robotic-assisted operation enables precise measurement of anatomy and device positioning with the added benefit of radiation protection for the physicians. Consisting of a robotic arm and a control unit (including a console and a surgical image navigation system), our Flash Robot Vascular Intervention Navigation Operation System allows physicians to precisely guide a catheter through the patient's blood vessels and further perform the operation. As of December 31, 2022, the Flash Robot Vascular Intervention Navigation Operation System was at its design stage. In February 2022, our Flash Robot Vascular Intervention Navigation Operation System entered into the animal study stage and successfully passed the first animal trial sample.

WE CANNOT GUARANTEE THE FUTURE PROSPECTS OF OUR CORE PRODUCT, caFFR SYSTEM, AND WE MAY NOT BE ABLE TO SUCCESSFULLY DEVELOP AND/OR MARKET OUR OTHER CORE PRODUCT, caIMR SYSTEM, OR ANY OTHER PRODUCT CANDIDATES.

Outlook and Prospect

In the past year, despite the uncertainties in the market, the continuous outbreak of regional epidemics and the requirements of complying with strict epidemic prevention measures, our team and all employees still forged ahead in a fluctuating environment and took initiative to maintain operations and continue to further expand our business. Looking ahead to 2023, we remain optimistic about the prospect for the mainland China and Hong Kong. As epidemic prevention and control policies continue to be eased in the mainland China, all stakeholders expressed their support despite the initial challenges.

Financial Review

Revenue

Substantially all of our revenue was generated from the sales of our caFFR System, comprising a console (the FlashAngio caFFR System) and its proprietary consumable (the FlashPressure caFFR pressure transducer), since its commercialization. We sold substantially all of our products through our distributors for the years ended December 31, 2021 and 2022. Our contracts with distributors include a component of installing our devices and training services in addition to delivering products. We recognize revenue for sales of products upon delivery and recognize revenue for installation and training services after we have completed the relevant services. The following table sets forth a breakdown of our revenue by nature for the periods indicated:

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Sales of products		
— Sales of FlashAngio caFFR System	14,239	23,335
— Sales of FlashPressure caFFR pressure transducer	68,395	56,909
Installation and training services	970	955
Total	83,604	81,199

Gross Profit and Gross Profit Margin

Our gross profit increased by approximately 1.2% from RMB69.0 million for the year ended December 31, 2021 to RMB69.8 million for the year ended December 31, 2022, primarily due to the increased sales of our caFFR System. Our gross profit margin remained relatively stable at 83.5% for the year ended December 31, 2022 and 85.0% for the same period in 2021.

Management Discussion and Analysis (Continued)

Research and Development Expenses

During the Reporting Period, our R&D expenses primarily consisted of (i) employee benefit expenses, including salaries, bonus and fringe benefits for R&D team; (ii) raw material costs for our R&D activities; (iii) professional service expenses, mainly representing expenses incurred in relation to (a) our intellectual property rights, such as patent application fees and patent maintenance fees, and (b) our product registration applications; (iv) clinical trial and testing expenses, including (a) payments to CROs, hospitals, SMOs and other service providers in connection with our R&D activities, and (b) our testing expenses for our products; (v) share-based payment expenses in relation to the Pre-IPO Share Option Scheme granted to certain members of our R&D team; and (vi) depreciation and amortization charges. The following table sets forth a breakdown of our R&D expenses for the periods indicated:

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Employee benefit expenses	25,371	15,477
Raw material costs	5,174	4,672
Professional service expenses	4,772	1,229
Clinical trial and testing expenses	2,019	2,607
Share-based payment expenses	2,325	128
Depreciation and amortization charges	2,225	1,306
Other expenses	2,286	1,551
Total	44,172	26,970

Our R&D expenses increased significantly from RMB27.0 million for the year ended December 31, 2021 to RMB44.2 million for the year ended December 31, 2022, representing a year-on-year increase of approximately 63.8%. Such increase was primarily due to (i) an increase of RMB9.9 million in employee benefit expenses mainly as a result of salary increase and an increase in our R&D employee headcount; (ii) an increase of RMB3.5 million in professional service expenses; and (iii) an increase of RMB2.2 million in share-based payment expenses as a result of the Pre-IPO Share Option Scheme granted to certain members of our R&D team in 2022.

Management Discussion and Analysis (Continued)

Selling Expenses

During the Reporting Period, our selling expenses primarily consisted of (i) employee benefit expenses, including salaries, bonus and fringe benefits for sales and marketing team; (ii) marketing development expenses, primarily including expenses in connection with our sales and marketing activities, such as conference costs, travel expenses, expenses incurred for exhibitions and expenses paid to third-party research institutes for conducting market researches; (iii) share-based payment expenses in relation to share awards and the Pre-IPO Share Option Scheme granted to certain members of our sales team; and (iv) depreciation and amortization charges. The following table sets forth a breakdown of our selling expenses for the periods indicated:

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Employee benefit expenses	35,370	26,450
Marketing development expenses	22,860	15,932
Share-based payment expenses	3,592	25,441
Depreciation and amortization charges	3,017	1,131
Other expenses	1,911	1,166
Total	66,750	70,120

Our selling expenses decreased from RMB70.1 million for the year ended December 31, 2021 to RMB66.8 million for the year ended December 31, 2022, representing a decrease of approximately 4.8% as compared to the same period in 2021. Such decrease was primarily due to a decrease of RMB21.8 million in one-off share-based payment expenses as a result of the share awards granted to certain members of our sales team in 2021. The decrease was partially offset by an increase in expenses as a result of an increase in our sales and marketing employee headcount to support our increasing sales and marketing activities.

Management Discussion and Analysis (Continued)

General and Administrative Expenses

During the Reporting Period, our general and administrative expenses primarily consisted of (i) employee benefit expenses, including salaries, bonus and fringe benefits for administrative team; (ii) listing expenses; (iii) depreciation and amortization charges; (iv) share-based payment expenses in relation to share awards granted to certain members of our general management team; and (v) professional service expenses, which were primarily associated with corporate legal services. The following table sets forth a breakdown of our general and administrative expenses for the periods indicated:

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Employee benefit expenses	51,769	20,638
Listing expenses	20,756	20,926
Depreciation and amortization charges	9,166	7,596
Professional service expenses	6,681	18,238
Share-based payment expenses	7,039	41,574
Travel expenses	309	501
Other expenses ^{Note}	13,597	5,733
Total	109,317	115,206

Note: Mainly included office expenses, entertainment expenses, travel expenses and property management fees.

Our general and administrative expenses decreased from RMB115.2 million for the year ended December 31, 2021 to RMB109.3 million for the year ended December 31, 2022, representing a year-on-year decrease of approximately 5.1%. Such decrease was primarily due to a decrease of RMB34.5 million in one-off share-based payment expenses as a result of the share awards granted to certain members of our general management team in 2021. The decrease was partially offset by an increase of RMB31.1 million in employee benefit expenses mainly as a result of an increase in our administrative employee headcount.

Other Income

Our other income increased from RMB0.4 million for the year ended December 31, 2021 to RMB5.3 million for year ended December 31, 2022, primarily due to an increase in government grants related to costs, as a result of our receipt of one-off government grants in 2022.

Income Tax Credit

Our income tax credit increased from RMB5.0 million for the year ended December 31, 2021 to RMB5.5 million for the year ended December 31, 2022, primarily due to the recognition of deferred income tax assets mainly resulted from the increased loss before income tax recognized in 2022.

Management Discussion and Analysis (Continued)

Fair Value Loss of Financial Liabilities

Our fair value loss of financial liabilities represented the changes in fair value of the preferred shares in relation to our Series Angel-1, Series Angel-2, Series A+, Series B, Series C-1, Series C-2 and Series D Preferred Shares (collectively, “**Refundable Preferred Shares**”). Subsequent to initial recognition, changes in the fair value of our Refundable Preferred Shares are recognized in the consolidated income statement. Our fair value loss increased significantly from RMB493.9 million for the year ended December 31, 2021 to RMB1,210.9 million for the year ended December 31, 2022, primarily attributable to the increase in the fair value of our Refundable Preferred Shares in line with the increase of the Group’s valuation in 2022. Upon the Listing on July 8, 2022, the Refundable Preferred Shares have been irrevocably converted into ordinary shares, after which no further loss or gain on fair value changes of the Refundable Preferred Shares should be recognized.

Loss for the Period

For the reasons described above, we recorded a loss of RMB1,346.0 million for the year ended December 31, 2022, compared with a loss of RMB633.6 million for the year ended December 31, 2021.

Liquidity and Financial Resources

Our primary uses of cash were to fund the development of our product candidates, our clinical trials, our payment for the purchase of plant and equipment, administrative expenses, selling expenses and other recurring expenses.

For the year ended December 31, 2022, our net cash used in operating activities was RMB111.2 million, primarily because we incurred significant R&D expenses, administrative expenses and selling expenses during the Reporting Period. Our operating cash flow will continue to be affected by our operating expenses such as R&D expenses. During the Reporting Period, we mainly relied on capital contribution from Shareholders and equity financing as the main source of liquidity. Our management closely monitors the utilization of cash and cash balances and strives to maintain healthy liquidity for our business. Going forward, we believe that our liquidity requirements will be satisfied with the net proceeds from the Global Offering, our cash and cash equivalents on hand and cash generated from our operations.

For the year ended December 31, 2022, our net cash used in investing activities was RMB515.7 million, primarily attributable to purchases of property, plant and equipment items, payments of intangible assets, purchases of financial assets and purchases of short-term bank deposits of RMB17.1 million, RMB12.7 million, RMB130.4 million and RMB355.2 million, respectively.

For the year ended December 31, 2022, our net cash generated from financing activities was RMB120.7 million, primarily attributable to the global offering and placing, bank loans of RMB127.0 million and RMB18.0 million, respectively, which were partially offset by lease payments of RMB6.6 million and listing expenses of RMB17.5 million.

As at December 31, 2022, our cash and cash equivalents amounted to RMB91.1 million, which primarily consisted of cash on hand and which were mainly denominated in Renminbi (as to 95.4%), U.S. dollars (as to 3.6%), Hong Kong dollars (as to 0.6%) and Euro dollars (as to 0.4%), representing a decrease of RMB468.0 million from RMB559.1 million as at December 31, 2021. Our net current assets increased from RMB531.6 million as at December 31, 2021 to RMB535.3 million as at December 31, 2022.

Management Discussion and Analysis (Continued)

Indebtedness

As at December 31, 2022, we had an outstanding balance of borrowings of RMB18.0 million that were made in Renminbi at fixed interest rates ranging from 2.80% to 3.85% and are expected to mature within 1 year. We had unutilized bank facilities of RMB191.0 million.

Our lease liabilities decreased from RMB16.7 million as at December 31, 2021 to RMB11.0 million as at December 31, 2022, primarily attributable to lease payments.

Capital Commitments

As at December 31, 2022, we had capital commitments contracted but not provided for of RMB11.3 million in relation to the purchase of construction and furnishing services and equipment for the Group's production plants.

Charges on Assets

As at December 31, 2022, the Group had no pledge of assets (as at December 31, 2021: nil).

Contingent Liabilities

As at December 31, 2022, we did not have any material contingent liabilities (as at December 31, 2021: nil).

Significant Investments, Material Acquisitions and Disposals

We did not have any significant investments held, nor did we make any material acquisitions and disposals of subsidiaries, associates or joint ventures during the Reporting Period.

Foreign Exchange Exposure

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

Key Financial Ratios

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

	As at December 31, 2022	As at December 31, 2021
Quick ratio ⁽¹⁾	8.7	12.8
Gearing ratio ⁽²⁾	Not meaningful	Not meaningful

Notes:

⁽¹⁾ Quick ratio is calculated by dividing current assets less inventories as of a given date by current liabilities as at such date.

⁽²⁾ Gearing ratio is calculated using interest-bearing bank and other borrowings less cash and cash equivalents divided by total equity and multiplied by 100%. Gearing ratio is not meaningful as our interest-bearing bank and other borrowings less cash and cash equivalents were negative.

Management Discussion and Analysis (Continued)

Future Plans for Material Investments or Capital Assets

The Group will continue to expand into the China and global markets in order to tap its internal potential and maximize Shareholders' interests. The Group will continue to drive product development within our product pipeline. The Group will continue to grow and develop through self-development, mergers and acquisitions. We will use various financing channels to support capital expenditures, including but not limited to internal funds and bank loans. Currently, the Group's bank credit line is sufficient.

Human Resources

As at December 31, 2022, the Group employed 435 full-time employees, all of whom were stationed in China. During the Reporting Period, the Group's total employee benefit expenses (including (i) wages, salaries and bonuses; (ii) social security costs; (iii) employee benefits; and (iv) equity-settled share awards) amounted to approximately RMB138.9 million. We recruit our employees based on a number of factors, including their work experience, educational background and the requirements of the relevant vacancies. We invest in continuing education and training programmes for our management staff and other employees to continuously improve their skills and knowledge. We provide regular feedback to our employees, as well as internal and external training in various areas such as product knowledge, project development and team building. We also assess the performance of our employees to determine their salaries, promotion opportunities and career development. In accordance with the relevant PRC labour laws, we enter into individual employment contracts with our employees covering matters such as tenure, wages, bonuses, employee benefits, workplace safety, confidentiality obligations, non-competition and grounds for termination. In addition, we are required under PRC law to make contributions to statutory employee benefit plans (including pension plans, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing funds) at certain percentages of the salaries (including bonuses and allowances) of our employees, up to a maximum amount specified by the local government. The adoption of the Pre-IPO Share Option Scheme of 707,628 Shares (or 35,381,400 Shares as adjusted after the capitalization issue) as further described in the Prospectus was approved at the Board meeting of the Company held on December 10, 2021. The purpose of the Pre-IPO Share Option Scheme is to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group. The Pre-IPO Share Option Scheme also helps the Company to modernize its remuneration practices and improve the balance of interests among Shareholders, operation and execution management by aligning their interests.

Subsequent Events after the Reporting Period

The Acquisition of Equity Interest and the Subscription of Increased Registered Capital of Tianjin Yuehekang Biotechnology Co., Ltd. (天津悦和康生物技术有限公司)

On March 1, 2023 (after trading hours), Suzhou Rainmed entered into an investment agreement (the "**Investment Agreement**") with Tianjin Yuehekang Biotechnology Co., Ltd. (天津悦和康生物技术有限公司) (the "**Target Company**"), Qingdao Yaoshuntong Trading Co., Ltd. (青島耀順通商貿有限公司) ("**Qingdao Yaoshuntong**") and Mr. He Zhibo, pursuant to which (i) Suzhou Rainmed has conditionally agreed to acquire, and Qingdao Yaoshuntong has conditionally agreed to sell, the equity interest, which represented 57% of the registered capital of the Target Company as at March 1, 2023 and immediately before the subscription of subscription interests as contemplated under the Investment Agreement, at the consideration in the amount of RMB15,960,000; and (ii) Suzhou Rainmed has conditionally agreed to subscribe for the increased registered capital, which represented 11.32% of the total registered capital of the Target Company on a fully-diluted basis as enlarged by the transfer of interests and subscription of

Management Discussion and Analysis (Continued)

subscription interests as contemplated under the Investment Agreement (collectively, the “**Investment**”), at the consideration in the amount of RMB10,000,000 (comprising newly increased registered capital of approximately RMB8,214,300 and capital reserve of approximately RMB1,785,700).

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Investment is more than 5% but less than 25%, the Investment constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules. Please refer to the Company’s announcements dated March 1, 2023 and March 20, 2023 for details.

The Entering Into of the Construction Agreement

In March 2023, the Group acquired a piece of land located in Wuzhong District, Suzhou, Jiangsu Province, the PRC, with a total site area of approximately 20,000 sq.m. for the purpose of developing an industrial park of the Group, at a consideration of RMB5,040,050.

On March 24, 2023, Suzhou Rainmed Robot Co., Ltd. (蘇州潤邁德機器人有限公司), an indirect wholly-owned subsidiary of the Company, entered into a construction agreement (the “**Construction Agreement**”) with Wujiang Construction Engineering (Group) Co., Ltd. (吳江市建設工程(集團)有限公司) (the “**Contractor**”), pursuant to which the Contractor will undertake the construction and engineering works of manufacturing facilities, office buildings and supporting facilities on a piece of land located in Wuzhong District, Suzhou, Jiangsu Province, the PRC with a construction area of approximately 75,600 sq.m. at a consideration of RMB430,000,000. The Construction Works are expected to be completed within 730 days after the commencement date, which will be specified in the commencement report or commencement notice and is expected to be May 7, 2023.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the transaction contemplated under the Construction Agreement exceeds 25% but is less than 100%, the transaction contemplated under the Construction Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement, circular and shareholders’ approval requirements under the Listing Rules.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders had a material interest in the transaction contemplated under the Construction Agreement. As such, no Shareholder was required to abstain from voting if an extraordinary general meeting were to be convened for the approval of the Construction Agreement and the transaction contemplated thereunder.

The Company has obtained a written approval in respect of the Construction Agreement and the transaction contemplated thereunder from a closely allied group of Shareholders which collectively held 665,023,530 Shares, representing approximately 56.95% of the entire issued share capital of the Company as at March 27, 2023. As such, no extraordinary general meeting will be convened for the approval of the Construction Agreement as permitted under Rule 14.44 of the Listing Rules. A circular containing, among other things, further details of the Construction Agreement and the transaction contemplated thereunder was dispatched to the Shareholders for information purpose on April 20, 2023.

Please refer to the Company’s announcement dated March 27, 2023 and the Company’s circular dated April 20, 2023 for further details.

DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. Huo Yunfei (霍雲飛), aged 45, is our chairman of the Board, executive Director and chief executive officer. He was appointed as our Director on April 9, 2021 and was re-designated as the chairman of the Board, executive Director and chief executive officer of our Group on December 10, 2021. He is responsible for supervising and providing overall management business, and strategy of our Group. Mr. Huo founded Suzhou Runxin Medical Instrument Co., Ltd. (蘇州潤心醫療器械有限公司) (“**Suzhou Runxin**”) in August 2014, and he has more than seven years of experience in the medical device industry.

Mr. Huo serves as director of several subsidiaries of our Group. Since March 2021, he has been serving as a director of Rianmed BVI Limited and Hong Kong Rainmed Medical Limited and he is responsible to shareholders’ meeting and presiding over the relevant affairs of the Board. In addition, he has been serving as an executive director and a director of Beijing Runxin Medical Technology Co., Ltd. (北京潤心醫療科技有限公司) (“**Beijing Runxin**”) and Rainmed Medical Inc. since August 2020 and November 2019, respectively, and he is responsible for the company’s overall management. He has also been serving as a chairman and chief executive officer of Suzhou Rainmed Medical Technology Co., Ltd. (蘇州潤邁德醫療科技有限公司) (“**Suzhou Rainmed**”) since September 2020, and he is responsible for the company’s overall management. Mr. Huo also served as a chairman of the board and a general manager of Suzhou Runxin from August 2014 to August 2020, and he was responsible to the shareholders’ meeting and presiding over the relevant affairs of the Board.

Prior to joining our Group, Mr. Huo worked at Aspire Information Technology (Beijing) Co., Ltd. (卓望信息技術(北京)有限公司) (“**Aspire Beijing**”) from December 2008 to December 2013, a subsidiary of China Mobile Limited, a listed company on the main board of the Stock Exchange (stock code: 0941.HK) and principally engaged in IT, ICT platform and application development services. He was also a chief engineer of Aspire Technologies (Shenzhen) Ltd. (卓望數碼技術(深圳)有限公司), a subsidiary of China Mobile Limited as well and principally engaged in software development supporting communications and the Internet, and he was responsible for internet marketing platform project from August 2005 to November 2008. Moreover, he worked at Siemens Ltd., China (西門子(中國)有限公司) from October 2004 to September 2005, a branch of Siemens AG (a listed company on the Frankfurt Stock Exchange (stock code: SIE)) and principally creates technology with purpose and focuses on digital innovations, combining the global R&D systems and extensive network of innovation centers with local business needs.

Mr. Huo obtained his bachelor’s degree in information science from Beijing Institute of Technology (北京理工大學) in the PRC in July 2000. He further obtained his master’s degree in advanced computer science from the University of Manchester in the United Kingdom in December 2003.

Mr. Huo is the cousin of Ms. Gu Yang, our executive Director and vice president.

Mr. Lyu Yonghui (呂永輝), aged 47, is our executive Director and joint chief executive officer. He was appointed as the executive Director and joint executive officer on December 10, 2021. He is responsible for overseeing the sales and marketing of our Group. Since January 2021, he has been serving as a chief executive officer of Beijing Runxin and a co-chief executive officer of Suzhou Rainmed, and he is responsible for the marketing related works. Mr. Lyu has more than 20 years of experience in the medical equipment industry.

Directors and Senior Management (Continued)

Prior to joining our Group, Mr. Lyu worked at Lepu Medical Technology (Beijing) Co., Ltd. (樂普(北京)醫療器械股份有限公司) from July 2001 to December 2020, a company primarily engaged in R&D and production of medical devices and drugs, and he was responsible for the sales of cardiovascular devices where his last position was deputy general manager. In addition, he was the process engineer of Luoyang Ship Material Research Institute (中國船舶重工集團公司第七二五研究所) (“LSMRI”) from July 1996 to July 2001, an institution engaged in the research, development and application of shipbuilding materials.

Mr. Lyu obtained an undergraduate diploma in industrial engineering from Zhengzhou University (鄭州大學) in the PRC in December 2003. He also obtained his master’s degree in senior management business administration from Renmin University of China (中國人民大學) in the PRC in January 2011. In addition, he received his senior engineer qualification in December 2008 issued by LSMRI. Mr. Lyu was approved by the China Association of Medical Equipment (中國醫學裝備協會) as the meeting member of the first standing committee of the cardiovascular equipment technology committee of the China Association of Medical Equipment (中國醫學裝備協會心血管裝備技術專業委員會) in September 2018, was elected as a member of the sixth council of China Association of Medical Equipment (中國醫學裝備協會) in July 2015 and was elected as a member of the seventh council of China Association of Medical Equipment in April 2022. He has also been a vice president of national association of health industry and enterprise management medical device business branch (全國衛生產業企業管理協會醫療器械商業分會) since November 2021.

Mr. Zhang Liang (張亮), aged 40, is our executive Director, chief financial officer and joint company secretary. He was appointed as our executive Director, chief financial officer and joint company secretary on December 10, 2021. He is responsible for supervising the internal financial control and securities works of our Group. Since March 2021, he has been served as the chief financial officer of Suzhou Rainmed, and is responsible for internal control and financial affairs. He served as the chief financial officer of Suzhou Runxin from January 2021 to February 2021, and he was responsible for the internal control and financial affairs. Mr. Zhang has over 16 years of experience in enterprises senior management especially in compliance, investment and financing.

Prior to joining our Group, he joined Yunnan Water Investment Co., Limited (雲南水務投資股份有限公司) (“**Yunnan Water**”), a company listed on the main board of the Stock Exchange (stock code: 6839.HK), and served as the board secretary from September 2015 to December 2016 and rejoined as the board secretary from September 2017 to February 2021. Then he served as an alternate to the authorized representative of Yunnan Water from November 2019 to November 2021, and he was responsible for compliance and acted as the channel of communication between the company and the Stock Exchange. He was the founder, chief technology officer and chief financial officer of H.C. operation capital limited (港陸資本運營有限公司), a company engaged in enterprise management consulting services, and he was responsible for project operations and quality control from October 2015 to December 2020. He was also the board secretary of Shenzhen Wangtong E-commerce Company Limited (深圳市網通電子商務有限公司) from July 2014 to June 2015, an E-commerce company. In addition, he served as vice president and board secretary of Shenzhen Jinxin Industry Group Co., Ltd. (深圳金信實業集團有限公司), a financial affairs service company, and he was responsible for capital operation and management from May 2013 to June 2014. He was also the board secretary and deputy investment general manager of Leoch International Technology Limited (理士國際技術有限公司) (0842.HK) (“**Leoch**”), a Hong Kong listed company engaged in R&D and sales of batteries, and he was responsible for the internal control and public affairs from November 2006 to May 2013.

Directors and Senior Management (Continued)

Mr. Zhang obtained an undergraduate diploma in lawyer from Zhongnan University of Economics and Law (中南財經政法大學) in the PRC in June 2004. He further obtained his master's degree in executive business administration from Jilin University (吉林大學) in the PRC in December 2017. He was qualified as the board secretary from Shenzhen Stock Exchange in September 2016.

Ms. Gu Yang (谷陽), aged 36, is our executive Director and vice president. She was appointed as our Director on November 23, 2021 and was re-designated as the executive Director and vice president on December 10, 2021. She is responsible for supervising the human resources of our Group. Since March 2021, she has been serving as a vice president of Suzhou Rainmed. She has also been a supervisor of Beijing Runxin since August 2020. She also worked as the director of general management department of Suzhou Runxin from August 2014 to February 2021.

Prior to joining our Group, Ms. Gu worked at Aspire Beijing, a subsidiary of China Mobile Limited (中國移動有限公司) from June 2012 to April 2014, a listed company on the main board of the Stock Exchange (stock code: 0941.HK) and primarily engaged in IT, ICT platform and application development services.

Ms. Gu obtained her bachelor's degree in information management and information systems from Tianjin University Ren'ai College (天津大學仁愛學院) in the PRC in July 2010. She received her certificate of human resources management II issued by the Vocational Skills Appraisal Center of Ministry of Human Resources and Social Security (人力資源和社會保障部職業技能鑑定中心) in December 2017.

Ms. Gu is the cousin of Mr. Huo Yunfei, our chairman of the Board, executive Director and chief executive officer.

Non-executive Directors

Mr. Wang Lin (王霖), aged 39, is our non-executive Director. He was appointed as our Director on November 23, 2021 and was re-designated as our non-executive Director on December 10, 2021. He is responsible for providing guidance on investment strategy and governance to our Group.

Prior to joining our Group, Mr. Wang has been working at Ping An Capital Co., Ltd. (平安資本有限責任公司) since March 2019, where his current position is SVP of trust private equity division. He served as a senior deputy director of investment of Ping An Caifu Licai Management Co. Ltd. Shanghai branch (平安財富理財管理有限公司上海分公司) from August 2013 to February 2019, an investment management company. He also served as a senior investment manager of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (上海復星醫藥(集團)股份有限公司) (stock code: 600196.SH) (stock code: 02196.HK) from August 2011 to August 2013, a leading innovation-driven international healthcare group. Prior to that, Mr. Wang started his career at Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所(特殊普通合伙)) in July 2007.

Mr. Wang obtained his bachelor's degree in economics and master's degree in business administration from Shanghai Jiao Tong University (上海交通大學) in the PRC in July 2007 and March 2014, respectively. He has been a certified internal auditor approved by the Institute of Internal Auditors since November 2009. In addition, he has successfully met the prescribed requirements for certification as established by the Information Systems Audit and Control Association and has been awarded the professional designation of Certified Internal Information Systems Auditor since December 2010.

Directors and Senior Management (Continued)

Mr. Heng Lei (衡磊), aged 35, is our non-executive Director. He was appointed as our Director on November 23, 2021 and was re-designated as our non-executive Director on December 10, 2021. He is responsible for providing guidance on investment strategy and governance to our Group.

Prior to joining our Group, Mr. Heng has been a deputy director of investment of Shenzhen Cowin Asset Management Co., Ltd. (深圳同創偉業資產管理股份有限公司) (stock code: 832793.NEEQ) since July 2017, a professional private equity investment company. He served as an analyst of SIP Oriza PE Fund Management Co., Ltd. (蘇州工業園區元禾重元股權投資基金管理有限公司) from April 2015 to June 2017, a subsidiary of Suzhou Oriza Holdings Co., Ltd. (蘇州元禾控股股份有限公司), an investment holding enterprise with a fund scale of more than RMB100 billion. He also worked as an investment manager of SanPower Group Co., Ltd (三胞集團有限公司) from June 2014 to March 2015, a multi-national conglomerate whose core business engagements are within the technology and modern service industries. Moreover, he served as an investment manager of SND Ventures Group Co., Ltd. (蘇州高新創業投資集團有限公司) from May 2012 to June 2014, an equity investment company.

Mr. Heng obtained his bachelor's degree in biology science and master's degree in immunology from Soochow University (蘇州大學) in the PRC in June 2009 and June 2012, respectively.

Independent Non-executive Directors

Mr. Liu Shuen Kong (廖船江), aged 50, is our independent non-executive Director. He was appointed as an independent non-executive Director on December 10, 2021 with effect from the Listing Date and is responsible for supervising and providing independent judgment to our Board. Mr. Liu has more than 20 years of experience in accounting, auditing and management.

Prior to joining our Group, Mr. Liu has been served as an independent non-executive director of Yunnan Water since June 2018 and an executive director of Lim Hoi Group Limited (鑣海集團有限公司) since August 2022. He has been a managing director of Futec International Holdings Limited (富德國際控股有限公司) since May 2017, a company engaged in professional financial services. He was the chief financial officer, company secretary and executive director of Shenzhen Yestock Automobile Service Co., Ltd. (深圳市贏時通汽車服務有限公司) from January 2014 to March 2017, a car rental company. He was also the chief financial officer of Leoch, a company listed in the main board of the Stock Exchange and primarily engaged in R&D and sales of batteries, and he was responsible for financing, investment and corporate management from September 2010 to November 2013. In addition, Mr. Liu has worked at KPMG Advisory (China) Limited (畢馬威企業諮詢(中國)有限公司) for 14 years from December 1996 to September 2010 where his last position was senior manager.

Mr. Liu obtained his bachelor's degree in accountancy and master's degree in accountancy from Royal Melbourne Institute of Technology (RMIT) University in Australia in November 1997 and September 2003, respectively. He subsequently obtained another master's degree in business administration from Deakin University in Australia in October 2004. He has been a certified public accountant in Australia since May 2000 and a member of Hong Kong Society of Accountants since July 2000. He also has been registered for Type 9 license (asset management) authorized by Hong Kong Securities and Futures Commission since January 2019.

Directors and Senior Management (Continued)

Mr. Li Ho Man (李浩民), aged 39, is our independent non-executive Director. He was appointed as an independent non-executive Director on December 10, 2021 with effect from the Listing Date and is responsible for supervising and providing independent judgment to our Board.

Mr. Li has profound experience in legal industry. Prior to joining our Group, Mr. Li has been an independent non-executive director of Yorkey Optical International (Cayman) Ltd. since November 2021. He worked at H.Y. Leung & Co. LLP from January 2021 to November 2021, where his last position was a consultant. He joined L&C Legal LLP (a Hong Kong law firm in association with Jingtian & Gongcheng from September 2018 and later renamed as Jingtian & Gongcheng LLP in April 2019) and served as a senior associate from September 2018 to January 2019 and as a salaried partner from January 2019 to June 2020. He served as a senior associate of Mayer Brown from February 2018 to August 2018 and as a senior associate of Holman Fenwick Willan from June 2017 to February 2018. In addition, he has been practicing law and has gained experience in Hong Kong listing and compliance matters as an associate at various law firms, including Troutman Sanders from September 2014 to June 2017, Fangda Partners from August 2013 to August 2014, DLA Piper (Hong Kong) from April 2011 to July 2013, Lu, Lai & Li from October 2010 to April 2011 and Stevenson Wong & Co. from September 2009 to June 2010. Moreover, he joined Deacons as a paralegal in April 2006 and further served as a trainee solicitor from August 2007 to July 2009.

Mr. Li obtained his bachelor's degree in law and post graduate certificate in laws from the University of Hong Kong in June 2005 and June 2007, respectively. He was qualified as a solicitor of the High Court of Hong Kong in December 2009.

Mr. Lau Tsz Ho Tony (劉梓浩), aged 34, is our independent non-executive Director. He was appointed as an independent non-executive Director on December 10, 2021 with effect from the Listing Date and is responsible for supervising and providing independent judgment to our Board.

Prior to joining our Group, Mr. Lau was a co-chairman of Celsius Holdings, Inc. (stock code: CELH.Nasdaq) from April 2018 to October 2021, a Nasdaq listed company engaged in fast-moving consumer goods industry. He was also a director of the board of ChromaDex Corporation (stock code: CDXC) from June 2018 to November 2021, a Nasdaq listed company engaged in life science industry. In addition, he worked at HVL Ventures Limited (formerly named Horizons Ventures Limited (維港投資集團有限公司)) from September 2014 to September 2021, a venture capital firm. Prior to that, he also worked at Goldman Sachs Group, Inc.

Mr. Lau obtained his bachelor's degree in finance from Peking University (北京大學) in the PRC in July 2011.

Senior Management

Mr. Huo Yunfei (霍雲飛), details of which are set out in the paragraph headed "Executive Directors" in this section.

Mr. Lyu Yonghui (呂永輝), details of which are set out in the paragraph headed "Executive Directors" in this section.

Mr. Zhang Liang (張亮), details of which are set out in the paragraph headed "Executive Directors" in this section.

Ms. Gu Yang (谷陽), details of which are set out in the paragraph headed "Executive Directors" in this section.

Directors and Senior Management (Continued)

Mr. Liu Guangzhi (劉廣志), aged 43, is our chief technology officer. He was appointed as the chief technology officer on December 10, 2021. He is responsible for supervising the R&D projects and laboratories. Since August 2020, he has been a manager of Beijing Runxin. He has also served as the chief technology officer of Suzhou Rainmed since September 2020, a subsidiary of our Company, and as a deputy general manager of Suzhou Runxin from August 2014 to August 2020, and was responsible for R&D and clinical medicine.

Prior to joining our Group, Mr. Liu worked for four technology companies from April 2005 to February 2014, including, as the manager of business department at Beijing Tonglian Tiandi Technology Co., Ltd. (北京通聯天地科技有限公司) from February 2012 to February 2014, a company engaged in internet operations, where his primary responsibilities were business management and product research and development; as the R&D manager at Beijing Lanlong Tianyou Technology Co., Ltd. (北京藍龍天游科技有限公司) from September 2010 to January 2012, a company engaged in internet operations, where his primary responsibilities were business management and software product development; at Shenzhen Aomei Network Co., Ltd. (神州奧美網絡有限公司) from February 2007 to April 2008, a company engaged in games operations; and at Beijing Jinqiguang Electric Power Technology Co., Ltd. (北京金啟光電力技術有限公司) from April 2005 to May 2006, a company engaged in power system information management.

Mr. Liu obtained his college degree in power supply and consumption technology from Shandong Institute of Engineering (山東工程學院) (subsequently merged with Zibo College (濰博學院) as Shandong University of Technology (山東理工大學)) in the PRC in July 2001. He also passed the National Computer Rank Examination with grade 3B in April 2001.

Mr. Wu Xingyun (吳星雲), aged 46, is our vice president. He was appointed as the vice president on December 10, 2021. He is responsible for supervising supply chain department, quality department, production department and engineering department. Since March 2021, he serves as a vice president of Suzhou Rainmed, and has been responsible for the overall management of supply chain department, quality department, production department and engineering department. He also served as the deputy general manager of Suzhou Runxin from August 2014 to February 2021 and was responsible for the overall management of supply chain department, quality department, production department and engineering department.

Prior to joining our Group, he worked at Alibaba Health Information Technology (Beijing) Limited (阿里健康信息技術(北京)有限公司) from November 2012 to February 2013, a company engaged in software development. Mr. Wu also worked at Zhimei Jiahua Advertising (Beijing) Co., Ltd. (至美嘉華廣告(北京)有限公司) from January 2012 to October 2012, a company engaged in advertisement. He served as the manager engineer of Aspire Beijing from February 2009 to January 2012, a subsidiary of China Mobile Limited (中國移動有限公司) (0941.HK) and primarily engaged in IT, ICT platform and application development services. In addition, he worked at Beijing Saihe Weiye Information Technology Co., Ltd. (北京賽和偉業信息技術有限公司) from April 2006 to November 2008, a company primarily engaged in software development. He served as the product manager of Beijing Linkhead Technologies Co., Ltd. (北京林克海德科技有限公司) from May 2003 to March 2006, a company engaged in system integration and software development. Moreover, he worked at Ruanxun (Beijing) Information Technologies Co., Ltd. (軟訊(北京)信息技術有限公司) from December 2001 to April 2003, a company engaged in internet development. He also worked at Utstarcom Telecom Co., Ltd. Hangzhou R&D branch (華友斯達康通訊有限公司杭州研發分公司) from September 1999 to July 2000, a company engaged in communications.

Directors and Senior Management (Continued)

Mr. Wu obtained his bachelor's degree in electronic instrument and measurement technology from Jimei University (集美大學) in the PRC in July 1999.

Mr. Zhou Chang (周昌), aged 45, is our vice president. He was appointed as the vice president on December 10, 2021. He is responsible for supervising the business development department. Since March 2021, he has been served as the vice president of Suzhou Rainmed and mainly responsible for the business development related affairs. He has also been served as director of business development of Suzhou Runxin, and he was responsible for the business development affairs from May 2020 to February 2021.

Prior to joining our Group, Mr. Zhou worked at Suzhou Industrial Park Human Resources Development Co., Ltd. (蘇州工業園區人力資源開發有限公司), a human resources company and he was responsible for operation management of public recruitment platform from December 2002 to September 2014.

Mr. Zhou obtained his bachelor's degree in computer and applications from Soochow University (蘇州大學) in the PRC in June 2001.

Changes in Information of the Directors

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

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands as an exempted limited company on April 9, 2021 in accordance with the Companies Act (As Revised) of the Cayman Islands. The Shares were listed on the Stock Exchange on July 8, 2022 (stock code: 2297).

The Group is principally engaged in the research, development, manufacturing and commercialization of coronary angiography-derived fractional flow reserve system and coronary angiography-derived index of microvascular resistance system. During the Reporting Period and up to the date of this annual report, there has been no major change in the nature of the Group's principal business activities.

PERFORMANCE REVIEW

A review of the Group's business during the Reporting Period, which includes a discussion of the principal risks and uncertainties faced by the Group, an analysis of the Group's performance using key financial performance indicators, particulars of important events affecting the Group during the Reporting Period, and an indication of likely future developments in the Group's business, are set out in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" in this annual report.

The Group's financial risk management objectives and policies are set out in note 3 to the consolidated financial statements. Details of the significant events that occurred after the financial year ended December 31, 2022 and had an impact on the Group are set out in note 38 to the consolidated financial statements. Such review and discussion form part of this Directors' Report.

FINAL DIVIDEND

Details of the consolidated loss of the Group for the Reporting Period and the Group's financial position as of December 31, 2022 are set out in the consolidated financial statements and their accompanying notes on pages 76 to 156.

During the Reporting Period, no dividend was paid or declared by the Company or other members of the Group. No Shareholder has waived or agreed to waive any dividends.

FINANCIAL SUMMARY

The Company's Shares were listed on the Stock Exchange on July 8, 2022. A summary of the published results and of the assets, liabilities and equity of the Group for the last three financial years, as extracted from the published audited financial information and financial statements, is set out on page 157 of this annual report. This summary does not form part of the audited consolidated financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Risks relating to our financial position and need for additional capital

- We have incurred significant operating losses since our inception, and may continue to incur operating losses for the foreseeable future, and the losses may increase as we expand our development of our products and product candidates, seek regulatory approvals for our product candidates, and commercialize our products.
- We had net cash outflows from our operating activities in the past and may need to obtain additional financing to fund our operations. Raising additional capital may cause dilution to our Shareholders, restrict our operations or require us to relinquish rights to our technologies or product candidates.

Risks relating to the development of our product candidates

- Our future growth depends substantially on the successful development of our product candidates to commercialization.
- 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 development and commercialization of our product candidates.
- We may not be able to develop new products that are competitive in the market, or in a timely manner or at all.
- If we encounter difficulties or delays in enrolling patients in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected.

Risks relating to the commercialization of our products

- If physicians and hospitals are not receptive to our products or product candidates, our results of operations may be negatively affected.
- Failure to achieve broad market acceptance could have a material adverse impact on our business and results of operations.
- Even if we are able to commercialize any product candidates, the pricing of such products may be subject to downward changes which may have a material adverse effect on our business and results of operations.

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.

Directors' Report (Continued)

- If we fail to maintain effective internal controls, we may not be able to accurately report our financial results or prevent fraud, and our business, financial condition, results of operation and reputation could be materially and adversely affected.
- If we or our CROs or SMOs fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.
- If our employees or distributors engage in bribery or corrupt practices or other improper conduct, we may be subject to liability and our reputation and business could be harmed.
- If we or our business partners fail to protect patient data and privacy, our reputation will be damaged and we might be subject to fines or other regulatory punishments.
- Our failure to obtain or renew certain approvals, licenses, permits and certificates required for our business may materially and adversely affect our business, financial condition and results of operations.

Risks relating to manufacture and supply of our products

- We mainly rely on our production facilities in Suzhou for the manufacturing of our products and product candidates, and any disruptions to the operation of our production facilities could materially adversely affect our business, financial condition and results of operations.
- If we fail to establish our commercial manufacturing capacity after we launch our future approved product candidates in the market, or if our manufacturing capacity fails to meet the market demand, our business prospects could be materially and adversely affected.
- An increase in the market price of our raw materials and components may adversely affect our financial position.
- 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.
- Failure to manage our inventory effectively would materially and adversely affect our financial condition and results of operations.

Risks relating to our Intellectual property rights

- Third parties may initiate legal proceedings alleging that we have infringed, misappropriated or otherwise violated their intellectual property rights, and the outcome of such legal proceedings would be uncertain. Such proceedings could be costly and time consuming to defend, and could prevent us from developing or commercializing our product candidates, or delay the development or commercialization process.
- Failure to adequately protect our intellectual property rights may adversely affect our reputation and disrupt our business.

- If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed. We may be subject to claims that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.

Risks relating to extensive government regulations

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

Risks relating to doing business in China

- The medical device industry in China is highly regulated and such regulations are subject to changes, which may adversely affect our business.
- Our operations are subject to and may be affected by changes in PRC tax laws 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 in the Shares.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environment protection and has not noted any material non-compliance with all relevant laws and regulations in relation to its business including environmental protection, health and safety, workplace conditions, employment and the environment.

The Group has established detailed internal rules regarding environmental protection and adopted effective measures to achieve efficient use of resources, waste reduction and energy saving. For further details of the Group's environmental policies and performance, please refer to the section headed "Environmental, Social and Governance Report 2022" of this annual report, which has been prepared in accordance with Rule 13.91 and the Environmental, Social and Governance Reporting Guide contained in Appendix 27 to the Listing Rules.

RELATIONSHIPS WITH KEY STAKEHOLDERS

The Group actively communicates with stakeholders such as customers, employees, investors and shareholders, governments and regulatory agencies, suppliers and partners, and attaches great importance to the suggestions and feedback of stakeholders, which the Group regards as an important basis for improving operational management and sustainable development standards. In order to fully listen to the voices of stakeholders, the Group has established a variety of communication channels to ensure open and transparent information and efficient communication processes.

Directors' Report (Continued)

We are fully aware that communication with stakeholders is an important and continuous process. In the future, we will continue to improve the communication mechanism, actively respond to the demands of stakeholders, optimize the management and operation standards of the Company, and enhance the sustainable development performance of the Group.

Details of the Company's key relationships with its employees, customers, suppliers and others that have a significant impact on the Company are set out on page 173 in the section headed "Environmental, Social and Governance Report 2022" of this annual report.

DIRECTORS

During the Reporting Period and up to the date of this annual report, the Directors are as follows:

Executive Directors:

Mr. Huo Yunfei (*Chairman and Chief Executive Officer*)

Mr. Lyu Yonghui (*Joint Chief Executive Officer*)

Mr. Zhang Liang (*Chief Financial Officer*)

Ms. Gu Yang (*Vice President*)

Non-executive Directors:

Mr. Wang Lin

Mr. Heng Lei

Independent non-executive Directors:

Mr. Liu Shuen Kong

Mr. Li Ho Man

Mr. Lau Tsz Ho Tony

Pursuant to Article 16.2 of the articles of association of the Company (the "**Articles of Association**"), the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election at that meeting.

Pursuant to Article 16.18 of the Articles of Association, at every annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any Director appointed pursuant to Article 16.2 or Article 16.3 of the Articles of Association shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

Accordingly, Mr. Zhang Liang, Mr. Heng Lei and Mr. Li Ho Man will retire by rotation at the annual general meeting of the Company to be held on June 29, 2023 (the “**2022 AGM**”) and, being eligible, offer themselves for re-election as Directors.

Details of the Directors to be re-elected at the 2022 AGM are set out in the circular to Shareholders dated April 27, 2023.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 23 to 29 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence issued by each independent non-executive Director in accordance with Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS AND APPOINTMENT LETTERS

Each of the executive Directors and non-executive Directors has entered into a service contract with the Company under which the initial term of his/her service contract shall be three years commencing from the date of his/her appointment until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than one month's prior notice.

Each of the independent non-executive Directors has entered into an appointment letter with the Company for an initial term of three years from July 8, 2022 (being the Listing Date) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing.

Pursuant to the Articles of Association and the applicable Listing Rules, such appointments are subject to the provisions on retirement of Directors by rotation.

Save as disclosed above, none of the Directors has entered into a service contract with the Group which is not determinable within one year without payment of compensation (other than statutory compensation).

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Pursuant to Rule 3.25 of the Listing Rules and the Corporate Governance Code, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on the responsibilities, qualification, position and seniority of each Director and member of senior management. As for the independent non-executive Directors, their remuneration is determined by the Board based on the recommendation from the Remuneration Committee with reference to factors including the salaries paid by comparable companies, time commitment and responsibilities. The Directors receive compensation in the form of salaries, bonuses, allowances, pension scheme contributions and equity-settled share option expenses.

Directors' Report (Continued)

Details of the remuneration of the Directors, senior management and the five highest paid individuals are set out in note 8 to the consolidated financial statements and the section headed "Corporate Governance Report" of this annual report.

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

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

PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

A permitted indemnity provision (as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) in relation to the directors' and officer's liability insurance is currently in force and was in force during the Reporting Period. The Company has arranged appropriate directors' liability insurance coverage for the directors of the Group since the Listing Date.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

During the year ended December 31, 2022 and up to the date of this annual report, no Director or entity connected with a Director 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 was a party.

MANAGEMENT CONTRACTS

Save for the service contracts and letters of appointment of the Directors, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period and up to the date of this annual report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the Pre-IPO Share Option Scheme, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangement that would enable any Director to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

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

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of December 31, 2022, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), 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, pursuant to section 352 of the SFO, to be recorded in the register of the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director	Capacity/nature of interest	Number of Shares/ underlying shares	Approximate percentage of shareholding in the Company ⁽⁹⁾ (%)	Long position/ short position/ lending pool
Mr. Huo Yunfei	Founder of a discretionary trust ⁽¹⁾	214,749,000	18.39	Long position
	Beneficial owner ⁽²⁾	2,996,400	0.26	Long position
Mr. Lyu Yonghui	Interest in controlled corporations ⁽³⁾	30,937,000	2.65	Long position
	Beneficial owner ⁽⁴⁾	1,350,000	0.12	Long position
Mr. Zhang Liang	Interest in controlled corporations ⁽⁵⁾	4,420,000	0.38	Long position
	Beneficial owner ⁽⁶⁾	1,800,000	0.15	Long position
Ms. Gu Yang	Interest in controlled corporations ⁽⁷⁾	5,364,000	0.46	Long position
	Beneficial owner ⁽⁸⁾	1,050,000	0.09	Long position

Notes:

- (1) Mr. Huo Yunfei is the settlor and beneficiary of the Opera Rose Trust (a discretionary trust established by Mr. Huo on August 12, 2021), for which The Core Trust Company Limited acts as the trustee, which holds the entire interest in Dawning Sky Limited, which in turn holds 99.9% interest in Opera Rose Limited. As such, Mr. Huo is deemed to be interested in the Shares held by Opera Rose Limited under the SFO.
- (2) These Shares represent Mr. Huo Yunfei's entitlement to receive up to 2,996,400 Shares pursuant to the exercise of options granted to him under the Pre-IPO Share Option Scheme, subject to the terms and conditions of these options.
- (3) Mr. Lyu Yonghui is the sole shareholder of Mingze. Limited. As such, he is deemed to be interested in the Shares held by Mingze. Limited under the SFO.
- (4) These Shares represent Mr. Lyu Yonghui's entitlement to receive up to 1,350,000 Shares pursuant to the exercise of options granted to him under the Pre-IPO Share Option Scheme, subject to the terms and conditions of these options.
- (5) Mr. Zhang Liang is the sole shareholder of ANC HK LIMITED. As such, he is deemed to be interested in the Shares held by ANC HK LIMITED under the SFO.

Directors' Report (Continued)

- (6) These Shares represent Mr. Zhang Liang's entitlement to receive up to 1,800,000 Shares pursuant to the exercise of options granted to him under the Pre-IPO Share Option Scheme, subject to the terms and conditions of these options.
- (7) Ms. Gu Yang is the sole shareholder of ASHG HK LIMITED. As such, she is deemed to be interested in the Shares held by ASHG HK LIMITED under the SFO.
- (8) These Shares represent Ms. Gu Yang's entitlement to receive up to 1,050,000 Shares pursuant to the exercise of options granted to her under the Pre-IPO Share Option Scheme, subject to the terms and conditions of these options.
- (9) The percentage of shareholding is calculated based on the total number of 1,167,799,000 Shares in issue as of December 31, 2022.

Save as disclosed above, as of December 31, 2022, none of the Directors and chief executive of the Company had any interests and short positions of in the Shares, underlying shares and debentures of the Company and 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, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Reporting Period and up to the date of this annual report, none of the Directors or their associates had any interest in any business that competes or may compete, directly or indirectly, with the business of the Group.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT OT THE LISTING RULES

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

NON-COMPETITION ARRANGEMENTS

As of December 31, 2022 or at any time during the Reporting Period, there were no non-competition agreements or arrangements provided by any substantial shareholders of the Company.

CONNECTED TRANSACTIONS

Details of the related party transactions of the Group during the Reporting Period are set out in note 35 to the consolidated financial statements set out in this annual report. Save as disclosed in this annual report, none of these related party transactions constituted a connected transaction or continuing connected transaction as defined in the Listing Rules, and the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules where applicable.

During the year ended December 31, 2022, the Group did not enter into any connected transactions or continuing connected transactions that are required to be disclosed in this annual report in accordance with the Listing Rules.

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

As of December 31, 2022, so far as the Directors are aware, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to 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 Shareholder	Capacity/nature of interest	Number of Shares	Approximate percentage of shareholding in the Company ⁽⁸⁾ (%)	Long position/ short position/ interest in a lending pool
Opera Rose Limited ⁽¹⁾	Beneficial owner	214,749,000	18.39	Long position
Dawning Sky Limited ⁽¹⁾	Nominee for another person	214,749,000	18.39	Long position
Vermilion Bird Limited ⁽²⁾	Beneficial owner	159,934,000	13.70	Long position
Glowing Fame Limited ⁽²⁾	Nominee for another person	159,934,000	13.70	Long position
Dr. Huo Yunlong ⁽²⁾	Founder of a discretionary trust	159,934,000	13.70	Long position
TCT (BVI) Limited	Interest in controlled corporations ⁽¹⁾	214,749,000	18.39	Long position
	Interest in controlled corporations ⁽²⁾	159,934,000	13.70	Long position
The Core Trust Company Limited ("Core Trust")	Trustee ⁽¹⁾	214,749,000	18.39	Long position
	Trustee ⁽²⁾	159,934,000	13.70	Long position
Shanghai Tongxiang Haoqian Enterprise Management Partnership (Limited Partnership) (上海同襄灝乾企業管理合夥企業(有限合夥)) ("Tongxiang Haoqian") ⁽³⁾	Beneficial owner	100,142,000	8.58	Long position
Xinyu Tongchuang Investment Management Co., Ltd. (新余同創精選投資管理有限公司) ⁽³⁾	Interest in controlled corporations	100,142,000	8.58	Long position
Shenzhen Futian Tongchuang Weiye Dajiankang Industry Investment Fund Partnership (Limited Partnership) (深圳福田同創偉業大健康產業投資基金合夥企業(有限合夥)) ⁽³⁾	Interest in controlled corporations	100,142,000	8.58	Long position

Directors' Report (Continued)

Name of Shareholder	Capacity/nature of interest	Number of Shares	Approximate percentage of shareholding in the Company ⁽⁸⁾ (%)	Long position/ short position/ interest in a lending pool
Shenzhen Cowin Asset Management Co., Ltd. (深圳同創偉業資產管理股份有限公司) ("Cowin") ⁽³⁾	Interest in controlled corporations	129,606,000	11.10	Long position
Shenzhen Cowin Venture Capital Investments Co., Ltd. (深圳市同創偉業創業投資有限公司) ⁽³⁾	Interest in controlled corporations	129,606,000	11.10	Long position
Ms. Huang Li (黃荔) ⁽³⁾	Interest in controlled corporations	129,606,000	11.10	Long position
Guangzhou Ping An Consumer Equity Investment Partnership (Limited Partnership) (廣州市平安消費股權投資合夥企業(有限合夥)) ("Ping An Investment") ⁽⁴⁾	Beneficial owner	72,000,000	6.17	Long position
Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司) ("Ping An Group") ⁽⁴⁾	Interest in controlled corporations	120,000,000	10.28	Long position
Ping An Capital Co., Ltd. (平安資本有限責任公司) ("Ping An Capital") ⁽⁴⁾	Interest in controlled corporations	120,000,000	10.28	Long position
Shenzhen Pingan Yuanxin Investment Development Holdings Co., Ltd. (深圳市平安遠欣投資發展控股有限公司) ("Ping An Yuanxin") ⁽⁴⁾	Interest in controlled corporations	120,000,000	10.28	Long position
Shenzhen Ping An Financial Technology Consulting Co., Ltd. (深圳平安金融科技諮詢有限公司) ("Ping An Financial Technology") ⁽⁴⁾	Interest in controlled corporations	120,000,000	10.28	Long position
Mr. Zhou Bin (周彬) ⁽⁵⁾	Interest in controlled corporations	82,690,000	7.08	Long position
Hebei Dongto Investment Co., Ltd. (河北東拓投資有限公司) ("Hebei Dongto") ⁽⁶⁾	Beneficial owner	59,801,000	5.12	Long position
Zhan Xi (詹曦) ⁽⁶⁾	Interest in controlled corporations	59,801,000	5.12	Long position

Directors' Report (Continued)

Name of Shareholder	Capacity/nature of interest	Number of Shares	Approximate percentage of shareholding in the Company ⁽⁸⁾ (%)	Long position/ short position/ interest in a lending pool
Mr. Liu Lirui (劉力睿) ⁽⁶⁾	Interest in controlled corporations	59,801,000	5.12	Long position
Shanghai Jingmairun Enterprise Management Center (L.P.) (上海景邁潤企業管理中心(有限合夥)) ("Shanghai Jingmairun") ⁽⁷⁾	Beneficial owner	58,927,000	5.05	Long position
Shenzhen Jinghui Equity Investment Management Partnership (Limited Partnership) (深圳景輝股權投資管理合夥企業(有限合夥)) ("Shenzhen Jinghui Equity") ⁽⁷⁾	Interest in controlled corporations	58,927,000	5.05	Long position
Gongqingcheng Greenwood's Jingjia Investment Management Partnership (Limited Partnership) (共青城景林景嘉投資管理合夥企業(有限合夥)) ("Greenwoods Jingjia") ⁽⁷⁾	Interest in controlled corporations	58,927,000	5.05	Long position
Gongqingcheng Jingchengyu Investment Management Partnership (Limited Partnership) (共青城景成域投資管理合夥企業(有限合夥)) ("Jingchengyu Investment") ⁽⁷⁾	Interest in controlled corporations	58,927,000	5.05	Long position
Tang Hua (唐華) ⁽⁷⁾	Interest in controlled corporations	58,927,000	5.05	Long position
Greenwoods Capital Management Co., Ltd. (景林資本管理有限公司) ("Greenwoods Capital") ⁽⁷⁾	Interest in controlled corporations	58,927,000	5.05	Long position
Tibet Jingning Enterprise Management Co., Ltd. (西藏景寧企業管理有限責任公司) ("Tibet Jingning") ⁽⁷⁾	Interest in controlled corporations	58,927,000	5.05	Long position
Tibet Jingjia Enterprise Management Co., Ltd. (西藏景嘉企業管理有限責任公司) ("Tibet Jingjia") ⁽⁷⁾	Interest in controlled corporations	58,927,000	5.05	Long position

Directors' Report (Continued)

Name of Shareholder	Capacity/nature of interest	Number of Shares	Approximate percentage of shareholding in the Company ⁽⁸⁾ (%)	Long position/ short position/ interest in a lending pool
Shanghai Greenwoods Equity Investment Management Co., Ltd. (上海景林股權投資管理有限公司) ("Shanghai Greenwoods Equity") ⁽⁷⁾	Interest in controlled corporations	58,927,000	5.05	Long position
Shanghai Jingwu Investment Center (Limited Partnership) (上海景武投資中心(有限合夥)) ("Shanghai Jingwu Investment") ⁽⁷⁾	Interest in controlled corporations	58,927,000	5.05	Long position
Mr. Jiang Jinzhi (蔣錦志) ⁽⁷⁾	Interest in controlled corporations	58,927,000	5.05	Long position
Shenzhen Greenwoods Jingying Equity Investment Fund Partnership (Limited Partnership) (深圳景林景盈股權投資基金合夥企業(有限合夥)) ("Shenzhen Greenwoods") ⁽⁷⁾	Interest in controlled corporations	58,927,000	5.05	Long position

Notes:

- Opera Rose Limited is owned as to 99.9% by Dawning Sky Limited and 0.1% by Mr. Huo Yunfei (through Rainmed01 Limited), respectively. The sole shareholder of Dawning Sky Limited is TCT (BVI) Limited which in turn is wholly-owned by Core Trust, being the trustee of the Opera Rose Trust, a discretionary trust established by Mr. Huo as the settlor and beneficiary on August 12, 2021. As such, each of Opera Rose Limited, Dawning Sky Limited, TCT (BVI) Limited, Core Trust and Mr. Huo is deemed to be interested in the Shares held by Opera Rose Limited under the SFO.
- Vermilion Bird Limited is owned as to 99.9% by Glowing Fame Limited and 0.1% by Dr. Huo Yunlong (through Hyljrcyn888 Limited), respectively. The sole shareholder of Glowing Fame Limited is TCT (BVI) Limited which in turn is wholly-owned by Core Trust, being the trustee of the Vermilion Bird Trust, a discretionary trust established by Dr. Huo Yunlong as the settlor and beneficiary on August 12, 2021. As such, each of Vermilion Bird Limited, Glowing Fame Limited, TCT (BVI) Limited, Core Trust and Dr. Huo Yunlong is deemed to be interested in the Shares held by Vermilion Bird Limited under the SFO.
- Tongxiang Haoqian is a limited partnership established in the PRC. Xinyu Tongchuang Investment Management Co., Ltd. (新余同創精選投資管理有限公司) is the general partner of Tongxiang Haoqian and is wholly-owned by Cowin, a company listed on National Equities Exchange and Quotations (832793.NEEQ). Shenzhen Cowin Jinxiu Asset Management Co., Ltd. (深圳同創錦繡資產管理有限公司) is the general partner of Xinyu Tongchuang Guosheng Technology Innovation Industry Investment Partnership (Limited Partnership) (新余市同創國盛科創產業投資合夥企業(有限合夥)) ("Tongchuang Guosheng") and is also wholly-owned by Cowin. As of December 31, 2022, Cowin was held as to approximately 35.01% by Shenzhen Cowin Venture Capital Investments Co., Ltd. (深圳市同創偉業創業投資有限公司), which was in turn held as to approximately 55% by Ms. Huang Li (黃荔).

As such, Xinyu Tongchuang Investment Management Co., Ltd. (新余同創精選投資管理有限公司) is deemed to be interested in the Shares held by Tongxiang Haoqian under the SFO, and each of Cowin Shenzhen Cowin Venture Capital Investments Co., Ltd. (深圳市同創偉業創業投資有限公司) and Ms. Huang Li (黃荔) is deemed to be interested in the 100,142,000 Shares held by Tongxiang Haoqian and the 29,464,000 Shares held by Tongchuang Guosheng under the SFO.

Shenzhen Futian Tongchuang Weiye Dajiankang Industry Investment Fund Partnership (Limited Partnership) (深圳福田同創偉業大健康產業投資基金合夥企業(有限合夥)) is the limited partner of Tongxiang Haoqian with approximately 96.3% partnership interest. As such, it is deemed to be interested in the Shares held by Tongxiang Haoqian.

- (4) Ping An Group (02318.HK and 601318.SH) indirectly holds 100% interest in (i) Ping An Properties Investment Co., Ltd. (深圳市平安置業投資有限公司) ("**Ping An Properties**"), which is the general partner of Ping An Investment; and (ii) Ping An Capital, which is the general partner of Jiaying Pinghui Lihai Equity Investment Partnership (Limited Partnership) (嘉興平匯利海股權投資合夥企業(有限合夥)) (formerly known as Shenzhen Haihui Quanli Investment Consulting Partnership (Limited Partnership) (深圳市海匯全利投資諮詢合夥企業(有限合夥))) ("**Pinghui Lihai**"). Ping An Capital is also the limited partner of Ping An Investment with approximately 99.0% partnership interest. It is wholly-owned by Ping An Yuanxin which in turn is a wholly-owned subsidiary of Ping An Financial Technology. Ping An Properties is also indirectly wholly-owned by Ping An Financial Technology, a wholly-owned subsidiary of Ping An Group. As such, each of Ping An Group, Ping An Financial Technology, Ping An Yuanxin and Ping An Capital is deemed to be interested in the 72,000,000 Shares held by Ping An Investment and the 48,000,000 Shares held by Pinghui Lihai under the SFO.
- (5) Mr. Zhou Bin is (i) the sole shareholder of Light Wisdom HK LIMITED ("**Light Wisdom HK**") and (ii) the executive partner of Beijing Light Silver Capital Partnership (General Partnership) (北京輕舟互動投資管理合夥企業(普通合夥)) ("**Light Silver**"), which in turn is the general partner of Shanghai Xingzhourun Enterprise Management Partnership (Limited Partnership) (上海興舟潤企業管理合夥企業(有限合夥)) ("**Shanghai Xingzhourun**") and Beijing Qingzhou Internet Investment Center (Limited Partnership) (北京輕舟互聯投資中心(有限合夥)) ("**Qingzhou Internet**"). As such, Mr. Zhou Bin is deemed to be interested in the 49,046,000 Shares held by Light Wisdom HK, the 5,614,000 Shares held by Light Silver, the 8,611,000 Shares held by Shanghai Xingzhourun, and the 19,419,000 Shares held by Qingzhou Internet under the SFO.
- (6) As of December 31, 2022, Hebei Dongto was held as to 52% and 48% by Ms. Zhan Xi (詹曦) and Mr. Liu Lirui (劉力睿), respectively. As such, each of Ms. Zhan Xi (詹曦) and Mr. Liu Lirui (劉力睿) is deemed to be interested in the Shares held by Hebei Dongto.
- (7) Shanghai Jingmairun is a limited partnership established in the PRC. The general partner of Shanghai Jingmairun is Shenzhen Jinghui Equity, whose general partner is Shanghai Greenwood Equity, which in turn is owned as to 90% by Greenwood Capital. As of December 31, 2022, Greenwood Capital was held as to 50% by Tibet Jingning and 40% by Shanghai Jingwu Investment, whose general partner is Tibet Jingning. As of December 31, 2022, Tibet Jingning was held as to approximately 84.5% by Mr. Jiang Jinzhi (蔣錦志). As such, each of Shenzhen Jinghui Equity, Shanghai Greenwood Equity, Greenwood Capital, Tibet Jingning, Shanghai Jingwu Investment and Mr. Jiang Jinzhi (蔣錦志) is deemed to be interested in the Shares held by Shanghai Jingmairun.

Shenzhen Greenwood is the limited partner of Shanghai Jingmairun with approximately 99.99% partnership interest. As such, Shenzhen Greenwood is deemed to be interested in the Shares held by Shanghai Jingmairun. The general partner of Shenzhen Greenwood is Shenzhen Jinghui Equity.

Greenwood Jingjia, being a limited partnership established in the PRC, is the limited partner of Shenzhen Jinghui Equity with 80% partnership interest. The general partner of Greenwood Jingjia is Tibet Jingjia, which in turn is wholly-owned Greenwood Capital. Jingchengyu Investment is a limited partner of Greenwood Jingjia with approximately 38% partnership interest. Jingchengyu Investment is a limited partnership established in the PRC whose partnership interest was held as to 83.7% by Tang Hua (唐華). As such, each of Greenwood Jingjia, Tibet Jingjia, Jingchengyu Investment and Tang Hua (唐華) is deemed to be interested in the Shares held by Shanghai Jingmairun.

- (8) The percentage of shareholding is calculated based on the total number of 1,167,799,000 Shares in issue as of December 31, 2022.

Directors' Report (Continued)

Save as disclosed above, as of December 31, 2022, so far as the Directors are aware, no person (other than the Directors and chief executive of the Company) had any interests and short positions in the Shares or underlying shares of the Company which would fall 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.

PRE-IPO SHARE OPTION SCHEME

On December 10, 2021, the Company adopted the Pre-IPO Share Option Scheme to attract, retain and motivate employees of the Group. On December 10, 2021, options to subscribe for an aggregate of 707,628 Shares (35,381,400 Shares as adjusted after the capitalization issue as detailed in the Prospectus) (representing approximately 3.03% of the existing issued share capital of the Company) had been granted by the Group, with an exercise price of HK\$3.90 per Share (as adjusted after the capitalization issue). No further options were granted under the Pre-IPO Share Option Scheme following such date, and no further options will be granted under the Pre-IPO Share Option Scheme following the Listing. Since the Pre-IPO Share Option Scheme does not involve the grant of any option by our Company to subscribe for the Shares after the Listing, it is not subject to the provisions of Chapter 17 of the Listing Rules.

1. Summary of Principal Terms

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

(a) Purpose

The purpose of the Pre-IPO Share Option Scheme is to enable our Company to grant options to eligible participants as incentives, attraction, motivation or rewards for their contribution or potential contribution to our Group.

(b) Who May Join

Participants under the Pre-IPO Share Option Scheme may include directors, employees, advisers and consultants of the Group who, in the sole opinion of the Board, have contributed or will contribute to the Group, and for the avoidance of doubt, includes any trusts serving for any of such persons.

(c) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted is 707,628 Shares (or 35,381,400 Shares as adjusted after the Capitalization Issue), which shall be adjusted in the event of any alternation in the capital structure of our Company.

(d) Duration

No option shall be offered after the Listing Date, although the provisions of the Pre-IPO Share Option Scheme will in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any options granted under the Pre-IPO Share Option Scheme prior to the Listing Date or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme and options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Pre-IPO Share Option Scheme and their terms of grant.

(e) Administration

The Pre-IPO Share Option Scheme shall be subject to the administration of the Board and the decision of the Board shall be final and binding on all parties. The Board shall have the sole and absolute right to (i) interpret and construe the provisions of the Pre-IPO Share Option Scheme, (ii) approve the persons who will be granted the options and the terms and conditions on which the options are granted, (iii) make such appropriate and equitable adjustments to the terms of the options granted as it deems necessary, (iv) appoint one or more independent third party professionals and contractors to assist in the administration of Pre-IPO Share Option Scheme and delegate such powers and/or functions relating to the administration of the Pre-IPO Share Option Scheme as the Board deems appropriate, and (v) make such other decisions or determinations as it shall deem appropriate in the administration of the Pre-IPO Share Option Scheme.

(f) Options

The Board and/or any person duly authorized by the Board shall be entitled to (but shall not be bound) approve the offer to grant an option to any eligible participant as the Board may in its absolute discretion select on such terms and conditions as it may think fit.

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when a copy of the offer document has been duly signed by the grantee, together with a remittance or payment in cash to our Company of RMB1 or its HK\$ equivalent by way of consideration for the grant, is received by our Company on or before the relevant acceptance date.

A grantee may subscribe for the Shares on the exercise of an option at the exercise price approved by the Board in its absolute discretion with reference to factors which may include business performance and value of our Company and individual performance of the relevant grantee, and in any case, shall not be less than the par value of the Shares.

An option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to the Company stating that the option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Such notice shall be accompanied by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given. Within thirty (30) days after receipt of the notice and the remittance, the Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of the Shares so allotted.

Directors' Report (Continued)

An option is personal to the grantee and is not assignable and no grantee is permitted in any way to sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option (with the exception that the grantee may transfer the options to a trust in which he is a beneficiary thereof or the grantee may nominate a nominee in whose name the Shares issued pursuant to the Pre-IPO Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee without compensation.

In terms of rights on death or termination of employment:

- (i) If the grantee ceases to be an eligible participant of the Pre-IPO Share Option Scheme as a result of death, ill-health, injury or disability, provided that the grantee's relationship with the Group had not been otherwise terminated by the occurrence of events which would have caused his option(s) to lapse (as defined in the Pre-IPO Share Option Scheme), the grantee or his personal representatives is entitled within twelve months from the date of cessation of to exercise his option in full (to the extent not already exercised);
- (ii) If the grantee ceases to be an eligible participant of the Pre-IPO Share Option Scheme for any reason other than those referred to in paragraph (a) above or as a result of termination of his relationship with the Group referred to in paragraph (g)(iv) below, the grantee may exercise his option up to his entitlement at the date of cessation of being an eligible participant (to the extent not already exercised) within sixty (60) days following the date of such cessation.

(g) Lapse of Options

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of, among others:

- (i) the expiry of the period during which an option may be exercised, which is to be determined and notified by the Board to each grantee and shall not exceed a period of ten years from the date of grant;
- (ii) the date on which the compromise or arrangement of the Company becomes effective;
- (iii) the date of commencement of the winding up of the Company (as determined in accordance with the Companies Act (As Revised) of the Cayman Islands);
- (iv) the date on which the Grantee ceases to be an eligible participant by termination of his relationship with the Group on any one or more of the grounds as set out in the Pre-IPO Share Option Scheme, such as breach of fiduciary duty, unfair competition with the Group, material breach of any agreement with the Group, violation of applicable labour or employment laws, any ground as determined by the Board that would warrant the termination of his employment at common law or pursuant to any applicable laws or under his service contract with the Group; or

- (v) the date on which the Board shall exercise the Company's right to cancel the option at any time in accordance with the terms of the Pre-IPO Share Option Scheme.

(h) Capital Restructuring

In the event of any alteration in the capital structure of the Company (whether by way of capitalization issue, rights issue, open offer, sub-division, consolidation of shares, or reduction of capital of the Company), such corresponding alterations (if any) shall be made (except on an issue of securities of the Company as consideration in a transaction which shall not be regarded as a circumstance requiring alteration or adjustment) in:

- (i) the maximum number of Shares subject to the Pre-IPO Share Option Scheme;
- (ii) the number or nominal amount of Shares subject to any outstanding options; and/or
- (iii) the exercise price,

as the auditors or the approved independent financial adviser shall, at the request of the Company or any grantee, certify in writing either generally or as regards any particular grantee, to be in their opinion fair and reasonable, provided that any such alterations shall be made on the basis that a grantee shall have substantially the same proportion of the equity capital of the Company as that to which he was entitled to subscribe had he exercised all the options held by him immediately before such adjustments and the aggregate exercise price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same as (and shall not be materially greater than) it was before such event and that no such alterations shall be made if the effect of such alterations would be to enable an Ordinary Share to be issued at less than its nominal value. The capacity of the auditors or the approved independent financial adviser, as the case may be, is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on the Company and the grantees.

(i) Alternation of the Pre-IPO Share Option Scheme

The Board may, at any time, alter in any respect the terms and conditions of and the regulations for the administration and operation of the Pre-IPO Share Option Scheme, provided that such alteration does not adversely affect the terms of issue of any option granted or agreed to be granted prior to such alteration or to reduce the proportion of the equity capital to which any person was entitled pursuant to such option prior to such alteration except (i) with the written consent of the grantees holding in aggregate options which if exercised in full on the date immediately preceding that on which such consent is obtained would entitle them to the issue of three-fourths in nominal value of all Shares which would fall to be issued upon the exercise of all options outstanding on that date; or (ii) by special resolution passed at a meeting of the grantees.

Directors' Report (Continued)

2. Outstanding Share Options

Details of the outstanding share options granted under the Pre-IPO Share Option Scheme are set out below:

Name/category of grantee	Positions at the Group	Date of grant	Vesting Period	Number of Shares underlying the outstanding options as of January 1, 2022	Number of Shares underlying the options				Number of Shares underlying the outstanding options as of December 31, 2022	Exercise price (HK\$ per share)	Exercise period
					Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year			
Mr. Huo	Chairman of the Board, executive Director and chief executive officer	December 10, 2021	Please refer to the Note (1) below	2,996,400	—	—	—	—	2,996,400	HK\$3.90	From December 10, 2021 to December 10, 2031
Mr. Lyu Yonghui	Executive Director and joint chief executive officer	December 10, 2021	Please refer to the Note (1) below	1,350,000	—	—	—	—	1,350,000	HK\$3.90	From December 10, 2021 to December 10, 2031
Mr. Zhang Liang	Executive Director, chief financial officer and joint company secretary	December 10, 2021	Please refer to the Note (1) below	1,800,000	—	—	—	—	1,800,000	HK\$3.90	From December 10, 2021 to December 10, 2031
Ms. Gu Yang	Executive Director and vice president	December 10, 2021	Please refer to the Note (1) below	1,050,000	—	—	—	—	1,050,000	HK\$3.90	From December 10, 2021 to December 10, 2031
Ms. Cheng Nina ^(Note 2)	International marketing manager	December 10, 2021	Please refer to the Note (1) below	100,000	—	—	—	—	100,000	HK\$3.90	From December 10, 2021 to December 10, 2031
Mr. Liu Guangzhi	Chief technology officer	December 10, 2021	Please refer to the Note (1) below	2,850,000	—	—	—	—	2,850,000	HK\$3.90	From December 10, 2021 to December 10, 2031
Mr. Wu Xingyun	Vice president	December 10, 2021	Please refer to the Note (1) below	1,320,000	—	—	—	—	1,320,000	HK\$3.90	From December 10, 2021 to December 10, 2031
Mr. Zhou Chang	Vice president	December 10, 2021	Please refer to the Note (1) below	900,000	—	—	—	—	900,000	HK\$3.90	From December 10, 2021 to December 10, 2031
Mr. Liu Kangjian	Vice president and the secretary of the Board	December 10, 2021	Please refer to the Note (1) below	1,450,000	—	—	—	—	1,450,000	HK\$3.90	From December 10, 2021 to December 10, 2031
Mr. Duan Ning	Sales director	December 10, 2021	Please refer to the Note (1) below	900,000	—	—	—	—	900,000	HK\$3.90	From December 10, 2021 to December 10, 2031
136 other option holders which are our employees (other than Directors, chief executive, substantial shareholders of the Company or associates of the aforementioned persons) ^(Note 3)	Various positions at the Group	December 10, 2021	Please refer to the Note (1) below	20,665,000	—	—	1,355,000	—	19,310,000	HK\$3.90	From December 10, 2021 to December 10, 2031

Notes:

- (1) 30% of the share options granted under the Pre-IPO Share Option Scheme will vest on the date commencing from the expiry of the 12 months after the Listing. 30% of the share options granted under the Pre-IPO Share Option Scheme will vest on the date commencing from the expiry of the 24 months after the Listing. 40% of the share options granted under the Pre-IPO Share Option Scheme will vest on the date commencing from the expiry of the 36 months after the Listing.
- (2) Ms. Cheng Nina is a sister-in-law of Dr. Huo Yunlong.
- (3) 15 out of the 136 employees left the Group during the year ended December 31, 2022 and the shares options previously granted to them were cancelled accordingly.

During the Reporting Period, save as disclosed above, no share options were granted, exercised, canceled or lapsed.

Details of the fair value of the share options at the date of grant and the accounting standard and policy adopted are set out in note 27 to the consolidated financial statements.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

The Company did not have any controlling shareholders (as defined under the Listing Rules) as at December 31, 2022 and the date of this annual report.

CONCLUSIONS OF THE COMPANY'S INDEPENDENT AUDITOR

PricewaterhouseCoopers has been appointed as the auditor of the Company for the year ended December 31, 2022. PricewaterhouseCoopers has audited the accompanying financial statements which were prepared in accordance with the Hong Kong Financial Reporting Standards.

PricewaterhouseCoopers shall retire and, being eligible, offers itself for re-appointment at the forthcoming annual general meeting. A resolution on the re-appointment of PricewaterhouseCoopers as the auditor of the Company will be proposed at the forthcoming annual general meeting.

PROPERTY, PLANT AND EQUIPMENT

Details of changes in the property, plant and equipment of the Company and the Group during the year ended December 31, 2022 are set out in note 14 to the consolidated financial statements.

BANK AND OTHER BORROWINGS

Details of the bank and other borrowings of the Company and the Group as of December 31, 2022 are set out in note 30 to the consolidated financial statements.

SHARE CAPITAL

Details of changes in the share capital of the Company for the year ended December 31, 2022 are set out in note 25 to the consolidated financial statements.

Directors' Report (Continued)

RESERVES

Details of changes in the reserves of the Company and the Group during the year ended December 31, 2022 are set out in the consolidated statement of changes in equity on page 80 of this annual report.

DISTRIBUTABLE RESERVE

As of December 31, 2022, the distributable reserve of the Company was approximately RMB780.9 million (2021: nil).

USE OF PROCEEDS FROM THE LISTING

On July 8, 2022, the Shares of the Company were listed on the Main Board of the Stock Exchange. The net proceeds from the Global Offering (including the partial exercise of the Over-allotment Option), after deducting the underwriting fees and commissions and expenses in connection with the Global Offering of the Company, amounted to approximately HK\$78.6 million. Such proceeds have been and will be allocated and utilized in accordance with the purposes and proportions set out in the Prospectus, and there is no change in the intended use of net proceeds as disclosed in the Prospectus.

The following table sets out the intended use of the net proceeds and a summary of their utilization as of December 31, 2022:

Intended use of net proceeds	Approximate percentage of total net proceeds	Allocation of net proceeds (HK\$ million)	Net proceeds utilized as of December 31, 2022 (HK\$ million)	Balance as of December 31, 2022 (HK\$ million)	Expected timetable for full utilization of the unutilized proceeds ⁽¹⁾
The ongoing research and development, further clinical studies, preparation for registration filings, manufacturing and commercialization of our Core Products, namely, caFFR System and calMR System	80.0%	62.9	27.8	35.1	December 2023
The ongoing research and development, manufacturing and commercialization of our other pipeline products	16.5%	13.0	5.8	7.2	December 2023
For our general working capital and general corporate purposes	3.5%	2.7	2.7	—	N/A
Total	100.0%	78.6	36.3	42.3	

Note:

- (1) The expected timeline to use the remaining proceeds is prepared based on the best estimate made by the Group, which is subject to change based on future developments and events which may be outside of the Group's control.

As of December 31, 2022, the unutilized proceeds were deposited with licensed financial institutions in Hong Kong.

PUBLIC FLOAT

Based on public information available to the Company and to the best knowledge of the Directors, since the Listing Date and up to the date of this annual report, at least 25% of the total issued Shares (i.e. the minimum public shareholding percentage stipulated by the Stock Exchange and the Listing Rules) is held by the public.

PURCHASE, REDEMPTION, OR SALE OF LISTED SECURITIES

During the Reporting Period, none of the Company or its subsidiaries purchased, disposed of or redeemed any listed securities of the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association and the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders.

TAX RELIEF AND EXEMPTION

During the Reporting Period and as of the date of this annual report, the Directors are not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the securities of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended December 31, 2022, the transaction amount with the Group's top five customers accounted for 49.4% of the Group's total revenue (2021: 38.2%), while the transaction amount with the Group's single largest customer accounted for 12.9% of the Group's total revenue (2021: 14.4%).

Major Suppliers

For the year ended December 31, 2022, the transaction amount with the Group's top five suppliers accounted for 16.9% of the Group's total purchases for the year ended December 31, 2022 (2021: 50.6%), while the transaction amount with the Group's single largest supplier accounted for 5.1% of the Group's total purchases (2021: 26.6%).

During the Reporting Period, none of the Directors, any of their close associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the number of the issued Shares of the Company) was interested in the top five customers or suppliers of the Group.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group has compliance policies and procedures in place to ensure adherence to applicable laws, rules and regulations, in particular, those that have a significant impact on it, including the requirements under the Companies Ordinance, the Listing Rules, the SFO and the Corporate Governance Code for, among other things, the disclosure of information and corporate governance. The Group would seek professional legal advice from its legal advisers to ensure that transactions and business to be performed by the Group are in compliance with the applicable laws and regulations. During the Reporting Period, the Group was not aware of any material non-compliance with any relevant laws and regulations that had a significant impact on it.

MATERIAL LEGAL PROCEEDINGS

During the year ended December 31, 2022, the Company was not involved in any material legal proceeding or arbitration. To the best knowledge of the Directors, there is no material legal proceeding or claim which is pending or threatened against the Company.

RELATIONSHIPS WITH THE GROUP'S EMPLOYEES

The Group believes that employees are important and valuable assets. The remuneration of the employees of the Group consists of salaries, bonuses, share-based incentive plans, pension scheme contributions and other welfare payments. In accordance with applicable laws in China and other relevant jurisdictions, we have made contribution to social security insurance funds and housing funds for the employees of the Group.

The Group will provide trainings for employees to enhance their knowledge in corporate values and culture and to implement them thoroughly. Meanwhile, the Group encourages employees to continue their education by subsidizing recognized development courses. The Group also aims to provide competitive and attractive compensation packages to retain its employees. Management reviews annually the compensation packages offered to the employees of the Group. Meanwhile, for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of the Group's operations, the Company has adopted the Pre-IPO Share Option Scheme, details of which are set out in the paragraph headed "Pre-IPO Share Option Scheme" in this section.

CHARITABLE DONATIONS

During the Reporting Period, the Group's charitable donations and other donations totalled RMB300,000.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the Reporting Period are set out in the section headed "Management Discussion and Analysis" in this annual report and note 38 to the consolidated financial statements.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high level of corporate governance practices. Information about the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 54 to 71 in this annual report.

EQUITY-LINKED AGREEMENT

Save as disclosed in the paragraph headed "Pre-IPO Share Option Scheme" in this section, no equity-linked agreement was entered into by the Company at any time during or subsisted at the end of the year ended December 31, 2022.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, being Mr. Liu Shuen Kong, Mr. Lau Tsz Ho Tony and Mr. Li Ho Man. Mr. Liu Shuen Kong serves as the chairman of the Audit Committee and has the appropriate qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The Audit Committee has reviewed the audited consolidated financial statements for the year ended December 31, 2022 with the senior management of the Company. The Audit Committee considers that the annual results are in compliance with the applicable accounting standards, laws and regulations, and that the Company has made appropriate disclosures in this regard. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with the senior management of the Company.

INDEPENDENT AUDITOR

The consolidated financial statements of the Company for the Reporting Period have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer itself for re-appointment at the forthcoming annual general meeting. Having been approved by the Board upon the Audit Committee's recommendation, a resolution on the re-appointment of PricewaterhouseCoopers as the independent external auditor for 2023 will be put to the forthcoming annual general meeting for Shareholders' approval.

There has been no change of the independent auditor of the Company since the Listing Date.

By order of the Board

Huo Yunfei

Chairman and Executive Director

Hong Kong, March 30, 2023

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report of the Company for the year ended December 31, 2022.

CORPORATE GOVERNANCE PRACTICES

As the Company's Shares were not listed on the Stock Exchange before the Listing Date, the Corporate Governance Code is only applicable to the Company following the Listing.

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules.

Since the Listing Date and up to December 31, 2022, the Company complied with all code provisions of the CG Code except for the deviation as disclosed below.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Huo Yunfei currently serves as the chairman of the Board and the chief executive officer of the Group ("**CEO**"). He is responsible for overall strategic planning and decision-making, execution, operation and management of the Company. Although this constitutes a deviation from code provision C.2.1 of the CG Code, the Board considers that vesting the roles of both chairman of the Board and CEO in Mr. Huo Yunfei has the benefit of ensuring consistent leadership and more effective and efficient overall strategic planning of the Group. The balance of power and authority is ensured by the operation of the Board, which comprises experienced and diverse individuals. The Board currently comprises four executive Directors, two non-executive Directors and three independent non-executive Directors. Therefore, the Board possesses an independent element in its composition.

The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

As the Company's Shares were not listed on the Stock Exchange before the Listing Date, the provisions regarding compliance with the Model Code is only applicable to the Company following the Listing. The Company has adopted the Model Code as its code of conduct regarding dealings in the securities of the Company by the Directors and the Group's employees who, because of their office or employment, are likely to possess inside information in relation to the Group or the Company's securities. Specific enquiries have been made of all Directors and all Directors have confirmed that they have complied with the Model Code since the Listing Date and up to December 31, 2022.

No incident of non-compliance of the Model Code by the employees was noted by the Company since the Listing Date and up to December 31, 2022.

PURPOSE, VALUE, AND STRATEGY

"Targeted Medical Services for People's Health" is our mission. We are committed to becoming a global leading vascular interventional surgical robotics company and a worldwide respectable company.

BOARD OF DIRECTORS

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

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

RESPONSIBILITIES

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees, including the Audit Committee, the Remuneration Committee and the Nomination Committee (collectively, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

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

The Company has arranged appropriate insurance coverage in respect of liability arising from legal action against the Directors, and will conduct an annual review on such insurance coverage.

COMPOSITION OF THE BOARD

As of the date of this annual report, the Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors as set out below:

Executive Directors:

Mr. Huo Yunfei (*Chairman and Chief Executive Officer*)

Mr. Lyu Yonghui (*Joint Chief Executive Officer*)

Mr. Zhang Liang (*Chief Financial Officer*)

Ms. Gu Yang (*Vice President*)

Non-executive Directors:

Mr. Wang Lin

Mr. Heng Lei

Independent non-executive Directors:

Mr. Liu Shuen Kong

Mr. Li Ho Man

Mr. Lau Tsz Ho Tony

Corporate Governance Report (Continued)

The biographies of the Directors are set out in the section headed “Directors and Senior Management” of this annual report and the relationships between the Directors (if any) are disclosed in the respective Director’s biography.

Save for the relationships between the Directors set forth in the respective Director’s biography in the section headed “Directors and Senior Management” of this annual report, the Directors do not have any financial, business, family or other material/relevant relationships with one another.

During the period from the Listing Date to December 31, 2022, the Board met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one possessing appropriate professional qualifications or accounting or related financial management expertise.

During the period from the Listing Date to December 31, 2022, the Company has also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and expertise to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

With regard to the corporate governance code provision requiring directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments, as well as their identities and the times involved in the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors and non-executive Directors has entered into a service agreement with the Company for an initial term of three years commencing on June 18, 2022 and until terminated in accordance with the terms and conditions of the service agreement or by either party giving not less than three months’ prior notice to the other.

Each of the independent non-executive Directors has entered into an appointment letter with the Company effective from the Listing Date. The initial term of their appointment letters shall be three years from the date of the Prospectus (subject always to re-election as and when required under the Articles of Association) and until terminated in accordance with the terms and conditions of the appointment letter or by either party giving not less than one month’s prior notice in writing to the other.

At every annual general meeting of the Company, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

MECHANISMS TO ENSURE INDEPENDENT VIEWS AND INPUT

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

In order to ensure that independent views and input of the Independent non-Executive Directors are made available to the Board, the Nomination Committee and the Board are committed to assess the Directors' independence annually with regard to all relevant factors related to the Independent non-Executive Directors including the following:

- required character, integrity, expertise, experience and stability to fulfill their roles;
- time commitment and attention to the Company's affairs;
- firm commitment to their independent roles and to the Board;
- declaration of conflict of interest in their roles as independent non-executive Directors;
- no involvement in the daily management of the Company nor in any relationship or circumstances which would affect the exercise of their independent judgement; and
- the Chairman meets with the Independent non-executive Directors regularly without the presence of the Executive Directors.

All Directors are entitled to seek advice the independent professional advisors at the Company's expenses.

During the Reporting Period, the Company has reviewed the implementation and effectiveness of these mechanisms and believes that they are effective and appropriate.

BOARD DIVERSITY AND GENDER DIVERSITY IN WORKFORCE

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") to enhance the effectiveness of the Board and to maintain a high standard of corporate governance. Pursuant to the Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a Director, the Nomination Committee will consider a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, language, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience and/or length of service.

The Directors have a balanced mixed of knowledge and skills, including but not limited to overall business management, finance and accounting, research and development, and investment. They obtained degrees in various majors including engineering, biology science, economics, law, accounting, etc. Furthermore, the Board has a relatively wide range of ages, ranging from 34 years old to 50 years old and consists of eight male members and one female member. The Board is of the view that the Board satisfies the Board Diversity Policy.

Corporate Governance Report (Continued)

The Nomination Committee is responsible for reviewing the diversity of the Board, reviewing the Board Diversity Policy from time to time, developing and reviewing measurable objectives for implementing the Board Diversity Policy, and monitoring the progress in achieving these measurable objectives in order to ensure that the policy remains effective. The Company will (i) disclose the biographies of each Director; and (ii) report on the implementation of the Board Diversity Policy (including whether we have achieved board diversity) in its annual corporate governance report. In particular, the Group will take opportunities to increase the proportion of female members of the Board when selecting and recommending suitable candidates for Board appointments to help enhance gender diversity in accordance with stakeholder expectations and recommended best practices. The Group also intends to promote gender diversity when recruiting staff at the mid to senior level so that the Company will have a pipeline of female senior management and potential successors to the Board. The Company believes that such merit-based selection process with reference to our diversity policy and the nature of our business will be in the best interests of the Group and the Shareholders as a whole.

We had achieved at least one female Director and 40% of female employees of the Group and considers that the current gender diversity is satisfactory. We target to maintain the least one female Director and increase the ratio of female senior management for the coming financial year. The gender ratio in the workforce (including senior management) for the Reporting Period is 59.31% to 40.69%. The total gender diversity of the Group is balanced and the Group will continue to maintain gender diversity in workforce. Further details of gender ratios and initiatives taken to improve gender diversity are set out in the section "Environmental, Social and Governance Report 2022" of this annual report.

During the Reporting Period, the Board, through the Nomination Committee, has reviewed the implementation and effectiveness of the Board Diversity Policy and confirmed that the Board has the appropriate skill set and experience to implement the Company's strategies.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT

Pursuant to code provision C.1.4 of the Corporate Governance Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

Pursuant to code provision C.1.1 of the Corporate Governance Code, each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations. The Company also arranges regular seminars to provide the Directors with updates on the latest development and changes of the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

The Company encourages continuous professional development training for all the Directors to develop and refresh their knowledge and skills. The joint company secretaries of the Company update and provide the Directors with written training materials in relation to their roles, functions and duties from time to time.

Corporate Governance Report (Continued)

According to the information provided by the Directors, the trainings received by the Directors during the year ended December 31, 2022 are summarized as follows:

Name of Director	Nature of continuing professional development courses
<i>Executive Directors</i>	
Mr. Huo Yunfei	A, B, C and D
Mr. Lyu Yonghui	A, B, C and D
Mr. Zhang Liang	A, B, C and D
Ms. Gu Yang	A, B, C and D
<i>Non-executive Directors</i>	
Mr. Wang Lin	A, B, C and D
Mr. Heng Lei	A, B, C and D
<i>Independent Non-executive Directors</i>	
Mr. Liu Shuen Kong	A, B, C and D
Mr. Li Ho Man	A, B, C and D
Mr. Lau Tsz Ho Tony	A, B, C and D

Notes:

A: attending seminars and/or conferences and/or forums and/or briefings

B: speaking at seminars and/or conferences and/or forums

C: attending training provided by lawyers and training relating to the business of the Company

D: reading materials relating to different types of topics, including corporate governance, directors' duties, the Listing Rules and other relevant laws

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Huo Yunfei currently serves as the chairman of the Board and the chief executive officer of the Group (“**CEO**”). He is responsible for overall strategic planning and decision-making, execution, operation and management of the Company. Although this constitutes a deviation from code provision C.2.1 of the CG Code, the Board considers that vesting the roles of both chairman of the Board and CEO in Mr. Huo Yunfei has the benefit of ensuring consistent leadership and more effective and efficient overall strategic planning of the Group. The balance of power and authority is ensured by the operation of the Board, which comprises experienced and diverse individuals. The Board currently comprises two non-executive Directors, three independent non-executive Directors four executive Directors. Therefore, the Board possesses an independent element in its composition.

BOARD MEETINGS

The Company will adopt the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days will be given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board meetings and Board Committees’ meetings, reasonable notice is generally given by the Company. The meeting notice will include the agenda and accompanying Board papers and will be despatched at least three days before the Board meetings or Board Committees’ meetings to ensure that the Directors have sufficient time to review the papers and be adequately prepared for the meetings. If Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings shall be kept by the joint company secretaries with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committees’ meetings are recorded in sufficient detail on the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft and final minutes of each Board meeting and Board Committee’s meeting are sent to the Directors for comments and records, respectively within a reasonable time after the date on which the meeting is held. The minutes of the Board meetings are open for inspection by all Directors.

Corporate Governance Report (Continued)

Since the Company's Shares were only listed on the Stock Exchange on July 8, 2022, during the period from the Listing Date to December 31, 2022, the Board held 3 Board meetings and 1 Audit Committee's meeting. No Remuneration Committee's meeting, Nomination Committee's meeting or general meeting was held during such period. The Company expects to continue to hold at least four regular meetings in each financial year at approximately quarterly intervals in accordance with code provision C.5.1 of the Corporate Governance Code. The attendance of individual Directors at Board meetings is set out in the table below:

Directors	For the year ended December 31, 2022	
	Number of attendance at meetings/number of meetings held	
	Board	Audit Committee
<i>Executive Directors</i>		
Mr. Huo Yunfei	3/3	N/A
Mr. Lyu Yonghui	3/3	N/A
Mr. Zhang Liang	3/3	N/A
Ms. Gu Yang	3/3	N/A
<i>Non-executive Directors</i>		
Mr. Wang Lin	3/3	N/A
Mr. Heng Lei	3/3	N/A
<i>Independent non-executive Directors</i>		
Mr. Liu Shuen Kong	3/3	1/1
Mr. Li Ho Man	3/3	1/1
Mr. Lau Tsz Ho Tony	3/3	1/1

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiries of the Directors, all Directors confirmed that they have complied with the Model Code since the Listing Date and up to December 31, 2022.

DELEGATION BY THE BOARD

The Board reserves the right to make decisions on all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense. Directors are encouraged to access and to consult with the Company's senior management independently.

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

CORPORATE GOVERNANCE FUNCTIONS

The Board confirmed that corporate governance is a collective responsibility of the Directors. The corporate governance functions that the Board has performed through the Audit Committee include:

- (a) developing and reviewing the Company's corporate governance policies and practices and make recommendations to the Board;
- (b) reviewing and monitoring the training and continuous professional development of the Directors and senior management of the Company;
- (c) reviewing and monitoring the Company's policies and practices for compliance with legal and regulatory requirements; developing, reviewing and monitoring the code of conduct and compliance manual, if any, applicable to employees and the Directors of the Company; and
- (d) reviewing the Company's compliance with the Corporate Governance Code and disclosures in the Corporate Governance Report of the Company.

BOARD COMMITTEES

Audit Committee

The Company has established the Audit Committee (effective from the Listing Date) with written terms of reference in accordance with Rule 3.21 of the Listing Rules and paragraph D.3 of Part 2 of the Corporate Governance Code. The written terms of reference of the Audit Committee are available on the respective websites of the Stock Exchange and the Company. As of the date of this annual report, the Audit Committee comprises three members, being Mr. Liu Shuen Kong, Mr. Lau Tsz Ho Tony and Mr. Li Ho Man, all of whom are independent non-executive Directors. The chairman of the Audit Committee is Mr. Liu Shuen Kong, who has the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The main duties of the Audit Committee are as follows:

1. primarily responsible for advising the Board on the appointment, re-appointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and dealing with the resignation or removal of the auditor;
2. reviewing financial statements and reports, and considering any significant or unusual matters raised by the qualified accountants, compliance officer or auditor of the Company before submitting them to the Board; and
3. reviewing the Company's financial control, risk management and internal control systems, and related procedures, including the adequacy of the Company's resources, staff qualifications and experience in accounting and financial reporting functions, as well as the adequacy of training courses and related budgets received by employees.

During the period from the Listing Date to December 31, 2022, the Audit Committee held 1 Audit Committee's meeting to discuss and consider, among others, the following:

- reviewing the interim results of the Company and its subsidiaries for the six months ended June 30, 2022; and
- reviewing the financial reporting system, compliance procedures, internal controls (including the adequacy of resources, qualifications, training programs and budgets of the Company's accounting and financial reporting department employees), risk management systems and procedures, re-appointment of external auditor, and the effectiveness of the internal audit function. The Board has not deviated from any recommendations made by the Audit Committee regarding the selection, appointment, retirement or removal of the external auditor.

Corporate Governance Report (Continued)

Nomination Committee

The Company has established the Nomination Committee (effective from the Listing Date) with written terms of reference in accordance with paragraph B.3 of Part 2 of the Corporate Governance Code. The written terms of reference of the Nomination Committee are available on the respective websites of the Stock Exchange and the Company. As of the date of this annual report, the Nomination Committee comprises three members, including an executive Director, Mr. Huo Yunfei (chairman) and two independent non-executive Directors, being Mr. Liu Shuen Kong and Mr. Li Ho Man.

The main duties of the Nomination Committee are as follows:

1. reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
2. making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the chief executive;
3. identifying individuals who are suitably qualified to become Directors and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;
4. assessing the independence of independent Non-executive Directors;
5. reviewing annually the Board Diversity Policy that the Board may adopt from time to time and any measurable targets for implementing such policies, and reviewing progress towards those targets; and
6. before the Board makes an appointment, evaluating the balance of skills, knowledge and experience of the Board, and preparing a description of the responsibilities and competency requirements of a specific appointment based on the evaluation results.

The Nomination Committee assesses the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision.

During the period from the Listing Date to December 31, 2022, no Nomination Committee's meeting was held.

Remuneration Committee

The Company has established the Remuneration Committee (effective from the Listing Date) with written terms of reference in accordance with Rule 3.25 of the Listing Rules and paragraph E.1 of Part 2 of the Corporate Governance Code. The written terms of reference of the Remuneration Committee are available on the respective websites of the Stock Exchange and the Company. As of the date of this annual report, the Remuneration Committee comprises three members, including two independent non-executive Directors, Mr. Li Ho Man (chairman) and Mr. Liu Shuen Kong, and an executive Director, Ms. Gu Yang.

The main duties of the Remuneration Committee are as follows:

1. making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors' and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;
2. reviewing and approving management's remuneration proposals with reference to the Board's corporate goals and objectives;
3. being responsible for either: (i) determining with delegated responsibility, the remuneration packages of individual executive Directors and senior management; or (ii) making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
4. making recommendations to the Board on the remuneration of non-executive Directors;
5. considering salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group;
6. reviewing and approving the compensation payable to executive Directors and senior management for any loss or termination of office or appointment in order to ensure that such compensation is consistent with the contractual terms and is otherwise fair and not excessive;
7. reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct in order to ensure they are consistent with contractual terms and are otherwise reasonable and appropriate;

Corporate Governance Report (Continued)

8. ensuring that no Director or any of his/her associates (within the meaning of the Listing Rules) is involved in deciding his/her own remuneration;
9. reviewing and/or approving matters relating to share schemes as described in Chapter 17 of the Listing Rules;
10. reviewing the Group's policy on expense reimbursements for the Directors and senior management; and
11. advising shareholders of the Company on how to vote in respect of any service contracts of Directors that require shareholders' approval in accordance with the Listing Rules, and as to whether the terms are fair and reasonable, and whether such contracts are in the interests of the Company and its shareholders as a whole.

During the period from the Listing Date to December 31, 2022, no Remuneration Committee's meeting was held.

Details of the remuneration payable to each Director for the year ended December 31, 2022 are set out in note 8 to the consolidated financial statements.

For the year ended December 31, 2022, the remuneration of members of senior management falls within the following bands:

Remuneration band (HKD)	Number of individuals
10,000,001–20,000,000	1
1,000,000–10,000,000	6
Total	7

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2022 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company has provided all members of the Board with updates on the Company's performance and prospects from time to time.

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

The statement of the auditor about their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report in this annual report.

DIVIDEND POLICY

The Company has never declared or paid regular cash dividends on its ordinary shares. The Company currently expects to retain all future earnings for use in the operation and expansion of the business and does not anticipate paying cash dividends in the foreseeable future. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Act (As Revised) of the Cayman Islands.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board understands that the Board shall be responsible for maintaining adequate risk management and internal control systems to safeguard the Shareholders' investment and the Company's assets, and reviewing the effectiveness of the systems annually. The Board has reviewed its risk management and internal control systems for the Reporting Period, and considers such systems effective and adequate.

The Group's qualified management personnel play an important role in monitoring the internal governance of the Company. The primary duties of the internal qualified management personnel are to regulate and review the Company's financial position and internal control matters, and to conduct regular and comprehensive review on all branches and subsidiaries of the Company. We also engaged an internal control consultant to perform certain procedures in connection with the assessment of our internal controls in preparation for the listing. Upon completion of such procedures, the internal control consultant provided us with a number of assessment results and the relevant recommendations, which we have adopted in full. Currently we have a series of internal control policies, procedures and programs designed to achieve effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations, including but not limited to the following:

- The Board receives regular updates from the management team and reviews the Group's business plan, financial results, and investment strategies to ensure that business risks are identified and managed;
- The management team supervises the Group's business performance on an on-going basis via regular meetings with the respective departments and project teams to identify potential risks and develop strategies to address such risks;
- We have adopted various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to corporate governance, connected transactions, notifiable transactions, inside information and securities transactions by the Directors. The Company also works with external legal, accounting, tax, and other professional consultants in various jurisdictions to ensure that it is in compliance with relevant laws and regulations;

Corporate Governance Report (Continued)

- We have put in place an internal audit charter that clearly states the objectives, organization, functions, responsibilities and work scope of our internal audit functions. We have arranged qualified management personnel to be responsible for internal auditing and conducting independent review of operational activities, and to report to the senior management; and
- Our code of conduct explicitly communicates to each employee our values, acceptable criteria for decision-making and our ground rules for behavior. We also put in place anti-money laundering policies and a working group that is responsible for monitoring and supervising the implementation of the policies as well as the code of conduct.

The Board and the Audit Committee listen to the reports made by the management with regard to risk management and internal control on an annual basis, and jointly review the effectiveness of the relevant systems and whether there are any monitoring failures or any significant weaknesses in procedures. If any material defects in internal control are found, the management and the Board must respond proactively and resolve the issues as appropriately as possible, while reviewing existing systems and procedures to identify improvements and take corrective action.

The risk management and internal control systems seek to manage rather than eliminate the risk of failure to achieve business objectives, and to provide reasonable, though not absolute, assurance that adequate governance and controls are in place to address business risks or financial loss.

The Company understands its obligations under the SFO and the Listing Rules, and has set up procedures and internal control measures for processing and disclosing inside information. It will make public disclosure of inside information as soon as reasonably practicable and strictly comply with the Guidelines on Disclosure of Inside Information issued by the Hong Kong Securities and Futures Commission when dealing with matters involving inside information, and strictly prohibit the unauthorized use of confidential or inside information.

The Board has reviewed the risk management and internal control systems of the Group for the year ended December 31, 2022, covering financial, operational, compliance procedural and risk management functions, and considers them to be efficient and adequate. Based on its review, the Board also believes that the Company's accounting, internal audit and financial reporting functions have adequate resources, personnel qualifications and experience, training programs and budgets.

ANTI-CORRUPTION

Acting ethically is critical to running a sustainable business. We strictly comply with the Criminal Law of the PRC, the Interim Provisions on the Prohibition of Commercial Bribery, and other applicable anti-corruption and bribery laws and regulations. We have elaborated our expectations for ethical behavior through internal policies, including our anti-fraud policy, which applies to employees at all levels. We conduct multiple anti-fraud training sessions for all employees at all levels, including new employees and senior management, to ensure that everyone understands the policy and is responsible for complying with it.

Corporate Governance Report (Continued)

We have developed a robust management and oversight structure for ethical business conduct. The Board is responsible for supervising and directing the anti-fraud office in establishing an ethical culture throughout the Group. We have established an internal control system to prevent fraud. Management is responsible for maintaining the internal control system, establishing reporting lines, implementing controls and taking corrective action to reduce the risk of fraud in the Group. Every employee must comply with national laws and regulations as well as internal policies. Employees are encouraged to report suspected misconduct through the appropriate channels.

We also attach importance to the ethical risk management of our suppliers. To ensure the integrity of our procurement, we sign the Anti-Commercial Bribery Agreement with our suppliers. If employees and external stakeholders have concerns about potential violations, we encourage them to speak up through the following channels:

Telephone: (86) 0512-62622215-875; (86) 0512-62622215-805 (general manager office)
Email: complaint@rainmed.com
Mailing address: Building 31, Northeast District, Nanopolis Suzhou, No. 99, Jinji Lake Avenue, Suzhou Industrial Park, PRC, 215000
Complaint mailbox: A complaint box is located at the reception desk on the first floor of the Company

If, after investigation, the anti-fraud office confirms violations, we report them to the Board. Corrective action will be taken, including verbal or written warnings or, in serious cases, termination. Any discrimination or retaliation against a whistleblower will not be tolerated, and the whistleblower will be protected if he/she assists in the investigation.

We will take corrective measures to improve the internal control of the affected business units. Employees who are found to have committed fraud will be disciplined in accordance with our internal regulations, and those who have violated the law will be referred to the judicial authorities for further action. During the Reporting Period, we were not involved in any violations related to corruption, bribery, extortion, fraud, or money laundering.

AUDITOR'S REMUNERATION

The approximate remuneration for audit and non-audit services provided by the auditor of the Company during the year ended December 31, 2022 is as follows:

Type of services	Fees paid or payable RMB'000
Audit services	2,510
Non-audit services (including tax and other advisory services)	483
Total	2,993

Note: The total auditor's remuneration as disclosed in note 6 to the consolidated financial statements is RMB3,055,000, including total audit services provided by other auditors amounting to RMB62,000.

JOINT COMPANY SECRETARIES

Mr. Zhang Liang (“**Mr. Zhang**”), our executive Director and chief financial officer, is a joint company secretary of the Company and is responsible for advising the Board on corporate governance matters and ensuring compliance with the Board’s policies and procedures and applicable laws, rules and regulations.

In order to maintain good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company has also engaged Ms. Chu Cheuk Ting (“**Ms. Chu**”), a manager of TMF Hong Kong Limited (a company secretarial service provider), as another joint company secretary of the Company to assist Mr. Zhang in performing his duties as company secretary of the Company. Ms. Chu’s primary contact person in the Company is Mr. Zhang.

During the year ended December 31, 2022, Mr. Zhang and Ms. Chu completed not less than 15 hours of relevant professional trainings in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Company believes that effective communication with Shareholders is essential to improving investor relations and understanding of the Group’s business, performance and strategies. The Company also believes that timely and non-selective disclosure of information about the Company is important for Shareholders and investors to make informed investment decisions.

The annual general meeting of the Company provides an opportunity for Shareholders to communicate directly with the Directors. The chairman of the Board and the chairmen of the Board Committees will attend the annual general meeting to answer Shareholders’ questions. The auditor of the Company will also attend the annual general meeting to answer questions about the conduct of the audit, the preparation and contents of the auditor’s report, accounting policies and auditor’s independence.

SHAREHOLDERS’ COMMUNICATION POLICY

In order to promote effective communication, the Company has adopted a shareholders’ communication policy that aims at establishing a two-way relationship and communications between the Company and the Shareholders and maintains a website (www.rainmed.com), where up-to-date information on the Company’s business operations, developments, financial data, corporate governance practices and other information is available for public access.

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

SHAREHOLDERS’ RIGHTS

To safeguard the Shareholders’ interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

CONVENING AN EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS

Pursuant to the Articles of Association, Shareholders may put forward proposals for consideration at general meetings of the Company. Any one or more Shareholder(s) of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, to require an extraordinary general meeting to be convened by the Company for the transaction of any business specified in such requisition; and such meeting shall be held within 21 days after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting to be held within a further 21 days, the requisitionist(s) himself/herself/themselves or any of them representing more than one-half of the total voting rights of all of them may do so in the same manner, provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board to convene such general meeting shall be reimbursed to the requisitionist(s) by the Company.

With regard to proposing a person for election as a Director, the procedures are available on the website of the Company.

ENQUIRIES TO THE BOARD

Shareholders who intend to put forward their enquiries about the Company to the Board may send their enquiries to the office of the Board of the Company at its headquarters and/or through email at IR@rainmed.com.

CHANGES TO CONSTITUTIONAL DOCUMENTS

The Company has adopted its third amended and restated memorandum and articles of association on June 18, 2022, with effect from the Listing Date. There has been no change in the Articles of Association since the Listing Date and up to the date of this annual report.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Shareholders of Rainmed Medical Limited

(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Rainmed Medical Limited (the “Company”) and its subsidiaries (the “Group”), which are set out on pages 76 to 156, comprise:

- the consolidated balance sheet as at 31 December 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Key Audit Matter

How our audit addressed the Key Audit Matter

Revenue recognition

Refer to note 2.23 and note 5 to the consolidated financial statements.

During the year ended 31 December 2022, the Group has recognised revenue from sales of products and installation and training services of Renminbi ("RMB") 83,604,000. Revenue has a significant impact on financial statements and is one of the Group's key performance indicators.

We focused on this area due to the large volume of revenue transactions generated from a number of customers, and thus significant audit effort was devoted in this area.

We obtained an understanding of the key controls in relation to revenue recognition performed by management of the Group and evaluated the design, implementation, and operating effectiveness of these controls.

We understood and evaluated the Group's revenue recognition policy by inquiring the management of the Group, inspected sales contracts on a sample basis to understand the agreed trade terms, and assessed whether the related revenue was properly recognised in accordance with respective sales contracts and the requirements of accounting standards.

We tested, on a sample basis, the revenue transactions recognised by examining the relevant supporting documents, including sales orders, products delivery notes, installation confirmation notes and invoices.

We circulated, on a sample basis, confirmations to selected customers to confirm transaction amounts of revenue for the year by considering the amount, nature and characteristics of the customers throughout the whole year.

We tested sales transactions recorded before and after the balance sheet date, on a sample basis, by reconciling recognised revenue with the products delivery notes and installation confirmation notes to assess whether revenue was recognised in the correct period.

Based on the above procedures performed, we found the revenue recognised was supported by the evidences we gathered.

Independent Auditor's Report (Continued)

Other Information

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

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

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

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

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 30 March 2023

CONSOLIDATED INCOME STATEMENT

For the Year ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

	Note	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Revenue	5	83,604	81,199
Cost of sales	6	(13,780)	(12,167)
Gross profit		69,824	69,032
Research and development expenses	6	(44,172)	(26,970)
Selling expenses	6	(66,750)	(70,120)
General and administrative expenses	6	(109,317)	(115,206)
Net impairment losses of impairment on financial assets	3.1	(69)	(6)
Other income	9	5,332	447
Other gains — net	10	1,898	45
Operating loss		(143,254)	(142,778)
Finance income		3,495	1,811
Finance costs		(760)	(3,858)
Finance income/(costs) — net	11	2,735	(2,047)
Fair value loss of financial liabilities	29	(1,210,894)	(493,864)
Loss before income tax		(1,351,413)	(638,689)
Income tax credit	12	5,450	5,043
Loss for the year		(1,345,963)	(633,646)
Loss attributable to:			
Shareholders of the Company		(1,345,963)	(633,645)
Non-controlling interests		—	(1)
		(1,345,963)	(633,646)
Loss per share for the year and attributable to the shareholders of the Company		(1,345,963)	(633,645)
— Basic and diluted loss per share (RMB)	13	(1.50)	(0.99)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

	Note	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Loss for the year		(1,345,963)	(633,646)
Other comprehensive (loss)/income:			
<i>Items that will not be reclassified to profit or loss</i>			
Exchange differences arising from translation of the Company		(45,778)	15,182
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences arising from translation of subsidiaries of the Company		(2,471)	(113)
Other comprehensive (loss)/income for the year, net of tax	26	(48,249)	15,069
Total comprehensive loss for the year		(1,394,212)	(618,577)
Total comprehensive loss attributable to:			
Shareholders of the Company		(1,394,212)	(618,576)
Non-controlling interests		—	(1)
		(1,394,212)	(618,577)

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

	Note	As at 31 December	
		2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	29,728	28,870
Intangible assets	15	13,101	244
Right-of-use assets	16	9,014	14,327
Deferred income tax assets	17	24,619	19,163
Other receivables	20	2,936	1,089
Prepayments	21	7,499	854
		86,897	64,547
Current assets			
Inventories	18	7,606	9,908
Bills receivables	19	3,531	—
Trade and other receivables	20	6,534	379
Prepayments	21	6,803	6,218
Financial assets at fair value through profit or loss ("FVTPL")	22	132,645	—
Bank deposits with the maturity over three months	23	355,196	—
Cash and cash equivalents	23	91,118	559,140
		603,433	575,645
Total assets		690,330	640,192
Equity/(Deficit)			
Share capital and premium	25	2,786,929	1
Convertible preferred shares	29	—	13,000
Other reserves	26	51,264	86,109
Accumulated losses		(2,219,557)	(873,594)
Equity/(deficit) attributable to the shareholders of the Company		618,636	(774,484)
Total equity/(deficit)		618,636	(774,484)

Consolidated Balance Sheet (Continued)

As at 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

	Note	As at 31 December	
		2022 RMB'000	2021 RMB'000
LIABILITIES			
Non-current liabilities			
Financial liabilities at FVTPL	29	—	1,361,749
Lease liabilities	31	3,575	8,860
		3,575	1,370,609
Current liabilities			
Borrowings	30	18,000	—
Trade and other payables	32	39,229	29,518
Contract liabilities	5	3,487	6,730
Lease liabilities	31	7,403	7,819
		68,119	44,067
Total liabilities		71,694	1,414,676
Total equity and liabilities		690,330	640,192
Net current assets		535,314	531,578

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

The consolidated financial statements and the accompanying notes on pages 76 to 156 were approved by the Board of Directors on 30 March 2023 and were signed on its behalf.

Huo Yunfei

Chief Executive Officer

Zhang Liang

Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

		Attributable to shareholders of the Company					
	Note	Share capital and premium	Convertible preferred shares	Other reserves	Accumulated losses	Subtotal	Total
		RMB'000 (Note 25)	RMB'000 (Note 29)	RMB'000 (Note 26)	RMB'000	RMB'000	RMB'000
Balance at 1 January 2022		1	13,000	86,109	(873,594)	(774,484)	(774,484)
Loss for the year		—	—	—	(1,345,963)	(1,345,963)	(1,345,963)
Other comprehensive income	26	—	—	(48,249)	—	(48,249)	(48,249)
Total comprehensive loss		—	—	(48,249)	(1,345,963)	(1,394,212)	(1,394,212)
Transactions with shareholders and investors							
Shares issued upon global offering and over-allotment	25	109,242	—	—	—	109,242	109,242
Share-based compensation expenses	27	—	—	13,404	—	13,404	13,404
Conversion of preferred shares to ordinary shares upon global offering	29	2,677,686	(13,000)	—	—	2,664,686	2,664,686
Total transactions with shareholders and investors		2,786,928	(13,000)	13,404	—	2,787,332	2,787,332
Balance at 31 December 2022		2,786,929	—	51,264	(2,219,557)	618,636	618,636

Consolidated Statement of Changes in Equity (Continued)

For the Year ended 31 December 2021

(All amounts expressed in RMB unless otherwise stated)

		Attributable to shareholders of the Company						
	Note	Share capital and premium	Convertible preferred shares	Other reserves	Accumulated losses	Subtotal	Non- controlling interests	Total
		RMB'000 (Note 25)	RMB'000 (Note 29)	RMB'000 (Note 26)	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2021		—	13,000	6,016	(239,949)	(220,933)	(8)	(220,941)
Loss for the year		—	—	—	(633,645)	(633,645)	(1)	(633,646)
Other comprehensive income	26	—	—	15,069	—	15,069	—	15,069
Total comprehensive loss		—	—	15,069	(633,645)	(618,576)	(1)	(618,577)
Transactions with shareholders and investors								
Contributions from shareholders	26	1	—	933	—	934	—	934
Share-based compensation expenses	27	—	—	67,171	—	67,171	—	67,171
Merger reserves arising from the Reorganisation	26	—	—	(3,080)	—	(3,080)	9	(3,071)
Total transactions with shareholders and investors		1	—	65,024	—	65,025	9	65,034
Balance at 31 December 2021		1	13,000	86,109	(873,594)	(774,484)	—	(774,484)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

	Note	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Cash used in operations	33(a)	(112,540)	(74,643)
Interest received		1,321	1,811
Net cash used in operating activities		(111,219)	(72,832)
Cash flows from investing activities			
Purchase of property, plant and equipment		(17,110)	(30,835)
Payments of intangible assets		(12,711)	(280)
Loans to a related party		(2,000)	—
Loans to third parties		(4,000)	—
Interest received from bank		2,174	—
Purchase of financial assets at FVTPL		(130,437)	—
Purchase of short-term bank deposits		(355,196)	—
Proceeds from disposal of financial assets at FVTPL		3,379	3,044
Proceeds from disposal of property and equipment	33(b)	157	88
Net cash used in investing activities		(515,744)	(27,983)
Cash flows from financing activities			
Proceeds from capital injection from shareholders of the Group		—	934
Proceeds from issuance of global offering and allotment		126,990	—
Proceeds from bank and other borrowings	33(c)	18,000	270,412
Proceeds from issuance of equities with preferred rights	33(c)	—	657,228
Payments for listing expenses		(17,520)	(228)
Repayments of bank and other borrowings	33(c)	—	(281,412)
Interests paid	33(c)	(135)	(3,165)
Cash out flow resulting from the Reorganisation		—	(5,650)
Capital injection arising from the Reorganisation		—	268,762
Payments for acquisition of Suzhou Rainmed		—	(269,563)
Payments of lease liabilities	33(c)	(6,602)	(3,471)
Net cash generated from financing activities		120,733	633,847
Net (decrease)/increase in cash and cash equivalents		(506,230)	533,032
Cash and cash equivalents at beginning of the year		559,140	27,588
Exchange differences on cash and cash equivalents		38,208	(1,480)
Cash and cash equivalents at end of the year	23	91,118	559,140

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

1 General information, reorganization and basis of presentation

Rainmed Medical Limited (the “Company”) was incorporated in the Cayman Islands on 9 April 2021 as a company with limited liability under the Companies Law, Cap. 22 of the Cayman Islands. The address of its registered office is Campbells Corporate Services Limited, Floor 4, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the “Group”) are primarily engaged in research and development (“R&D”), manufacturing and commercialisation of medical instrument related to coronary angiography-derived fractional flow reserve (“caFFR”) system and coronary angiography-derived index of microvascular resistance (“caIMR”) system (the “Listing Business”) in the People’s Republic of China (the “PRC”), Europe and other regions.

The Company’s shares have been listed on the main board of the Stock Exchange of Hong Kong Limited since 8 July 2022 (the “Listing Date”).

These consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated, which have been approved for issue on 30 March 2023.

Pursuant to a reorganisation (the “Reorganisation”) in preparing for the listing (the “Listing”) of the Company’s share on the Mainboard of The Stock Exchange of Hong Kong Limited (“the Main Board”), which was completed on 24 June 2021, the Company became the holding company of the other companies comprising the Group.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements of the Group has been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and requirements of the Hong Kong Companies Ordinance Cap. 622.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at FVTPL.

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

The consolidated financial statements of the Group have been prepared on a going concern basis. The Group is in the development stage and has been incurring losses from operations since incorporation. While the Group has net operating cash outflows, the Group has positive working capital resulting from capital raising activities through issuance of shares by global offering.

As at 31 December 2022, the Group had a total cash and cash equivalents of RMB91,118,000 and bank deposits with the maturity over three months of RMB355,196,000. The directors are of the opinion that the Group has sufficient cash for its daily operation for the next twelve months. Accordingly, the directors of the Company consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

(a) New standards, amendments to standards and interpretations adopted by the Group

The following new standards, amendments to existing standards and interpretations are relevant and mandatory for the Group's annual reporting period beginning on 1 January 2022:

		Effective for annual periods beginning on or after
Amendments to Hong Kong Accounting Standards ("HKAS") 16	Property, plant and equipment — proceeds before intended use	1 January 2022
Accounting Guideline 5 (revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations	1 January 2022
Amendments to HKAS 37	Onerous contracts — cost of fulfilling a contract'	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual Improvements	Annual Improvements to HKFRS Standards 2018–2020	1 January 2022

The adoption of the new standards, amendments to existing standards and improvements does not have any significant impact to the results and financial position of the Group.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

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

The following new standards, amendments to existing standards and interpretations relevant to the Group have been issued but are not effective for the annual reporting period beginning on 1 January 2022 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKFRS 4	Extension of the Temporary Exemption from Applying HKFRS 9	1 January 2023
Amendments to HKFRS 17	Amendments to HKFRS 17	1 January 2023
Hong Kong Interpretation 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendment to HKAS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Management is in the process of making an assessment of the impact of the above new standards and amendments to standards and considered that these new standards and amendment to standards will not result in any substantial changes to the Group's existing accounting policies and presentation of the consolidated financial statements of the Group.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.2 Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of comprehensive income, statements of changes in equity and balance sheets respectively.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Group's presentation currency. The Company's functional currency is Hong Kong Dollar ("HKD").

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.5 Foreign currency translation (Continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the consolidated statements of comprehensive income in the period in which they arise.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statements of comprehensive income, within finance costs — net. All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income on a net basis within other gains — net.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (ii) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (iii) All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs incurred during the construction period are capitalised.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to consolidated statements of comprehensive income during the period in which they are incurred.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.6 Property, plant and equipment (Continued)

Construction in progress represents unfinished construction and equipment under construction or pending installation and is stated at cost less impairment losses. Cost comprises direct costs of construction including borrowing costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs, net of their residual values, over their estimated useful lives, as follows:

Equipment and instruments	3 years
Office equipment and furniture	5 years
Vehicles	4–5 years
Leasehold improvements	2–4 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and included in profit or loss.

2.7 Intangible assets

(a) Software

Acquired computer software is recognised at historical cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The Group amortised on a straight-line basis over their estimated useful lives of 3 years.

(b) Research and development expenditures

The Group incurs significant costs and efforts on research and development activities. Research expenditures are charged to the profit or loss as an expense in the period which the expenditure is incurred. Development costs are recognised as assets if they can be directly attributable to a newly developed medical instruments and all the following can be demonstrated:

- (i) the technical feasibility of completing the development project so that it will be available for use or sale;
- (ii) the intention to complete the development project and use or sell the intangible asset;
- (iii) the ability to use or sell the intangible assets;

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.7 Intangible assets (Continued)

(b) Research and development expenditures (Continued)

- (iv) the manner in which the development project will generate probable future economic benefits for the Group;
- (v) the availability of adequate technical, financial and other resources to complete the development project and to use or sell the intangible asset; and
- (vi) The expenditure attributable to the asset during its development can be reliably measured.

The cost of an internally generated intangible asset is the sum of the expenditure incurred from the date the asset meets the recognition criteria above to the date when it is available for use. The costs capitalised in connection with the intangible asset include costs of materials and services used or consumed, employee costs incurred in the creation of the asset and an appropriate portion of relevant overheads.

Capitalised development costs are amortised using the straight-line method over the life of the related intangible asset. Amortisation shall begin when the asset is available for use.

Development expenditures not satisfying the above criteria are recognised in the profit or loss as incurred.

2.8 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- (i) Those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss); and
- (ii) Those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.9 Financial assets (Continued)

(a) Classification (Continued)

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held and cash flow characteristics. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through OCI ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are recorded in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest method.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.9 Financial assets (Continued)

(c) Measurement (Continued)

Debt instruments (Continued)

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in “Other gains — net”. Interest income from these financial assets is included in finance income using the effective interest method. Foreign exchange gains and losses and impairment expenses are presented in “Other gains — net” and impairment expenses are presented as separate line item in the consolidated statements of comprehensive income.

FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net in the consolidated statements of comprehensive income within other gains — net, net in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group’s management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group’s right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in “Other gains — net” in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and fair value (either through other comprehensive income or through profit or loss). The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.9 Financial assets (Continued)

(d) Impairment of financial assets (Continued)

For trade and bills receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets.

For trade receivables, the expected credit losses are determined based on the Group's historical observed default rates and market credit loss rate over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date, the Group's historical observed default rates and market credit loss rate are updated and changes in the forward-looking estimates are analysed.

For bills receivable, the expected credit losses are mainly assessed by taking into account the credit rating for issuing financial institutions and is adjusted for forward-looking estimates. At every reporting date, the corresponding default rates are referred adjusted by considering forward-looking factors.

Impairment on other receivables are measured as either 12-month expected credit loss or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.12 Trade receivables, bills receivables and other receivables

Trade receivables and bills receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. If collection of trade receivables, bills receivables and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.12 Trade receivables, bills receivables and other receivables (Continued)

The Group holds bills receivable with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Accruals and other payables

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

Accruals and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Convertible preferred shares

Convertible preferred shares are shares with preferred rights issued to investors by the Group. For details, please refer to Note 29.

These convertible preferred shares are accounted for as equity instruments or financial liabilities at FVTPL.

For convertible preferred shares with no anti-dilution, redemption rights or liquidation preferences, they are accounted for as equity and are initially recognised at the proceeds received.

For convertible preferred shares which are redeemable or refundable upon occurrence of certain events, they are designated as financial liabilities at FVTPL. They are initially recognised at fair value. Subsequent to initial recognition, these shares are carried at fair value with changes in fair value recognised in the consolidated statements of comprehensive income.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.16 Convertible preferred shares (Continued)

If the Company's own credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognised in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognising in profit or loss for loan commitments or financial guarantee contracts.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in consolidated statements of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Other borrowing costs are expensed as incurred.

2.18 Current and deferred income tax

The income tax expense or credit for the year is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet dates in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.18 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.19 Employee benefit expenses

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

(b) Pension obligations

Full-time employees in the PRC are covered by various government-sponsored defined contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no further payment obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred and contributions paid to the defined-contribution pension plans for an employee are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the employee leaves.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.19 Employee benefit expenses (Continued)

(c) Housing funds, medical insurance and other social insurance

Employees in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plans. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable.

(d) Bonus plan

The expected cost of bonus is recognised as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(e) Employee leave entitlement

Employee entitlement to annual leave are recognised when they have accrued to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlement to sick leave and maternity leave is not recognised until the time of leave.

(f) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits.

2.20 Share-based compensation benefits of the Group

(a) Equity-settled share-based compensation benefits

Share-based compensation benefits are provided to employees. The fair value of equity-settled share-based compensation for the services received from employees was measured at the grant date of the equity instruments (including shares or share options). It was recognised as share-based compensation expenses in the profit or loss and as share-based compensation reserve respectively. The total amount to be expensed is determined by reference to the fair value of the shares granted as at grant date, including any market performance conditions, excluding the impacts of any service and non-market performance vesting conditions as well as including any non-vesting conditions, when applicable.

At the end of each reporting period, the Group revises its estimates of the number of share options that are expected to vest based on the non-marketing performance and service conditions, irrespective of whether those non-vesting conditions are satisfied. It recognises the impact of the revision to original estimates, if any, in the consolidated statements of comprehensive income, with a corresponding adjustment to equity.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.20 Share-based compensation benefits of the Group (Continued)

(b) Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiaries undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiaries undertakings, with a corresponding credit to equity in separate financial statements of the Company.

2.21 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to income are deferred and recognised in the profit or loss, separately as “other income”, over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment or right-of-use assets are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.22 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

The Group provides for warranties in relation to the sale of certain products and the provision of services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.23 Revenue recognition

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

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

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

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

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

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

(a) Sale of products

Revenue from the sale of products is recognised at a point in time when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery occurs when the products have been delivered to the specific location where the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied. Costs related to sales of goods are included in cost of sales. Revenue is recognised after netting off the estimated sales return (if any).

(b) Installation and training services

The Group provides installation and training services that are bundled together with the sale of products to customers.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.23 Revenue recognition (Continued)

(b) Installation and training services (Continued)

Contracts for bundled sales of products and installation and training services are comprised of two performance obligations because the promises to transfer the products and provide installation and training services are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated based on the relative stand-alone selling prices of the products and installation and training services. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin approach.

Revenue from installation and training services is recognised over time, using input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. The input method recognises revenue on the basis of labour time spent on the services. Given that an installation and training service order is generally completed within a short period of time, the revenue from the provision of the installation and training services is recognised when the services have been rendered.

2.24 Leases

The Group leases various offices and warehouses. Rental contracts for offices and warehouses are typically made for fixed period from 1 year to 4 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

Leases are recognised as right-of-use assets at the date at which the leased assets are available for use by the Group. The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets arising from a lease are initially measured on a present value basis.

Right-of-use assets are measured at cost comprising the following:

- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.25 Interest income

Interest income is recognised on a time-proportion basis taking into account of the principal outstanding and the effective interest rate over the period to maturity, when it is determined that such income will accrue to the Group.

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's directors or shareholders, where applicable.

2.27 Loss per share

To calculate loss per share, the Company assumes the capital structure upon the reorganisation (the "Reorganisation") and the capitalisation issue ("Capitalisation Issue") had been in effect historically.

(a) Basic loss per share

Basic loss per share is calculated by dividing:

- The loss attributable to shareholders of the Company, excluding any costs of servicing equity other than ordinary shares;
- By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account:

- The after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency.

Certain bank balances and cash and financial assets at FVTPL and other payables are denominated in foreign currencies of respective group entities which are exposed to foreign currency risk. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The Group has entities operating in HKD, United States Dollar ("USD") and RMB, and the Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in the future, as may be necessary.

Most foreign exchange transactions were denominated in USD for the group companies that have functional currency in HKD and RMB. If the USD strengthened/weakened by 1% against the RMB with all other variables held constant, net loss for the year ended 31 December 2022 would have been approximately RMB4,175,000 lower/higher (2021: RMB3,858,000 lower/higher). The Group did not hedge against any fluctuation in foreign currency. The Group timely monitors foreign exchange risk and will take measure to minimise foreign exchange risk.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk mainly arises from borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

For the year ended 31 December 2022, if the interest rate on borrowings increased/decreased by 0.5% with all other variables held constant, the Group's post-tax loss for the years would have been approximately RMB17,000 higher/lower (2021: nil).

During the year ended 31 December 2022, the Group did not enter into any interest rate swap to hedge its exposure to cash flow and fair value interest rate risk (2021: nil).

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

The carrying amounts of cash and cash equivalents, bank deposits, trade receivables, bills receivables and other receivables included in the financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem.

(i) Cash and cash equivalents, bank deposits, bills receivables

To manage this risk, cash and cash equivalents and bank deposits are mainly placed or invested with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC. The acceptor of the bills are all state-owned or reputable financial institutions in the PRC. While cash and cash equivalents, banks deposits and bills receivables were also subject to the impairment requirement of HKFRS 9, the identified impairment loss was immaterial as the Group does not expect any losses from non-performance by these banks as they have no default history in the past.

(ii) Other receivables

For other receivables, the Group made periodic collective assessment as well as individual assessment on the recoverability based on past experience and forward-looking information including but not limited to the economic impact of the unprecedented Corona Virus Disease 2019 ("COVID-19") pandemic, and other factors.

The Group's other receivables (excluding value-added tax recoverable) were mainly refundable deposits and short-term loans to employees or related parties. For other receivables, the Group assessed the credit quality of the counterparties by taking into account their financial position, credit history and other factors. Management also makes periodic collective assessments as well as individual assessment on the recoverability of these receivables and follows up the disputes or amounts overdue, if any. The management assessed the loss allowance for other receivables on collective assessments were recognized and the expected loss for others on an individual basis was immaterial.

The loss allowance as at 31 December 2022 and 2021 was determined as follows for other receivables:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Gross carrying amount	9,297	1,482
Expected loss rate	0.89%	0.94%
Total loss allowance	83	14

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Other receivables (Continued)

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

	Allowance of impairment of other receivables RMB'000
At 1 January 2022	14
Provision for loss allowance	69
Year ended 31 December 2022	83
At 1 January 2021	8
Provision for loss allowance	6
Year ended 31 December 2021	14

Other receivables are written off when there is no reasonable expectation of recovery. Subsequent recoveries of amounts previously written off are credited to profit or loss. No written-off was made during the year ended 31 December 2022 (2021: nil).

(iii) Trade receivables

To measure the expected credit losses of trade receivables, trade receivables having similar credit characteristic were grouped based on shared credit risk characteristics. The Group performs impairment assessment under the ECL model on trade balances, based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort at the end of each year.

According to assessment of the management, since all of the trade receivables balances are due from customers which have low risk of default and usually settled within credit period. The exposure to credit risk for the balance is assessed within lifetime ECL, in the opinion of the management, the impairment loss for the trade receivables from the customers is immaterial.

(c) Liquidity risk

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

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	On demand or less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
As at 31 December 2022				
Trade and other payables (excluding other tax payables, staff salaries and welfare payables and payables for deposit)	8,768	—	—	8,768
Borrowings (including interest payables)	18,363	—	—	18,363
Lease liabilities (including interest payables)	7,791	3,303	377	11,471
	34,922	3,303	377	38,602
As at 31 December 2021				
Trade and other payables (excluding other tax payables, staff salaries and welfare payables and payables for deposit)	12,402	—	—	12,402
Lease liabilities (including interest payables)	8,503	5,987	3,304	17,794
	20,905	5,987	3,304	30,196

The Group recognises the financial liabilities issued to investors at fair value through profit or loss. Accordingly, the financial liabilities at FVTPL are managed on a fair value basis rather than by maturing dates (Note 29).

3.2 Capital management

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

The Group monitors capital by regularly reviewing the capital structure. The Group may adjust the amount of dividends paid to shareholders, provide returns for shareholders, issue new shares or sell assets to reduce debt.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

3 Financial risk management (Continued)

3.2 Capital management (Continued)

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents. Adjusted capital comprises all components of equity as shown in the consolidated balance sheets and preferred shares on an as-if-converted basis. As at 31 December 2022 and 2021, the Group has no net debt outstanding.

3.3 Fair value estimation

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, bank deposits, trade and other receivables (excluding prepayments), bills receivables, borrowings and accruals and other payables) approximate their fair values.

(a) Fair value hierarchy

The Group applies HKFRS 13 for financial instruments that are measured in the consolidated balance sheets at fair value, which requires disclosure of fair value measurements by levels of the following fair value measurement hierarchy:

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(a) Fair value hierarchy (Continued)

The following table presents the Group's assets and liabilities that were measured at fair value at 31 December 2022 and 2021:

	As at 31 December 2022 Level 3 RMB'000
Assets	
— Financial assets at FVTPL (Note 22)	132,645
	As at 31 December 2021 Level 3 RMB'000
Liabilities	
— Financial liabilities at FVTPL (Note 29)	1,361,749

There were no transfers between levels 1, 2 and 3 during the years ended 31 December 2022 and 2021. The Group has no financial instruments in level 1 and level 2.

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

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

During the year ended 31 December 2022, the Group's financial assets at FVTPL (Note 22) represented certain non-capital protected wealth management products denominated in USD which primarily invested in bonds and bank deposits. As these instruments were not traded in active market, their fair values were determined based on the expected rate of return on the Group's investment. Credit risk was not considered to be a significant input factor in fair value measurements of financial assets at FVTPL.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

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

During the year ended 31 December 2021, the Group issued certain preferred shares to investors, which were classified as financial liabilities and designed as financial liabilities at FVTPL (Note 29). They were initially recognised at fair value, and subsequently stated at fair value with changes in fair value. All preferred shares converted to ordinary shares immediately prior to the completion of the Listing during the year ended 31 December 2022.

The changes in level 3 instruments for the years ended 31 December 2022 and 2021 are presented in Note 22 and Note 29.

(d) Valuation inputs and relationships to fair value

The quantitative information about the significant unobservable inputs used in level 3 fair value measurements (see (b) above for the valuation techniques adopted) and the valuation processes of financial instruments in level 3 for the years ended 31 December 2022 and 2021 are presented in Note 22 and Note 29.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Fair value of financial liabilities at FVTPL

As at 31 December 2021, the financial liabilities at FVTPL are certain convertible preferred shares issued by the Group, which are not traded in an active market and the respective fair value is determined by using valuation techniques. The Group used the discounted cash flow method and back-solve method to determine the underlying share value and adopted the equity allocation model to determine the fair value of the financial liabilities at FVTPL as at each date of issuance and at the end of each reporting period. Key assumptions, such as discount rate, risk-free interest rate, volatility, discount for lack of marketability ("DLOM") and probability for a qualified initial public offerings ("IPO") are disclosed in Note 29. Any change in key assumptions used in the discounted cash flow method and the back-solve method will have impacts on the fair values.

All preferred shares were converted to ordinary shares immediately prior to the completion of the Listing.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

4 Critical accounting estimates and judgements (Continued)

(b) Deferred income tax

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimates, such difference will impact the recognition of deferred tax assets and income tax in the period in which such estimates are changed.

(c) Research and development expenses

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

(d) Share-based compensation expenses

(i) Share award

As mentioned in Note 27, 10% equity of Suzhou Runxin Medical Instrument Co., Ltd ("Suzhou Runxin") were awarded to selected grantees of the Group at nominal consideration for their past contributions made to the Group. As there was no future service conditions attached to the award, the share-based awards were vested immediately. The directors used the discounted cash flow method to determine the Group's valuation and equity allocation model to determine the total fair value of these shares awarded. Significant judgments on key assumptions, such as discount rate, risk-free interest rate, volatility and dividend yield are required to be made by the directors (Note 27).

(ii) Pre-IPO share option scheme

As mentioned in Note 27, the Group has granted share options to its selected employees. The Company has used the Binomial option-pricing model to determine the total fair value of the options granted, which is to be expensed over the vesting period. Significant estimate on assumptions, such as the underlying equity valued, risk-free interest rate, expected volatility and dividend yield, is required to be made by the Company in applying the Binomial option-pricing model (Note 27).

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

5 Segment and revenue information

(a) Description of segments and principal activities

The Group is engaged in the R&D, manufacturing, and commercialization of medical instrument related to caFFR system and calMR system. 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.

(b) The amount of each category of revenue is as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Timing of revenue recognition		
At a point in time:		
— Sales of products	82,634	80,244
Over time:		
— Installation and training services	970	955
	83,604	81,199

(c) The following table presents the analysis of contract liabilities related to the above-mentioned revenues.

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Contract liabilities:		
Consideration for sales of goods	1,723	5,342
Consideration for installation and training services	1,764	1,388
	3,487	6,730

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying products or services are yet to be delivered or provided.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

5 Segment and revenue information (Continued)

(d) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year:		
— Sales of goods	3,125	16,314
— Installation and training services	533	32
	3,658	16,346

(e) Geographical information

Revenue from customers by geographic location as determined by destination of delivery is as follows:

	Year ended 31 December	
	2022 RMB'000 Revenue	2021 RMB'000 Revenue
China	82,437	80,757
Others	1,167	442
	83,604	81,199

As at 31 December 2022 and 2021, all of the non-current assets of the Group were located in the PRC.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

5 Segment and revenue information (Continued)

(f) Information about major customers

The major customers which contributed more than 10% of the total revenue of the Group for the years ended 31 December 2022 and 2021 are listed as below:

	Year ended 31 December	
	2022	2021
Customer A	12.89%	*
Customer B	11.54%	*
Customer C	*	14.37%
Total	24.43%	14.37%

* This customer contributed less than 10% of total revenue for the corresponding year.

(g) Unsatisfied performance obligations

The Group does not disclose information about remaining performance obligations as their original expected duration is less than one year as permitted under the practical expedient in accordance with HKFRS 15.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

6 Expenses by nature

Expenses included in cost of sales, research and development expenses, selling expenses and general and administrative expenses were analysed as follow:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Employee benefit expenses (Note 7)	138,886	134,798
Less: amount included in capitalised development costs in intangible assets	(6,281)	—
Professional services	9,013	19,396
Depreciation and amortisation charges	17,106	10,863
Less: amount included in capitalised development costs in intangible assets	(444)	—
Raw material costs	8,631	13,333
Changes in inventories of finished goods and work in progress	1,991	(2,552)
Travelling expenses	4,849	4,740
Promotion and hospitality expenses	23,403	13,731
Short-term lease expenses	791	213
Clinical trials and testing expenses	2,019	2,607
Utilities	774	536
Auditors' remuneration	3,055	71
— Audit services	2,572	71
— Non-audit services	483	—
Listing expenses	20,756	20,926
Tax surcharges	501	384
Other expenses	8,969	5,417
	234,019	224,463

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

7 Employee benefit expenses (including directors' and senior management's emoluments)

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Salaries, wages and bonuses	101,792	54,337
Contributions to pension plans (a)	9,404	4,971
Housing fund, medical insurance and other social insurance	9,078	5,234
Share-based compensation expenses (Note 27)	13,404	67,171
Other welfare for employees	5,208	3,085
	138,886	134,798

- (a) The employees of the Group in the PRC are members of a state-managed pension scheme operated by the PRC Government. The Group is required to contribute a specified percentage of payroll costs as determined by local government authority to the pension obligations to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contribution under the scheme.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

8 Directors' and chief executive's emoluments

(a) Directors' and chief executive's emoluments

The remuneration paid or payable to the executive directors of the Company (including emoluments for services as employees/directors of the group entities prior to becoming the directors of the Company) and the chief executive during the years ended 31 December 2022 and 2021 were as follows.

	Fees	Salaries	Discretionary bonuses (ii)	Employer's housing fund and social security costs	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2022						
Executive directors						
Mr. Huo Yunfei	104	1,776	6,132	124	1,321	9,457
Ms. Gu Yang	104	1,054	394	97	463	2,112
Mr. Lyu Yonghui	104	1,779	2,904	124	595	5,506
Mr. Zhang Liang	104	1,806	5,289	122	793	8,114
Independent non-executive directors						
Mr. Liu Shuen Kong (i)	121	—	—	—	—	121
Mr. Li Ho Man (i)	121	—	—	—	—	121
Mr. Lau Tsz Ho Tony (i)	121	—	—	—	—	121
	779	6,415	14,719	467	3,172	25,552
Year ended 31 December 2021						
Executive directors						
Mr. Huo Yunfei	—	1,113	148	89	34,616	35,966
Ms. Gu Yang	—	621	89	78	23	811
Mr. Lyu Yonghui	—	1,350	148	106	23,285	24,889
Mr. Zhang Liang	—	1,159	148	82	3,361	4,750
	—	4,243	533	355	61,285	66,416

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

8 Directors' and chief executive's emoluments (Continued)

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

- (i) Mr. Liu Shuen Kong, Mr. Li Ho Man and Mr. Lau Tsz Ho Tony were appointed as independent non-executive directors of the Company on 18 June 2022.
- (ii) Discretionary bonuses are determined with reference to the performance of the relevant directors and chief executive and the group performance.
- (iii) During the year ended 31 December 2022 the non-executive directors, Mr. Wang Lin and Mr. Heng Lei, did not receive directors' remuneration in the capacity of non-executive directors.

During the year ended 31 December 2021 the non-executive directors and the independent non-executive directors have not yet been appointed and did not receive directors' remuneration in the capacity of non-executive directors and independent non-executive directors.

(b) Directors' retirement and termination benefits

None of the directors received or will receive any retirement benefits during the year ended 31 December 2022 (2021: nil).

No payment was made to any former employers of the directors for making available the services of them as a director of the Company during the year ended 31 December 2022 (2021: nil).

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

During the year ended 31 December 2022, the Company did not pay consideration to any third parties for making available Directors' services (2021: nil).

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

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

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2022 (2021: nil).

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

8 Directors' and chief executive's emoluments (Continued)

(f) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 3 (2021: 3) directors for the year ended 31 December 2022. Their emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 2 (2021: 2) individuals during the year ended 31 December 2022 are as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	4,875	7,107
Contribution to pension scheme	108	82
Discretionary bonuses	3,173	564
	8,156	7,753

The emoluments fell within the following bands:

Emoluments bands	Year ended 31 December	
	2022	2021
HKD3,500,001 to HKD4,000,000	1	1
HKD5,000,001 to HKD5,500,000	—	1
HKD5,500,001 to HKD6,000,000	1	—
	2	2

9 Other income

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Government grants related to costs	5,332	447

Government grants relating to costs are recognised in the profit or loss in the period necessary to match them with the expenses that they are intended to compensate.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

10 Other gains — net

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Net foreign exchange gains	2,017	74
Losses on disposals of property, plant and equipment	(15)	(44)
Fair value change in financial assets at FVTPL (Note 22)	1	37
Others	(105)	(22)
	1,898	45

11 Finance costs — net

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Finance income		
— Interest income on bank deposits	3,495	1,811
Finance costs		
— Interest expenses on borrowings	(135)	(3,145)
— Interest expenses on lease liabilities	(625)	(713)
	(760)	(3,858)
Finance costs — net	2,735	(2,047)

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

12 Income tax credit

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Income tax	(6)	—
Deferred income tax	5,456	5,043
	5,450	5,043

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

(a) Cayman Islands and BVI

The Company is incorporated in the Cayman Islands as an exempted company and is not liable for taxation in the Cayman Islands. The Group's subsidiary incorporated in the BVI is also an exempted company and is not liable for taxation in the BVI.

(b) Hong Kong

Subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at a rate of 16.5%. No provision for Hong Kong profits tax has been made as the Group did not have estimated assessable profit in Hong Kong during the years ended 31 December 2022 and 2021.

(c) Mainland China

Pursuant to the Enterprise Income Tax Law of the PRC (the "EIT Law") and the Implementation Rules of the EIT Law, the EIT is unified at 25% for all types of entities, effective from 1 January 2008.

Suzhou Rainmed Medical Technology Company Limited ("Suzhou Rainmed"), the Group's major operating subsidiary in the PRC, has obtained the approvals to become a new and high-technology enterprise in December 2021, which is effective for three years commencing on 1 January 2021. Suzhou Rainmed are entitled to a preferential income tax rate of 15% on the estimated assessable profits for the year ended 31 December 2022 and 2021.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that has been effective from 2021 onwards, enterprises engaging in research and development activities are entitled to claim 200% of their eligible research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction").

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

12 Income tax credit (Continued)

- (d) The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to loss of the consolidated entities as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Loss before income tax	1,351,413	638,689
Tax calculated at tax rates of 15%	202,712	148,080
Tax effect of:		
Effect of different tax rate	(3,849)	(5,510)
Changes in the applicable tax rate	—	(5,459)
Expenses not deductible for tax purposes	(184,397)	(134,236)
Additional deduction of research and development and other expenses	5,858	4,026
Tax loss not recognised as deferred tax assets	(14,874)	(1,835)
Temporary differences not recognised as deferred tax assets	—	(23)
Income tax credit	5,450	5,043

- (e) **Deferred tax assets not recognised:**

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

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Accumulated deductible losses	90,031	3,573

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

12 Income tax credit (Continued)

(f) Deductible losses that are not recognised as deferred tax assets will be expired as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
2025	1,771	—
2026	8,577	—
2027	21,991	—
2028	12,683	—
2032	32,626	—
No expiry date	12,383	3,573
	90,031	3,573

The tax losses will normally expire within 5 years. Pursuant to the relevant regulations on extending the expired years of tax losses of High-Tech Enterprises and Small and Medium-sized Technological Enterprises issued in July 2018, which retrospectively effects from 1 January 2018, the expiration year of the unused tax losses was extended from 5 years to 10 years.

13 Loss per share

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss of the Group attributable to shareholders of the Company by weighted average number of ordinary shares outstanding during the years ended 31 December 2022 and 2021.

In the calculation of weighted average number of ordinary shares outstanding for years ended 31 December 2022 and 2021:

- 1) the shares issued to shareholders of the Company during the Reorganisation who were the then shareholders of Suzhou Runxin as at 1 January 2021 had been adjusted retrospectively as if those shares have been issued since 1 January 2021;
- 2) the shares issued to existing shareholders before public offering through the Capitalisation Issue had been adjusted retrospectively as if those shares have been issued since 1 January 2021.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

13 Loss per share (Continued)

(a) Basic loss per share (Continued)

Basic loss per share is calculated by dividing the loss attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding.

	Year ended 31 December	
	2022	2021
Loss attributable to shareholders of the Company (RMB'000)	(1,345,963)	(633,645)
Weighted average number of ordinary shares in issue (thousand) (i) &(ii)&(iii)	898,232	643,289
Basic loss per share (in RMB/share)	(1.50)	(0.99)

- (i) 1,527,460 Series A convertible preferred shares ("Series A Preferred Shares") are treated as ordinary shares (Note 29) for the purpose of calculating loss per share as they are recognised in equity and have no preferred right as to dividends compared with ordinary shares.
- (ii) 1,527,460 Series A Preferred Shares described above and 9,595,040 ordinary shares issued to the then shareholders of Suzhou Runxin during the Reorganisation had been adjusted retrospectively as if those shares have been issued since 1 January 2021.
- (iii) The weighted average number of ordinary shares for the purpose of basic loss per share for the years ended 31 December 2022 and 2021 has been retrospectively adjusted for the Capitalisation Issue.
- (iv) All convertible preferred shares were converted to ordinary shares immediately prior to the completion of the Listing. The weighted average number of ordinary shares through the conversion and the Capitalisation Issue of the preferred shares initially recognised as financial liabilities at FVTPL were calculated according to the time of conversion.

(b) Diluted loss per share

The Group has potential dilutive shares throughout the years ended 31 December 2022 and 2021 related to the Pre-IPO share option scheme (Note 27). For the years ended 31 December 2022 and 2021 respectively, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended 31 December 2022 and 2021 are the same as basic loss per share.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

14 Property, plant and equipment

	Equipment and instruments RMB'000	Office equipment and furniture RMB'000	Vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2022						
Opening net book amount	1,781	3,050	106	19,149	4,784	28,870
Additions	1,491	3,512	—	296	6,839	12,138
Disposals	(172)	—	—	—	—	(172)
Transfers	—	—	—	9,484	(9,484)	—
Depreciation charge	(897)	(1,068)	(26)	(9,117)	—	(11,108)
Closing net book amount	2,203	5,494	80	19,812	2,139	29,728
At 31 December 2022						
Cost	3,797	7,402	130	35,045	2,139	48,513
Accumulated depreciation	(1,594)	(1,908)	(50)	(15,233)	—	(18,785)
Net book amount	2,203	5,494	80	19,812	2,139	29,728
Year ended 31 December 2021						
Opening net book amount	453	701	120	591	3,258	5,123
Additions	1,494	1,839	19	29	26,600	29,981
Disposals	(21)	(27)	(10)	—	(74)	(132)
Transfers	389	971	—	23,640	(25,000)	—
Depreciation charge	(534)	(434)	(23)	(5,111)	—	(6,102)
Closing net book amount	1,781	3,050	106	19,149	4,784	28,870
At 31 December 2021						
Cost	2,553	3,892	130	25,265	4,784	36,624
Accumulated depreciation	(772)	(842)	(24)	(6,116)	—	(7,754)
Net book amount	1,781	3,050	106	19,149	4,784	28,870

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

14 Property, plant and equipment (Continued)

Depreciation charges on property, plant and equipment of the Group is analysed as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Cost of sales	1,860	613
Research and development expenses	1,468	760
Selling expenses	1,324	222
General and administrative expenses	6,149	4,507
Capitalised development costs in intangible assets	307	—
	11,108	6,102

15 Intangible assets

	Software RMB'000	Capitalised development costs RMB'000	Total RMB'000
Year ended 31 December 2022			
Opening net book amount	244	—	244
Additions — internal development	—	12,211	12,211
Additions — acquired separately	944	—	944
Amortisation charge	(298)	—	(298)
Closing net book amount	890	12,211	13,101
At 31 December 2022			
Cost	1,188	12,211	13,399
Accumulated amortisation	(298)	—	(298)
Net book amount	890	12,211	13,101
Year ended 31 December 2021			
Opening net book amount	16	—	16
Additions — acquired separately	280	—	280
Amortisation charge	(52)	—	(52)
Closing net book amount	244	—	244
At 31 December 2021			
Cost	292	—	292
Accumulated amortisation	(48)	—	(48)
Net book amount	244	—	244

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

15 Intangible assets (Continued)

During the year ended 31 December 2022, development costs approximately amounted to RMB12,211,000 (2021: Nil) have been capitalised and research and development expenses approximately amounted to RMB44,172,000 (2021: RMB26,970,000) are expensed when incurred.

No impairment test has been performed during the year ended 31 December 2022 since there is no event or change in circumstances indicate that the intangible assets might be impaired.

Amortisation charges on intangible assets of the Group is analysed as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Research and development expenses	177	2
General and administrative expenses	98	48
Cost of sales	1	2
Capitalised development costs in intangible assets	22	—
	298	52

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

16 Right-of-use assets

(a) Amounts recognised in the consolidated balance sheets:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Cost	18,735	19,501
Accumulated depreciation	(9,721)	(5,174)
Net book amount	9,014	14,327
Opening net book amount	14,327	12,459
Additions	1,514	7,772
Lease modification	(1,127)	—
Termination of lease contracts	—	(1,195)
Depreciation charge (d)	(5,700)	(4,709)
Closing net book amount	9,014	14,327

(b) The consolidated statements of comprehensive income and the consolidated statements of cash flows contain the following amounts relating to leases:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Interest expenses	625	713
Expenses relating to short-term leases	791	213
The cash outflow for leases as operating activities	791	213
The cash outflow for leases as financing activities	6,602	3,471

(c) The Group's leasing activities and how these are accounted for

The Group leases various offices and warehouses. Rental contracts are typically made for fixed periods of 1 year to 4 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

16 Right-of-use assets (Continued)

(d) Amortisation charges on right-of-use assets of the Group is analysed as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
General and administrative expenses	2,919	3,034
Selling expenses	1,583	871
Cost of sales	760	437
Research and development expenses	323	367
Capitalised development costs in intangible assets	115	—
	5,700	4,709

17 Deferred tax assets

(a) The analysis of deferred income tax assets is as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Deferred income tax assets		
— to be recovered within 12 months	4,099	3,217
— to be recovered after more than 12 months	20,520	15,946
	24,619	19,163

(b) The net movements on the deferred income tax were as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
At beginning of the year	19,163	13,880
Credited to profit or loss	5,456	5,043
Credited to reserves	—	240
Net book amount	24,619	19,163

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

17 Deferred tax assets (Continued)

(c) The movements in deferred income tax assets during the years ended 31 December 2022 and 2021 are as follows:

	Provisions RMB'000	Tax losses RMB'000	Accruals RMB'000	Others RMB'000	Total RMB'000
At 1 January 2022	2	18,085	714	362	19,163
Credited to profit or loss	8	5,285	46	117	5,456
At 31 December 2022	10	23,370	760	479	24,619
At 1 January 2021	—	13,184	663	33	13,880
Credited to profit or loss	2	4,901	51	89	5,043
Credited to reserves	—	—	—	240	240
At 31 December 2021	2	18,085	714	362	19,163

18 Inventories

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Raw materials	3,278	3,589
Work in progress	2,759	3,036
Finished goods	1,569	3,283
	7,606	9,908

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

18 Inventories (Continued)

Cost of inventories included in cost of sales, research and development expenses, selling expenses and general, administrative expenses and capitalised development costs during the years ended 31 December 2022 and 2021 were as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Cost of sales	13,278	11,782
Research and development expenses	5,174	4,672
Selling expenses	2,368	491
General and administrative expenses	55	359
Capitalised development costs in intangible assets	1,884	—
	22,759	17,304

19 Bills receivables

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Bank acceptance bills	3,531	—

As at 31 December 2022, no bills has been endorsed to the suppliers or discounted to the bank.

20 Trade and other receivables

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Trade receivables (a)	148	—
Other receivables (b)	9,322	1,468
Less: non-current portion	(2,936)	(1,089)
Trade and other receivables — net	6,534	379

The carrying amounts of trade and other receivables were denominated in RMB.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

20 Trade and other receivables (Continued)

(a) Trade receivables

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Trade receivables	148	—
Less: provision for impairment	—	—
Trade receivables — net	148	—

The credit period for trade receivables was generally 60 to 180 days from the date of billing during the year. The ageing analysis of trade receivables based on invoice dates was as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Within 30 days	43	—
91 days to 180 days	105	—
	148	—

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

20 Trade and other receivables (Continued)

(b) Other receivables

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Loans to employees	4,000	—
Deposits	3,222	1,412
Amount due from a related party (Note 35(c))	2,000	—
Value-added tax recoverable	108	—
Others	75	70
	9,405	1,482
Less: provision for impairment	(83)	(14)
Other receivables — net	9,322	1,468
Less: non-current portion	(2,936)	(1,089)
	6,386	379

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

The carrying amounts of the Group's other receivables approximate their fair values.

21 Prepayments

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Prepayments		
Prepayments for purchase of equipment	5,927	674
Prepayments for purchase of services	5,323	4,655
Prepayments for purchase of raw materials	1,816	947
Prepayments for listing expenses	—	399
Others	1,236	397
	14,302	7,072
Less: non-current portion	(7,499)	(854)
Current portion	6,803	6,218

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

22 Financial assets at FVTPL

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
As at beginning of year	—	3,007
Addition	130,437	—
Disposals	(3,379)	(3,044)
Change in fair value (Note 10)	1	37
Currency translation differences	5,586	—
As at end of year	132,645	—

The Group managed and evaluated the performance of investments on a fair value basis, in accordance with the Group's risk management and investment strategy and hence are designated as financial assets at FVTPL as at 31 December 2022.

The following table summarises the quantitative information about the significant unobservable inputs used in fair value measurements of financial assets at FVTPL:

Description	Unobservable inputs	Inputs data	Relationship of unobservable inputs to fair value
Investment in wealth management products	Expected rate of return	1.60%	The higher the expected rate of return, the higher the fair value

If the expected rate of return of the fair values of financial assets at FVTPL held by the Group had increased/decreased 10%, the loss before income tax for the year ended 31 December 2022 would have been approximately RMB100 lower/higher (2021: RMB3,700 lower/higher).

All financial assets at FVTPL have been fully redeemed and settled in March 2023.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

23 Cash and bank balance

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Cash at bank		
— RMB	86,933	94,896
— USD	3,282	453,856
— EUR	387	1,083
— HKD	516	9,305
	91,118	559,140
Bank deposits with the maturity over three months		
— USD	355,196	—
	446,314	559,140
Analysed as:		
Cash and cash equivalents	91,118	559,140
Bank deposits with maturity date between three months to one year	355,196	—
	446,314	559,140

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

24 Financial instruments by category

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Assets		
Financial assets at amortised costs:		
— Bills receivables (Note 19)	3,531	—
— Trade receivables (Note 20)	148	—
— Other receivables (Note 20)	9,322	1,468
— Cash and bank balance (Note 23)	446,314	559,140
Financial assets at fair value:		
— Financial assets at FVTPL (Note 22)	132,645	—
Total	591,960	560,608
Liabilities		
Financial liabilities at amortised cost:		
— Trade and other payables (excluding other tax payables, staff salaries and welfare payables and payables for deposit) (Note 32)	8,768	12,402
— Borrowings (Note 30)	18,000	—
— Lease liabilities (Note 31)	10,978	16,679
Financial liabilities at fair value:		
— Financial liabilities at FVTPL (Note 29)	—	1,361,749
Total	37,746	1,390,830

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

25 Share capital and premium

On 9 April 2021, the Company was incorporated in the Cayman Islands as a company with limited liability with authorised share capital comprised of 3,800,000,000 shares at par value of HKD0.0001 per share.

	Number of ordinary shares	Share capital		Share premium	Total
		HKD'000	RMB'000	RMB'000	
As at 1 January 2022	11,362,880	1	1	—	1
Shares issued pursuant to Capitalisation Issue (i)	1,121,120,000	112	96	(96)	—
Shares issued upon global offering and over-allotment (ii)	23,799,000	2	2	109,240	109,242
Conversion of preferred shares to ordinary shares upon global offering (iii)	11,517,120	1	1	2,677,685	2,677,686
As at 31 December 2022	1,167,799,000	116	100	2,786,829	2,786,929
As at 9 April 2021 (date of incorporation)	1	—	—	—	—
Issuance of ordinary shares to shareholders of the Company	11,362,879	1	1	—	1
As at 31 December 2021	11,362,880	1	1	—	1

(i) By shareholders' resolution dated 18 June 2022 and conditional upon the share premium amount of the Company being credited as a result of the proposed offering of the Company's shares, the Company issued additional 1,121,120,000 shares, credited as fully paid, to the existing shareholders of the Company on 8 July 2022.

(ii) On 8 July 2022, the Company successfully completed its initial public offering of 23,348,000 shares at HKD6.24 per share, and its shares were listed on the Main Board of the Stock Exchange.

On 30 July 2022, the international underwriters of the global offering partially exercised the over-allotment option, pursuant to which the Company allotted and issued 451,000 ordinary shares of the Company at the offer price of HKD6.24 per share.

Total gross proceeds from the global offering and over-allotment amounted to HKD148,505,760 (equivalent to approximately RMB126,990,000), which was divided into HKD2,380 (equivalent to approximately RMB2,000) of share capital and HKD148,503,380 (equivalent to approximately RMB126,988,000) of share premium, respectively.

Listing expenses to be capitalised at approximately RMB17,748,000 that were directly attributable to the issuance of ordinary shares in connection with the Listing were treated as a deduction from share premium.

(iii) An aggregate of issued 9,989,660 Refundable Preferred Shares and 1,527,460 Series A Preferred Shares were converted to 11,517,120 ordinary shares immediately prior to the completion of the Listing. The financial liabilities at FVTPL related to Refundable Preferred Shares were derecognised and credited to equity on the Listing date.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

26 Other reserves

	Share-based compensation reserve (i) RMB'000	Foreign currency translation reserve (ii) RMB'000	Merger reserves RMB'000	Total RMB'000
At 1 January 2022	67,171	15,069	3,869	86,109
Share-based compensation expense (Note 27)	13,404	—	—	13,404
Currency translation differences	—	(48,249)	—	(48,249)
At 31 December 2022	80,575	(33,180)	3,869	51,264
At 1 January 2021	—	—	6,016	6,016
Share-based compensation expense (Note 27)	67,171	—	—	67,171
Contributions from shareholders in relation to the share award (Note 27)	—	—	933	933
Merger reserves arising from the Reorganisation	—	—	(3,080)	(3,080)
Currency translation differences	—	15,069	—	15,069
At 31 December 2021	67,171	15,069	3,869	86,109

- (i) Share-based compensation reserve arises from share-based compensation granted to employees of the Group.
- (ii) Foreign currency translation reserve represents the difference arising from the translation of financial statements of companies within the Group that have a functional currency different from the presentation currency of RMB for the financial statements of the Company and the Group.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

27 Share-based compensation

(a) Share award

On 6 January 2021, the shareholders of the Group agreed to award 10% equity interest of Suzhou Runxin, which is the main operating entity of the Group before the Reorganisation, to Suzhou Huiying Enterprise Management Partnership (Limited Partnership) (“Suzhou Huiying”), a limited partnership established by certain directors and employees of the Group (the “Share Award”), at a nominal consideration of approximately RMB933,000 for past contributions made to the Group by selected grantees. These equity interest were converted into 1,767,840 ordinary shares of the Company during the Reorganisation. As there were no future service conditions attached to the Share Award, these share-based awards were vested immediately.

The excess of the fair value of the above equity interest on the grant date over the cash consideration paid by the selected grantees is accounted for as share-based compensation expenses (included in the employee benefit expenses) in the Group’s consolidated statements of comprehensive income. Accordingly, share-based compensation expenses of approximately RMB 66,445,000 were recognised during the year ended 31 December 2021.

The valuation of the equity interests of the Group for the share-based awards was undertaken by an independent qualified professional valuer, which adopted discounted cash flow method in determining the Group’s valuation and equity allocation model in determining the fair value of the ordinary shares.

The fair value of the shares granted and the significant input to the model at grant date are summarised as below:

Fair value of the shares granted (RMB)	67,378,000
Number of shares granted	1,767,840
Grant date	6 January 2021
Vesting date	6 January 2021
Discount rate	22.00%
Risk-free interest rate	2.98%
Volatility	45.36%
Expected dividend yield	0.00%

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

27 Share-based compensation (Continued)

(b) Pre-IPO share option scheme

On 10 December 2021, the board of directors adopted a Pre-IPO share option scheme (“the Pre-IPO Share Option Scheme”) to attract, retain and motivate employees of the Group. Under the Share Option Scheme, a number of 707,628 share options of ordinary shares of the Company, have been granted to the Group’s employees, with an exercise price of HKD194.97 (equivalent to USD25.00) per share.

Under the Pre-IPO Share Option Scheme, the options are to be vested based on service condition. The service condition is designed to acquire service from employees for a specified period. The vesting period of the share options granted is three years after the Listing and the vesting schedule is 30% after twelve months after the Listing, 30% after 24 months after the Listing, and 40% after 36 months after the Listing, respectively.

The share-based compensation expenses for the Pre-IPO Share Option Scheme recognised during the year ended 31 December 2022 was approximately RMB13,404,000 (2021: RMB726,000).

The valuation of the share options of the Company for the Pre-IPO Share Option Scheme was undertaken by an independent qualified professional valuer, which adopted the Binomial option-pricing model in determining the Group’s valuation and equity allocation model in determining the fair value of the share options.

The significant input to the model at grant date are summarised as below:

Number of shares under the option granted	707,628
Grant date	10 December 2021
Fair value of the ordinary shares on the date of option grant (USD)	18.39
Risk-free interest rate	1.48%
Volatility	44.38%
Expected dividend yield	0.00%

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

27 Share-based compensation (Continued)

(b) Pre-IPO share option scheme (Continued)

Movements of the number of share options outstanding and their related weighted average exercise prices are as follows:

	Year ended 31 December			
	2022		2021	
	Average exercise price	Number of shares under the option	Average exercise price	Number of shares under the option
As at beginning of year	HKD194.97	707,628	—	—
Granted before Capitalisation Issue	—	—	HKD194.97	707,628
Capitalisation Issue	HKD3.90	34,673,772	—	—
Forfeited after Capitalisation Issue	HKD3.90	(1,355,000)	—	—
As at end of year	HKD3.90	34,026,400	HKD194.97	707,628

No options expired or exercised during the periods covered by the above tables.

Number of shares under the option outstanding at the end of the year have the following vesting date and exercise prices:

Grant Date	Vesting date	Exercise period	Year ended 31 December			
			2022		2021	
			Exercise price	Number of shares under the option	Exercise price	Number of shares under the option
10 December 2021	8 July 2023	8 July 2023–10 December 2031	HKD3.90	10,207,900	HKD194.97	212,288
10 December 2021	8 July 2024	8 July 2024–10 December 2031	HKD3.90	10,207,900	HKD194.97	212,288
10 December 2021	8 July 2025	8 July 2025–10 December 2031	HKD3.90	13,610,600	HKD194.97	283,052
				34,026,400		707,628

28 Dividend

No dividend has been paid or declared by the Company or the companies now comprising the Group during the year ended 31 December 2022 (2021: nil).

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

29 Convertible preferred shares

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Convertible preferred shares (a) recognised as:		
Liabilities		
— Financial liabilities at FVTPL (b)	—	1,361,749
Equity		
— Equity instrument (c)	—	13,000

All preferred shares were converted to ordinary shares immediately prior to the completion of the Listing. The difference between the carrying amount of the financial liabilities at FVTPL as of 31 December 2021 and their fair value as of the Listing date was recorded in the profit or loss during 2022.

(a) Issuance of preferred shares

Series Angel-1 Preferred Shares

In 2016, Suzhou Runxin issued certain equity with preferred rights at a cash consideration of RMB9,000,000. These equity were converted into 1,218,620 Series Angel-1 convertible preferred shares ("Series Angel-1 Preferred Shares") of the Company during the Reorganisation.

Series Angel-2 Preferred Shares

In 2016, Suzhou Runxin issued certain equity with preferred rights at a cash consideration of RMB7,000,000. These equity were converted into 935,940 Series Angel-2 convertible preferred shares ("Series Angel-2 Preferred Shares") of the Company during the Reorganisation.

Series A Preferred Shares

In 2017, Suzhou Runxin issued certain equity with preferred rights at a cash consideration of RMB13,000,000. These equity were converted into 1,527,460 Series A Preferred Shares of the Company during the Reorganisation.

Series A+ Preferred Shares

In 2018, Suzhou Runxin issued certain equity with preferred rights at a cash consideration of RMB20,000,000. These equity were converted into 1,770,280 Series A+ convertible preferred shares ("Series A+ Preferred Shares") of the Company during the Reorganisation.

Series B Preferred Shares

In 2019, Suzhou Runxin issued certain equity with preferred rights at a cash consideration of approximately RMB28,679,000. These equity were converted into 863,060 Series B convertible preferred shares ("Series B Preferred Shares") of the Company during the Reorganisation.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

29 Convertible preferred shares (Continued)

(a) Issuance of preferred shares (Continued)

Series C-1 Preferred Shares

In 2021, Suzhou Runxin issued certain equity with preferred rights at a cash consideration of RMB150,000,000. These equity were converted into 1,767,820 Series C-1 convertible preferred shares ("Series C-1 Preferred Shares") of the Company during the Reorganisation.

Series C-2 Preferred Shares

In 2021, Suzhou Runxin issued certain equity with preferred rights at a cash consideration of RMB30,000,000. These equity were converted into 353,580 Series C-2 convertible preferred shares ("Series C-2 Preferred Shares") of the Company during the Reorganisation.

The Company issued 200,360 Series C-2 Preferred Shares to Huizhou Merchant Star Investment HK Limited for its investments in the Group during the Reorganisation.

The Series C-2 Preferred Shares are initially recognised at purchase price. As the purchase price is higher than the fair value, the difference between the purchase price and fair value amounting to RMB13,391,000 was deferred and will be released to the consolidated statements of comprehensive income when Series C-2 Preferred Shares are either redeemed or converted to ordinary shares.

Series D Preferred Shares

In 2021, the Company issued 2,880,000 Series D convertible preferred shares ("Series D Preferred Shares") at a cash consideration of USD72,000,000 (equivalent to approximately RMB460,313,000).

Series Angel-1 Preferred Shares, Series Angel-2 Preferred Shares, Series A Preferred Shares, Series A+ Preferred Shares, Series B Preferred Shares, Series C-1 Preferred Shares, Series C-2 Preferred Shares and Series D Preferred Shares are collectively referred as "Preferred Shares".

Series Angel-1 Preferred Shares, Series Angel-2 Preferred Shares, Series A+ Preferred Shares, Series B Preferred Shares, Series C-1 Preferred Shares, Series C-2 Preferred Shares and Series D Preferred Shares are collectively referred as "Refundable Preferred Shares".

Series Angel-1 Preferred Shares and Series Angel-2 Preferred Shares are collectively referred as "Series Angel Preferred Shares".

(b) Refundable Preferred Shares accounted for as financial liabilities at FVTPL

The Refundable Preferred Shares have embedded derivatives for the conversion feature, the entire Refundable Preferred Shares are recognised as financial liabilities at FVTPL as mentioned in Note 2.16. They are initially recognised at fair value.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

29 Convertible preferred shares (Continued)

(b) Refundable Preferred Shares accounted for as financial liabilities at FVTPL (Continued)

Although the Refundable Preferred Shares were automatically converted into ordinary shares immediately before the date of the submission for the IPO, it will be automatically converted back to preferred shares upon occurrence of certain future events mentioned in Note 29(b)(i). The Refundable Preferred Shares are recognised as financial liabilities at FVTPL until they are irrevocably converted into ordinary shares.

The key terms

The key terms of Refundable Preferred Shares of the Company, which have been issued before 31 December 2021, are summarized as follows:

(i) Conversion right of Refundable Preferred Shares

(1) Optional Conversion

Series C-2 Preferred Shares

Series C-2 Preferred Shares may, at the option of the holder thereof, be converted at any time into fully-paid and nonassessable ordinary shares based on the then-effective applicable conversion price. The conversion price equals the original issue price at all time and shall not be adjusted. The conversion ratio for Series C-2 Preferred Shares to ordinary shares shall be 1:1 at all times.

Series Angel Preferred Shares, Series A+ Preferred Shares, Series B Preferred Shares, Series C-1 Preferred Shares and Series D Preferred Shares (collectively, "Anti-diluted Preferred Shares") Anti-diluted Preferred Shares may, at the option of the holder thereof, be converted at any time into fully-paid ordinary shares based on the then-effective applicable conversion price. The conversion price shall initially equal the original issue price of each of the series of Anti-diluted Preferred Shares, and each shall be adjusted from time to time as provided in below situation.

The initial conversion ratio for each series of Anti-diluted Preferred Shares to ordinary shares shall be 1:1. No adjustment in the applicable conversion price shall be made in respect of the issuance of additional ordinary shares unless the consideration for any additional ordinary share issued or deemed to be issued by the Company is less than the applicable conversion price in effect on the date of and immediately prior to such issue. In the event that the Company shall issue additional ordinary shares without consideration or for a consideration per share received by the Company (net of any selling concessions, discounts or commissions) that is less than the applicable conversion price in effect on the date of and immediately prior to such issue, then and in such event, the applicable conversion price shall be reduced, concurrently with such issue, to the consideration per share for which the new securities are issued.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

29 Convertible preferred shares (Continued)

(b) Refundable Preferred Shares accounted for as financial liabilities at FVTPL (Continued)

The key terms (Continued)

The key terms of Refundable Preferred Shares of the Company, which have been issued before 31 December 2021, are summarized as follows: (Continued)

(i) Conversion right of Refundable Preferred Shares (Continued)

(2) Automatic Conversion

Preferred Shares shall automatically be converted, based on the then-effective applicable conversion price, into ordinary shares immediately before the date of the submission for a qualified IPO, provided that such ordinary share shall automatically be converted into preferred share upon the earlier of: (i) the application for the qualified IPO is withdrawn, invalid or vetoed by the applicable stock exchange or the competent regulatory body; (ii) the process of the qualified IPO is withdrawn, terminated or elapsed for any reason; or (iii) the qualified IPO is not completed within twelve months after the submission of the application for the qualified IPO.

(ii) Liquidation preferences of Refundable Preferred Shares

The liquidation preferences were granted to Series Angel-1 Preferred Shares, Series Angel-2 Preferred Shares, Series A+ Preferred Shares, Series B Preferred Shares, Series C-1 Preferred Shares and Series D Preferred Shares ("Refundable Preferred Shares with Liquidation Preferences").

In the event of any liquidation, dissolution or winding up of the Company, either voluntarily or involuntarily (each a "liquidation event") or deemed liquidation event (as defined below), the holders of Refundable Preferred Shares with Liquidation Preferences shall be entitled to receive the liquidation preference amount, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of Series C-2 Preferred Shares, Series A Preferred Shares and ordinary shares.

The liquidation order of Refundable Preferred Shares with Liquidation Preferences is as follows:

Refundable Preferred Shares with Liquidation Preference	Liquidation order
Series D Preferred Shares	first batch
Series C-1 Preferred Shares	second batch
Series B Preferred Shares	third batch
Series A+ Preferred Shares	forth batch
Series Angel Preferred Shares	fifth batch

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

29 Convertible preferred shares (Continued)

(b) Refundable Preferred Shares accounted for as financial liabilities at FVTPL (Continued)

The key terms (Continued)

The key terms of Refundable Preferred Shares of the Company, which have been issued before 31 December 2021, are summarized as follows: (Continued)

(ii) Liquidation preferences of Refundable Preferred Shares (Continued)

The liquidation preference amount for each series of Refundable Preferred Shares with Liquidation Preferences is equal to the original issue price of each series of Refundable Preferred Shares with Liquidation Preferences, plus an annual simple rate of 8% of the original issue price of each series of Refundable Preferred Shares with Liquidation Preferences for a period of time commencing from the original issue date to the actual payment date of the settlement, plus all dividends declared and unpaid with respect to each series of Refundable Preferred Shares with Liquidation Preferences and minus all dividends already received for each series of Refundable Preferred Shares with Liquidation Preferences.

Deemed liquidation events shall be treated as a liquidation event. A deemed liquidation event means (a) any merger or consolidation of the Company with or into any other corporation or corporations or other entity or entities or any other corporate reorganisation after which the holders of the Company's voting shares prior to such transaction own or control less than a majority of the outstanding voting shares of the surviving corporation or other entity on account of shares held by them prior to the transaction; or (b) a sale of a majority of the outstanding voting shares of the Company; (c) sale, lease, transfer or disposition by the Company and/or any of the subsidiaries of the Company ("Group Company") of all or substantially all of the assets of any Group Company; (d) the exclusive licensing of all or substantially all of the Group Companies intellectual property to a third party.

(iii) Redemption rights of Refundable Preferred Shares

Redemption rights were granted to Series Angel-1 Preferred Shares, Series A+ Preferred Shares, Series B Preferred Shares, Series C-1 Preferred Shares, Series C-2 Preferred Shares and Series D Preferred Shares ("Refundable Preferred Shares with Redemption Right").

The holders of Refundable Preferred Shares with Redemption Right have the right to require the Company to redeem their preferred shares when the following events happen:

- (a) The Company failed to complete qualified IPO on or prior to 31 December 2024.
- (b) There is any matter that has a material adverse effect on the qualified IPO.
- (c) Any holders of Refundable Preferred Shares with Redemption Right requests the Company to redeem its shares in accordance with the memorandum and article of association of the Company and the Company agrees such request.
- (d) the date on which there occurs a material breach by any Group Company, or Mr. Huo Yunfei and Dr. Huo Yunlong of any of their respective representations, warranties, covenants or undertakings and such breach is not rectified within thirty days after receipt of the request for remedy from holders of Refundable Preferred Shares with Redemption Right and makes material adverse effect on Group Company.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

29 Convertible preferred shares (Continued)

(b) Refundable Preferred Shares accounted for as financial liabilities at FVTPL (Continued)

The key terms (Continued)

The key terms of Refundable Preferred Shares of the Company, which have been issued before 31 December 2021, are summarized as follows: (Continued)

(iii) Redemption rights of Refundable Preferred Shares (Continued)

The redemption amount of Refundable Preferred Shares with Redemption Right is the original issue price of each Refundable Preferred Shares with Redemption Right, plus an annual simple rate of 8% of the original issue price of each Refundable Preferred Shares with Redemption Right for a period of time commencing from the original issue date to the actual payment date of the settlement, plus all dividends declared and unpaid with respect to each Refundable Preferred Shares with Redemption Right and minus all dividends already received for each Refundable Preferred Shares with Redemption Right.

(iv) Voting rights

Each Refundable Preferred Shares shall be entitled to the number of votes equal to the number of ordinary shares into which such Refundable Preferred Shares could be converted.

(v) Termination of preferred rights

In the scenario of an IPO of the shares of the Company on a stock exchange, the special rights of the holders of the Refundable Preferred Shares shall terminate upon listing pursuant to the relevant requirement of the exchange.

Movements of Refundable Preferred Shares

The movements of Refundable Preferred Shares for the years ended 31 December 2022 and 2021 are set out below:

	Refundable Preferred Shares RMB'000
At 1 January 2022	1,361,749
Fair value loss	1,210,894
Currency translation differences	92,043
Transfer to equity	(2,664,686)
At 31 December 2022	—

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

29 Convertible preferred shares (Continued)

(b) Refundable Preferred Shares accounted for as financial liabilities at FVTPL (Continued)

The key terms (Continued)

The key terms of Refundable Preferred Shares of the Company, which have been issued before 31 December 2021, are summarized as follows: (Continued)

(v) Termination of preferred rights (Continued)

Movements of Refundable Preferred Shares (Continued)

	Refundable Preferred Shares RMB'000
At 1 January 2021	227,206
Issuance	657,228
Fair value loss	493,864
Currency translation differences	(16,549)
At 31 December 2021	1,361,749

As at 31 December 2021, an independent valuer was engaged by the Group to determine the fair value of Refundable Preferred Shares. The discounted cash flow method and back-solve method were used to determine the underlying share value and the equity allocation model was adopted to determine the fair value of Refundable Preferred Shares as at each date of issuance and at the end of each reporting period.

The offer price (HKD6.24 per share) was used to calculate the fair value of Refundable Preferred Shares as of the Listing date. The entire Refundable Preferred Shares were converted to ordinary shares immediately prior to the completion of the Listing.

Key valuation assumptions used to determine the fair value of Refundable Preferred Shares as at 31 December 2021 are as follows:

	As at 31 December 2021
Discount rate	18.00%
Risk-free interest rate	0.19%~0.97%
Volatility	34.69%~43.68%
DLOM	10.00%
IPO possibility	60.00%

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

29 Convertible preferred shares (Continued)

(c) Series A Preferred Shares recognised as an equity instrument

Series A Preferred Shares are also eligible to rights of conversion with reference to Series C-2 Preferred Shares and voting rights mentioned in Note 29(b)(i) and Note 29(b)(iv), respectively, but do not have rights as anti-dilution, liquidation preferences or redemption right and therefore were accounted for as an equity instrument.

The Series A Preferred Shares were converted to ordinary shares immediately prior to the completion of the Listing.

30 Borrowings

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Bank borrowings	18,000	—

- (a) As at 31 December 2022 and 2021, the Group's borrowings were repayable within 1 year.
- (b) The weighted average effective interest rates as at 31 December 2022 was 3.33%.
- (c) The fair values of borrowings are not materially different to their carrying amounts as the borrowings are of a short-term nature.
- (d) As at 31 December 2022, the Group had unutilised bank facility of RMB191,000,000 (2021: RMB190,000,000).

31 Lease liabilities

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Lease liabilities		
— Current	7,403	7,819
— Non-current	3,575	8,860
Total lease liabilities	10,978	16,679

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

31 Lease liabilities (Continued)

As at 31 December 2022 and 2021, the Group's lease liabilities were repayable as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Within 1 year	7,403	7,819
Between 1 and 2 years	3,208	5,630
Between 2 and 5 years	367	3,230
	10,978	16,679

32 Trade and other payables

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Trade payables	1,131	963
Staff salaries and welfare payables	24,190	13,586
Other tax payables	6,271	3,530
Accrued listing expenses	—	8,513
Payables for equipment and intangible assets	444	163
Payables for service suppliers	3,231	865
Amounts due to a related party (Note 35(c))	—	10
Other accrued expenses	3,962	1,888
	39,229	29,518

The ageing analysis of trade payables based on invoice dates was as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Within 1 year	1,131	963

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

32 Trade and other payables (Continued)

The Group's trade and other payables are denominated in the following currencies:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
— RMB	22,861	22,887
— HKD	16,368	—
— USD	—	6,631
	39,229	29,518

33 Cash flow information

(a) Cash used in operations

Reconciliation of loss before income tax to net cash used in operations was as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Loss for the year before income tax	(1,351,413)	(638,689)
Adjustments for:		
— Depreciation of property, plant and equipment (Note 14)	10,801	6,102
— Amortisation	276	52
— Depreciation of right-of-use assets (Note 16)	5,585	4,709
— Net impairment losses on financial assets	69	—
— Interest expenses on borrowings and lease liabilities (Note 11)	760	3,858
— Interest income (Note 11)	(3,495)	(1,811)
— Fair value loss of financial liabilities at FVTPL (Note 29)	1,210,894	493,864
— Fair value change on financial assets at FVTPL (Note 22)	(1)	(37)
— Losses on disposal of property, plant and equipment (Note 10)	15	44
— (Gains)/loss on modification of lease contract	(111)	13
— Share-based compensation	13,404	67,171
	(113,216)	(64,724)

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

33 Cash flow information (Continued)

(a) Cash used in operations (Continued)

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Changes in working capital:		
— Inventories	2,302	(4,595)
— Trade and other receivables	(2,071)	(425)
— Bills receivables	(3,531)	—
— Prepayments	(2,205)	(4,947)
— Trade and other payables	9,424	16,287
— Contract liabilities	(3,243)	(16,239)
Cash used in operations	(112,540)	(74,643)

(b) In the consolidated statements of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Net book value (Note 14)	172	132
Losses on disposal of property, plant and equipment (Note 10)	(15)	(44)
Proceeds from the disposal	157	88

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

33 Cash flow information (Continued)

(c) Changes in liabilities from financing activities:

	Borrowings RMB'000	Lease liabilities RMB'000	Financial liabilities at FVTPL RMB'000	Total RMB'000
At 1 January 2022	—	16,679	1,361,749	1,378,428
Cash flows	17,865	(6,602)	—	11,263
Other non-cash movements				
— Accrued interest expense	135	625	—	760
— Addition of right-of-use assets	—	1,514	—	1,514
— Modification of lease contracts	—	(1,238)	—	(1,238)
— Fair value loss on financial liabilities at FVTPL	—	—	1,210,894	1,210,894
— Conversion of financial liabilities at FVTPL to ordinary shares	—	—	(2,664,686)	(2,664,686)
— Currency translation differences	—	—	92,043	92,043
At 31 December 2022	18,000	10,978	—	28,978
At 1 January 2021	11,020	12,528	227,206	250,754
Cash flows	(14,165)	(3,471)	657,228	639,592
Other non-cash movements				
— Accrued interest expense	3,145	713	—	3,858
— Addition of right-of-use assets	—	7,772	—	7,772
— Termination of lease contracts	—	(746)	—	(746)
— Fair value loss on financial liabilities at FVTPL	—	—	493,864	493,864
— Disposed during the Reorganisation	—	(117)	—	(117)
— Currency translation differences	—	—	(16,549)	(16,549)
At 31 December 2021	—	16,679	1,361,749	1,378,428

34 Commitments

Capital expenditures contracted for at 31 December 2022 and 2021, but not yet incurred are as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Property, plant and equipment	11,350	2,176

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

35 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of the Group are also considered as related parties.

(a) Name and relationship with related parties

Name of related parties	Nature of relationship
Ms. Gu Yang	Shareholder and director of the Company
Mr. Zhou Chang	Key management

(b) Transactions with related parties

(i) Loaned to a related party

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Mr. Zhou Chang	2,000	—

(ii) Amounts repaid to a related party

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Ms. Gu Yang	10	—

(c) Balances with related parties

(i) Loans to a related party

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Non-trade		
Mr. Zhou Chang	2,000	—

The amounts due from a related party were unsecured, non-trade in nature, interest-free, repayable on demand and denominated in RMB. The amounts due from Mr. Zhou Chang have been fully settled in March 2023.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

35 Related party transactions (Continued)

(c) Balances with related parties (Continued)

(ii) Amounts due to a related party

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Non-trade		
Ms. Gu Yang	—	10

The amounts due to a related party were unsecured, non-trade in nature, interest-free, repayable on demand and denominated in RMB. The amounts due to Ms. Gu Yang have been fully settled in January 2022.

(d) Key management compensation

Key management includes chairman, directors and senior management of the Group.

The compensation paid or payable to the key management during the years ended 31 December 2022 and 2021, excluding those paid to the executive and non-executive directors which has been disclosed in Note 8, was shown as below.

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Salaries, wages and bonuses	8,101	2,337
Contributions to pension plans	134	98
Housing fund, medical insurance and other social insurance	136	113
Share-based compensation expenses	2,234	110
	10,605	2,658

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

36 Subsidiaries

Particulars of subsidiaries of the Group at 31 December 2022 and 2021 are set out below.

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Registered/ Issued share capital	Ownership interest held by the Group	
				2022 %	2021 %
Directly owned					
Rianmed BVI Limited	BVI, limited liability company	Investment holding, BVI	USD50,000	100%	100%
Indirectly owned					
Hong Kong Rainmed Medical Limited	Hong Kong, limited liability company	Investment holding, Hong Kong	HKD500,000,000	100%	100%
Suzhou Rainmed Robot Co., Ltd.	PRC, limited liability company	Manufacturing, Mainland China	USD6,000,000	100%	—
Suzhou RainMed Intelligent Technology Development Ltd.	PRC, limited liability company	R&D, Mainland China	USD250,000	100%	—
Suzhou Rainmed	PRC, limited liability company	R&D, manufacturing, and marketing of medical instrument, Mainland China	HKD299,227,697	100%	100%
Beijing Runxin Medical Technology Company Limited	PRC, limited liability company	Marketing of medical instrument, Mainland China	RMB1,000,000	100%	100%
Rainmed Medical Inc.	United States, limited liability company	Marketing of medical instrument, United States	USD1,000	100%	100%

Cash and cash equivalents of approximately RMB87,477,000 (2021: RMB96,424,000) are held in China and are subject to local exchange control regulations. These regulations provide for restrictions on exporting capital from those countries, other than through normal dividends.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

37 Balance sheet and reserve movement of the Company

	As at 31 December	
	2022 RMB'000	2021 RMB'000
ASSETS		
Non-current assets		
Prepayments	1,572	—
Investment in subsidiaries	384,168	194,784
	385,740	194,784
Current assets		
Other receivables		
Prepayments	1,617	425
Other receivables	992	—
Financial assets at fair value through profit or loss	132,645	—
Bank deposits with the maturity over three months	278,584	—
Cash and cash equivalents	3,138	453,490
	416,976	453,915
Total assets	802,716	648,699
EQUITY/(DEFICIT)		
Share capital and share premium	2,786,929	1
Convertible preferred shares	—	13,000
Other reserves	(423,558)	(406,920)
Accumulated losses	(1,582,518)	(334,918)
Total equity/(deficit)	780,853	(728,837)

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

37 Balance sheet and reserve movement of the Company (Continued)

	As at 31 December	
	2022 RMB'000	2021 RMB'000
LIABILITIES		
Non-current liabilities		
Financial liabilities at FVTPL	—	1,361,749
Current liabilities		
Other payables	10,389	8,513
Amounts due to subsidiaries	11,474	7,274
	21,863	15,787
Total liabilities	21,863	1,377,536
Total equity and liabilities	802,716	648,699

The balance sheet of the Company were approved by the Board of Directors on 30 March 2023 and were signed on its behalf.

Huo Yunfei
 Chief Executive Officer

Zhang Liang
 Chief Financial Officer

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

(All amounts expressed in RMB unless otherwise stated)

37 Balance sheet and reserve movement of the Company (Continued)

	Share capital and premium RMB'000	Share-based compensation reserve RMB'000	Foreign currency translation reserve RMB'000	Merger reserves RMB'000	Total RMB'000
At 1 January 2022	1	726	11,816	(419,462)	(406,919)
Shares issued upon global offering and over-allotment	109,242	—	—	—	109,242
Conversion of preferred shares to ordinary shares upon global offering	2,677,686	—	—	—	2,677,686
Share-based compensation expense	—	13,404	—	—	13,404
Currency translation differences	—	—	(30,042)	—	(30,042)
At 31 December 2022	2,786,929	14,130	(18,226)	(419,462)	2,363,371
At 1 January 2021	—	—	—	—	—
Merger reserves arising from the Reorganisation	—	—	—	(419,462)	(419,462)
Share-based compensation expense	—	726	—	—	726
Currency translation differences	—	—	11,816	—	11,816
At 31 December 2021	—	726	11,816	(419,462)	(406,920)

38 Subsequent events

Save as disclosed elsewhere in the report, the Group has the following subsequent events after the balance sheet date:

- (a) On 1 March 2023, Suzhou Rainmed entered into an investment agreement (“the Agreement”) with Qingdao Yaoshuntong Trading Limited Company (“Qingdao Yaoshuntong”) and the beneficial owner. Pursuant to the Agreement, Suzhou Rainmed has conditionally agreed to (i) acquire 57% of the registered capital of the subsidiary of Qingdao Yaoshuntong as at 1 March 2023 and immediately before the subscription, at the consideration in the amount of RMB15,960,000; (ii) subscribe for the increased registered capital, which represents 11.32% of the total registered capital of Qingdao Yaoshuntong on a fully-diluted basis as enlarged by the investment, at the consideration in the amount of RMB10,000,000.
- (b) On 15 March 2023, the Group acquired a piece of land located in Wuzhong District, Suzhou, Jiangsu Province, the PRC, at a consideration of RMB5,040,050.

On 24 March 2023, the Group entered into a construction agreement (“the Construction Agreement”) with Wujiang Construction Engineering (Group) Co., Ltd (“Contractor”). Pursuant to the Construction Agreement the Contractor will undertake the construction and engineering works of manufacturing facilities, office buildings and supporting facilities on the piece of land at a consideration of RMB430,000,000.

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:

	For the year ended December 31,		
	2022 (RMB'000)	2021 (RMB'000)	2020 (RMB'000)
Operating Results			
Revenue	83,604	81,199	6,097
Gross profit	69,824	69,032	5,260
Operating loss	(143,254)	(142,778)	(32,359)
Loss before income tax	(1,351,413)	(638,689)	(150,958)
Loss for the year and attributable to shareholders of the Company	(1,345,963)	(633,645)	(145,240)
Total comprehensive loss for the year and attributable to shareholders of the Company	(1,394,212)	(618,576)	(145,240)
Adjusted non-HKFRS loss attributable to shareholders of the Company	(100.9)	(51.7)	(27.0)

	As at December 31,		
	2022 (RMB'000)	2021 (RMB'000)	2020 (RMB'000)
Financial Position			
Non-current assets	86,897	64,547	32,151
Current assets	603,433	575,645	38,371
Total assets	690,330	640,192	70,522
Non-current liabilities	3,575	1,370,609	238,478
Current liabilities	68,119	44,067	52,985
Total liabilities	71,694	1,414,676	291,463
Total equity/(deficit)	618,636	(774,484)	(220,941)

DEFINITIONS

In this annual report, the following expressions shall have the meanings set out below, unless the context otherwise requires:

“AGM”	the 2022 annual general meeting of the Company to be held on Thursday, June 29, 2023
“Articles of Association”	the third amended and restated memorandum and articles of association of our Company adopted on June 18, 2022 with effect from the Listing Date
“Audit Committee”	the audit committee of the Board
“Board of Directors” or “Board”	the board of Directors
“BVI”	the British Virgin Islands
“CAD”	coronary artery diseases, a condition where the major blood vessels supplying the heart are narrowed to reduce blood flow that can cause chest pain and shortness of breath
“caFFR”	coronary angiography-derived fractional flow reserve, a novel less-invasive index to determine the FFR in patients with stable or unstable angina
“CAG”	coronary angiography, a percutaneous procedure that uses contrast dye and X-ray images to detect coronary artery diseases
“calMR”	coronary angiography-derived index of microvascular resistance, which is proposed for physiological assessment of microvascular diseases in coronary circulation
“CE Mark”	a certification mark that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area
“CG Code” or “Corporate Governance Code”	the Corporate Governance Code as set out 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, the Hong Kong Special Administrative Region of the People’s Republic of China, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

Definitions (Continued)

“Company”, “our Company” or “Rainmed Medical”	Rainmed Medical Limited (潤邁德醫療有限公司), an exempted company with limited liability incorporated in the Cayman Islands on April 9, 2021
“confirmatory clinical trial”	a controlled clinical trial of a medical device product designed to demonstrate statistically significant clinical efficacy and safety of such product as used in human patients (in conjunction with the performance of a therapeutic procedure), for regulatory approval of such product
“Core Product”	has the meaning ascribed thereto in Chapter 18A of the Listing Rules, which, for purposes of this report, refers to each of our caFFR system and caIMR system
“CRO”	contract research organization, a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contractual basis
“Director(s)”	the director(s) of the Company
“FFR”	fractional flow reserve, a technique used in coronary catheterization to measure pressure differences across a coronary artery stenosis at maximal hyperemia to determine the likelihood that the stenosis impedes oxygen delivery to the heart muscle and diagnose myocardial ischemia
“Global Offering”	has the meaning as ascribed to it under the Prospectus
“GMP”	good manufacturing practice, the quality assurance that ensures that medical products are consistently produced and controlled to the quality standards appropriate to their intended use and as required by the product specification
“Group”, “our Group”, “we”, “us”, “our” or “Rainmed Medical Group”	our Company and its subsidiaries from time to time or, where the context so requires, in respect of the period prior to our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“HFpEF”	heart failure with preserved ejection fraction, a condition which occurs when the lower left chamber (left ventricle) is not able to fill properly with blood during the diastolic (filling) phase and the amount of blood pumped out to the body is less than normal
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants

Definitions (Continued)

“Hong Kong dollars”, “HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IMR”	index of microcirculatory resistance, the quantitative assessment of the minimum microcirculatory resistance in a target coronary arteriolar territory
“KOL(s)”	key opinion leader(s), renowned physicians who are able to influence their peers’ medical practice
“Listing Date”	July 8, 2022, on which the Shares were listed and dealings in the Shares were first permitted to commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“NMPA”	National Medical Products Administration of the PRC (國家藥品監督管理局), the successor to the China Food and Drug Administration (國家食品藥品監督管理總局)
“Nomination Committee”	the nomination committee of the Board
“NSTEMI”	non-ST segment elevation myocardial infarction, a heart attack that occurs without ST segment elevation on the electrocardiogram
“Over-allotment Option”	has the meaning as ascribed to it under the Prospectus
“PCI”	percutaneous coronary intervention, a percutaneous procedure to open a narrowed or blocked coronary artery and restore arterial blood flow to heart tissue that does not involve open-chest surgery
“PCT”	the Patent Cooperation Treaty

Definitions (Continued)

“Preferred Shares”	has the meaning as ascribed to it under the Prospectus
“Pre-IPO Share Option Scheme”	the share option scheme adopted by our Company on December 10, 2021
“Prospectus”	the prospectus of the Company dated June 27, 2022, in relation to the Global Offering
“R&D”	research and development
“Remuneration Committee”	the remuneration committee of the Board
“Reporting Period”	the years ended December 31, 2022
“RMB”	Renminbi, the lawful currency of the PRC
“Series Angel-1 Preferred Shares”	the series angel-1 preferred share of our Company with a par value of HK\$0.0001 each
“Series Angel-2 Preferred Shares”	the series angel-2 preferred share of our Company with a par value of HK\$0.0001 each
“Series A Preferred Shares”	the series A preferred share of our Company with a par value of HK\$0.0001 each
“Series A+ Preferred Shares”	the series A+ preferred share of our Company with a par value of HK\$0.0001 each
“Series B Preferred Shares”	the series B preferred share of our Company with a par value of HK\$0.0001 each
“Series C-1 Preferred Shares”	the series C-1 preferred share of our Company with a par value of HK\$0.0001 each
“Series C-2 Preferred Shares”	the series C-2 preferred share of our Company with a par value of HK\$0.0001 each
“Series D Preferred Shares”	the series D preferred share of our Company with a par value of HK\$0.0001 each
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with nominal value of HK\$0.0001 each in the share capital of the Company

Definitions (Continued)

“Shareholder(s)”	holder(s) of the Share(s)
“SMO”	site management organization, an organization that provides clinical trial related services to medical device companies
“sq.m.”	square meter, a unit of area
“STEMI”	ST segment elevation myocardial infarction, which occurs due to occlusion of one or more coronary arteries, causing transmural myocardial ischemia
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Suzhou Rainmed”	Suzhou Rainmed Medical Technology Co., Ltd. (蘇州潤邁德醫療科技有限公司), a limited liability company incorporated under the laws of PRC on December 5, 2016, being a wholly-owned subsidiary of our Company
“United States” or “U.S.”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“USD”	United States dollars, the lawful currency of the United States
“%”	per cent

Note: The English translation of Chinese names of entities included in this annual report is prepared for identification purpose only.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2022

Contents

165	I.	ABOUT THE REPORT
165	1.	Introduction to the Report
165	2.	Reporting Scope and Boundary
165	3.	Report Preparation Standards
166	4.	Reporting Principles
167	5.	Sources of Information and Data in the Report
167	6.	Publication Method of the Report
168	II.	ABOUT THE COMPANY
168	1.	Mission and Values
168	2.	Annual Key ESG Performance
169	3.	Honours and Recognition
171	III.	SUSTAINABLE DEVELOPMENT MANAGEMENT
171	1.	Statement of the Board of Directors
171	2.	Sustainable Development Framework
173	3.	Stakeholder Engagement
174	4.	Materiality Assessment
177	IV.	PRODUCT RESPONSIBILITY: INNOVATION-DRIVEN, QUALITY SERVICE
177	1.	Product R&D and Innovation
185	2.	Product Quality Control
189	3.	Customer Services
192	4.	Responsible Marketing
193	V.	OPERATION RESPONSIBILITY: COMPLIANT OPERATIONS, ETHICS FIRST
193	1.	Business Ethics and Anti-corruption
196	2.	Information Security and Privacy Protection
198	3.	Protection of Intellectual Property Rights
202	VI.	PARTNER RESPONSIBILITY: WORK TOGETHER TO MAKE PROGRESS
203	1.	Supplier Management
204	2.	Build a Sustainable Supply Chain
206	3.	Communication with Suppliers

Environmental, Social and Governance Report 2022 (Continued)

207 VII. EMPLOYEE RESPONSIBILITY: GATHER TALENTS WITH A PEOPLE-ORIENTED MIND

207 1. Employment and Rights Management

212 2. Staff Training and Development

219 3. Staff Health and Safety

220 4. Employee Communication and Care

224 VIII. ENVIRONMENT RESPONSIBILITY: PRODUCTION SAFETY AND GREEN DEVELOPMENT

224 1. EHS Management Mechanism

226 2. Production Safety Management

233 3. Environment Management

240 IX. SOCIAL RESPONSIBILITY: DEVOTED TO PUBLIC WELFARE AND GIVE BACK TO SOCIETY

240 1. Inclusive Medical Care

241 2. Social Welfare

242 APPENDIX I: KEY PERFORMANCE INDICATORS IN 2022

247 APPENDIX II: CONTENT INDEX OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE BY THE STOCK EXCHANGE

I. ABOUT THE REPORT

1. Introduction to the Report

This environmental, social and governance (“**ESG**”) report (the “**Report**”) is the first ESG report issued by Rainmed Medical Limited (the “**Company**” or “**Rainmed**”), which comprehensively explains Rainmed’s practice performance in environmental, social and governance areas in 2022.

2. Reporting Scope and Boundary

Unless otherwise stated, the Report covers the Company and its wholly-owned subsidiaries. The policies and data provided in the Report have the same scope as the organizational scope included in the Company’s annual financial report for the same period.

The Report covers the period from January 1, 2022 to December 31, 2022 (the “**Year**” or the “**Reporting Period**”). As indicated, certain related information may extend beyond the Reporting Period.

3. Report Preparation Standards

The Report has been prepared in strict compliance with the Environmental, Social and Governance Reporting Guide (the “**ESG Guide**”) set out in Appendix 27 to the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Environmental, Social and Governance Report 2022 (Continued)

4. Reporting Principles

The Report is based on the principles of materiality, quantitative, balance and consistency set out in the ESG Guide, and takes these principles into account in the preparation process to ensure that the report provides clear, quantifiable and comparable information on the ESG issues of concern to stakeholders.

Reporting principles	Definitions	Responses from the Company
Materiality	The issues covered in the Report should reflect the significant impacts of the Company on the economy, environment and society, or the extent to which they influence stakeholders' judgments and decisions.	Through continuous communication with stakeholders, combined with the Company's strategic development and business operations, existing material ESG issues have been identified and the Company's ESG risks and responses have been disclosed.
Quantitative	The Report should disclose key performance indicators in a measurable way.	The Company disclosed its environmental and social performance indicators quantitatively and provided textual explanations for quantitative information.
Balance	The report should reflect the Company's overall ESG performance in an unbiased manner.	The Company has detailed the ESG issues that have a material impact on its business, including the results it has achieved and the challenges it faces.
Consistency	The Company should use consistent information disclosure principles for the Report.	The Company will ensure that the scope of disclosure and reporting methods in the Report for the Year are generally consistent with those in subsequent years, so that stakeholders can compare the Company's performance.

Environmental, Social and Governance Report 2022 (Continued)

5. Sources of Information and Data in the Report

In the event of any discrepancy between the financial information contained in the Report and that contained in the Company's annual financial reports, the financial information contained in the Company's annual financial reports shall prevail. Other data are derived from the Company's internal statistics. The monetary amounts involved in the Report are measured in Renminbi, unless otherwise indicated. The Company undertakes that the Report does not contain any false or misleading statements and guarantees the truthfulness, accuracy and completeness of its contents.

6. Publication Method of the Report

The Report is available to readers in both Chinese and English and is published in electronic form. You can access the electronic version on the Company's official website (www.rainmed.com) and on the Stock Exchange's website (www.hkexnews.com). If you have any questions or comments on the Report and its contents, please contact the Company using the information below.

Address: Building 31, Northeast District, No. 99, Jinji Lake Avenue, Suzhou Industrial Park, Suzhou, Jiangsu Province, PRC

Telephone: 0512-62622215

Email: market@rainmed.com

II. ABOUT THE COMPANY

1. Mission and Values

Targeted Medical Services for People's Health

2. Annual Key ESG Performance



Environmental, Social and Governance Report 2022 (Continued)

3. Honours and Recognition

As a down-to-earth and innovative enterprise, the Company strives to continuously create value for customers and society through technology upgrades and service improvements, and has received awards and recognition from government agencies, industry organizations, and media platforms.

Awards/honours received in 2022	Issuing institution	Date of issue
Top 10 Pharmaceutical Innovation Enterprises	The 7th Annual Meeting of Medical Scientists	March 2022
Commemoration of Listing of Talent Enterprises	Talent Work Leading Group Office of Suzhou Industrial Park Party Working Committee	July 2022
Second Prize in the Final of the 2022 China Medical Device Innovation and Entrepreneurship Competition for the Greater Bay Area	Strategic Alliance for Technical Innovation in the Medical Device Industry	August 2022
2022 Most Innovative Outbound Medical Devices	vbdata.cn	September 2022
Suzhou Coronary Function Precise Diagnosis and Treatment Engineering Technology Research Center	Suzhou Science and Technology Bureau	November 2022
Medical Device Innovation Chip Award Nomination Award in 2022	China Healthcare Innovation Platform	December 2022
Annual Innovation Award in 2022 "Golden Grid Award" Selection of Outstanding Listed Companies in Greater China	Guruclub	December 2022
"Most Valuable Pharmaceutical Company" in the 7th Zhitong Finance Listed Company Selection	Zhitong Caijing, Hithink RoyalFlush Finance	December 2022

Environmental, Social and Governance Report 2022 (Continued)



Top 10 Pharmaceutical Innovation Enterprises



Commemoration of Listing of Talent Enterprises



2022 Most Innovative Outbound Medical Devices



Medical Device Innovation Chip Award Nomination Award in 2022



Annual Innovation Award in 2022 "Golden Grid Award" Selection of Outstanding Listed Companies in Greater China



"Most Valuable Pharmaceutical Company" in the 7th Zhitong Finance Listed Company Selection



Second Prize in the Final of the 2022 China Medical Device Innovation and Entrepreneurship Competition for the Greater Bay Area

III. SUSTAINABLE DEVELOPMENT MANAGEMENT

Rainmed integrates the concept of sustainable development into its daily operations and management decisions, establishes a sound sustainable development management system, monitors and manages the potential impacts of its business development and daily operations on society and the environment in a timely manner, so as to achieve its long-term and stable development. In order to strengthen the identification and management of ESG risks, the Company has established a top-down framework for sustainable development and defined the relevant roles and responsibilities at all levels. Meanwhile, the Company actively listens to and responds to stakeholders' demands and expectations for its sustainable development, actively fulfills its corporate social and environmental responsibilities, and pursues the balanced development of environmental, social, and economic benefits.

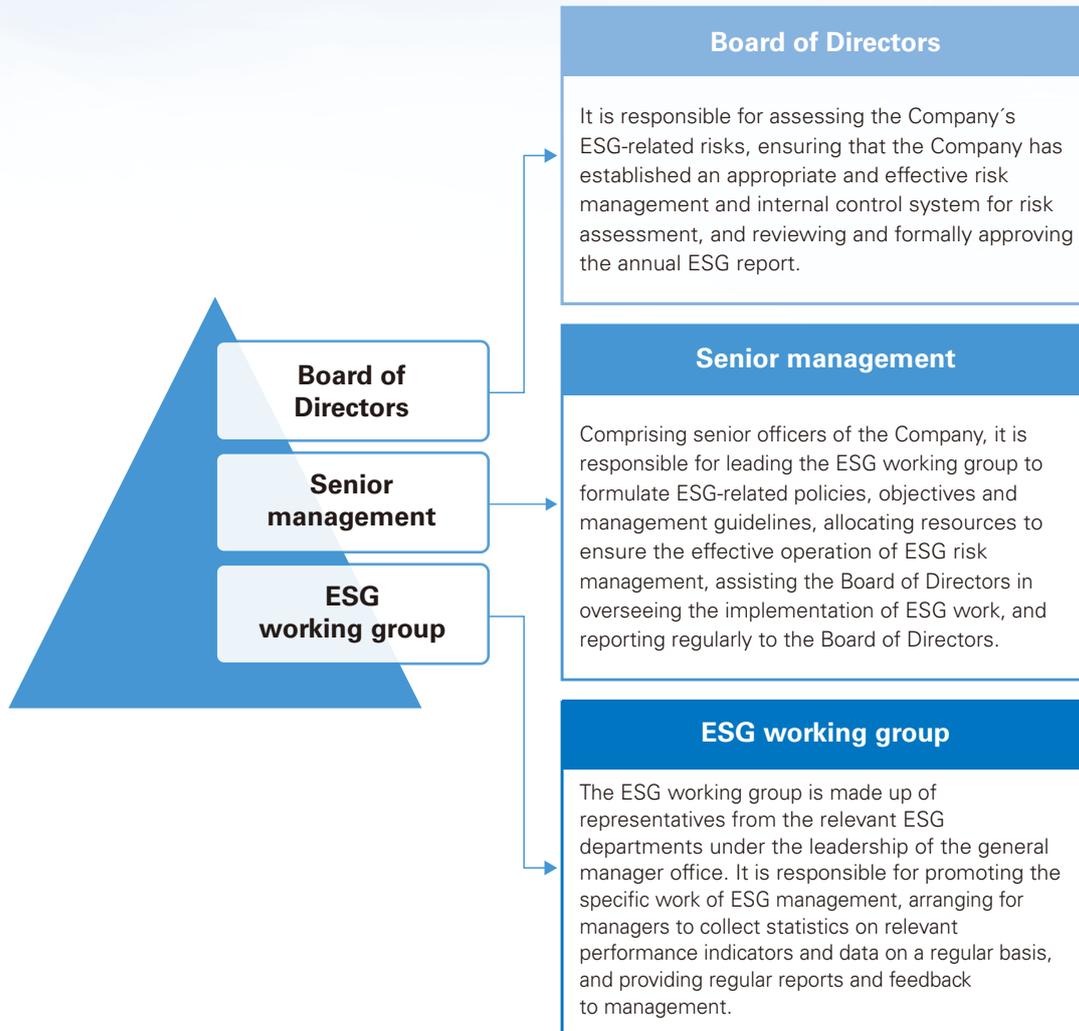
1. Statement of the Board of Directors

As the most senior body responsible for the management and disclosure of Rainmed's ESG matters, Rainmed's Board of Directors takes full responsibility for Rainmed's ESG management policy, ESG strategy, ESG target setting, progress review and ESG performance. The Directors are informed of and discuss the annual progress of ESG work through Board meetings and other channels, review and approve the Company's sustainable development goals, monitor and review the Company's ESG policies, management, performance and progress toward goals, and review and approve public disclosure of the Company's performance on ESG matters.

2. Sustainable Development Framework

Based on its development needs and ESG management status, Rainmed has established a top-down three-tier ESG governance framework as a governance support for sustainable development, integrating ESG strategy into its daily business activities. As the ultimate governance body, the Board of Directors oversees and manages ESG matters with the support of senior management. The ESG working group, which includes representatives from various functional departments, is responsible for the implementation of specific ESG work and ensures that the Board of Directors and senior management of the Company are aware of the implementation of ESG risk management, the ESG objectives, the ESG work plan and other related matters.

Environmental, Social and Governance Report 2022 (Continued)



Three-level ESG governance structure

Environmental, Social and Governance Report 2022 (Continued)

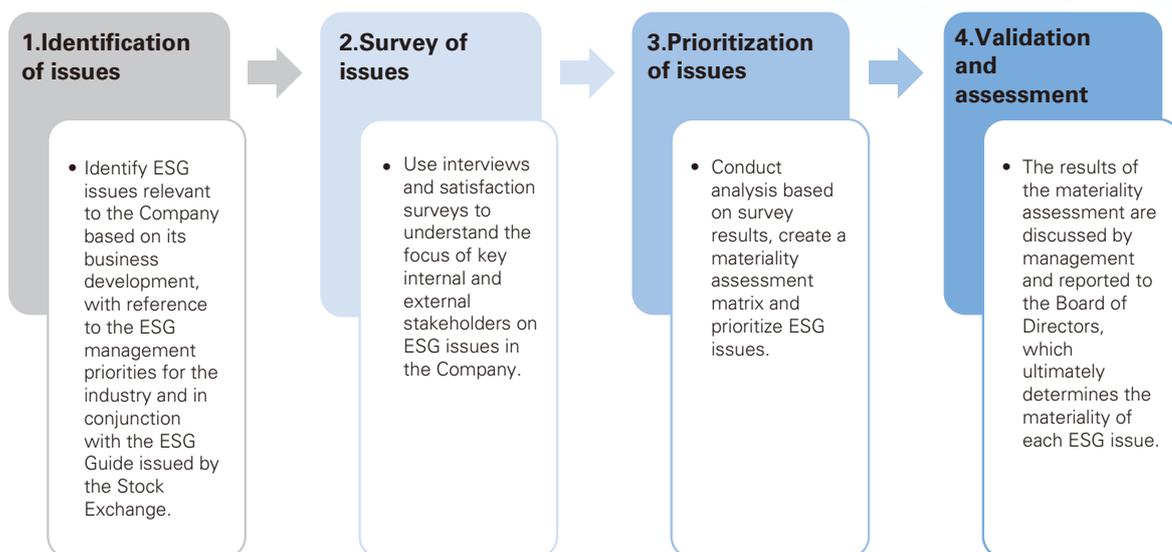
3. Stakeholder Engagement

Rainmed attaches great importance to communication with stakeholders and actively establishes a diversified communication mechanism. Through communication methods such as online and offline meetings, interviews, opinion surveys and site visits, it fully listens to and actively responds to feedback from stakeholders. The Company regards the concerns and expectations of stakeholders as an important reference for promoting its sustainable development, and continuously optimizes its ESG management decisions. Meanwhile, it responds to the concerns of stakeholders through the Report and works with stakeholders to jointly promote its high-quality sustainable development.

Stakeholders	Issues of concern	Communication methods
Government and regulatory bodies	Compliant operation Anti-corruption Product safety and quality	Institution visits Official correspondence Policy implementation Information disclosure
Shareholders and investors	Corporate governance Technologies and innovations Intellectual property rights	Information disclosure Shareholders' meetings Visitor reception Roadshows
Customers	Product safety and quality Protection of the rights and interests of customers Responsible marketing Information security	Customer research Satisfaction surveys Complaint channels
Employees	Employees' rights and interests Compensation and benefits Talent development Occupational health and safety	Employee satisfaction surveys Employee training Internal announcements and emails Care for employees
Suppliers and partners	Business ethics Product safety and quality Sustainable supply chain	Supplier evaluation Supplier communication and training
Public	Inclusive medical care Community contribution	Volunteer activities Public service

4. Materiality Assessment

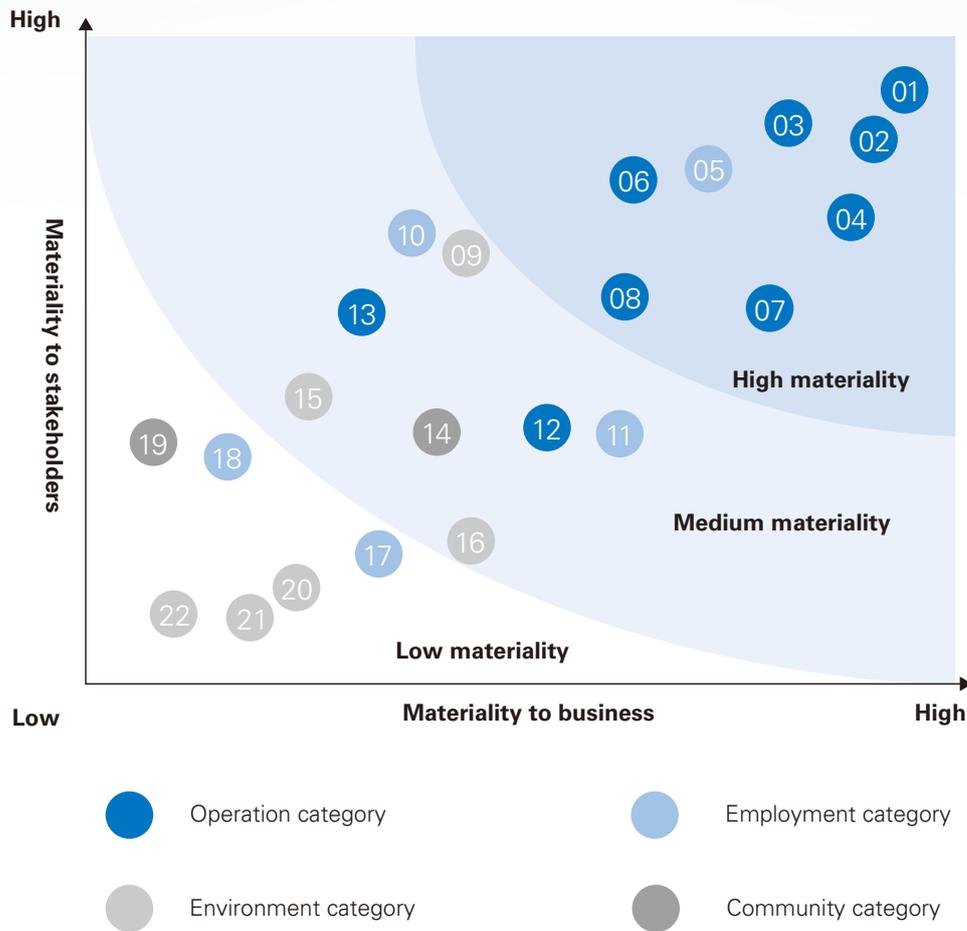
During the Year, Rainmed engaged in continuous and effective communication with stakeholders to understand and identify ESG issues of concern to stakeholders. In accordance with the requirements of the Stock Exchange’s ESG Guide and based on the two dimensions of “materiality to Rainmed” and “materiality to stakeholders”, Rainmed identified and ranked the material ESG issues that have a significant impact on the Company and its stakeholders. The results of the materiality analysis will be used as a reference for reporting information disclosure and subsequent ESG-related work.



Steps for materiality assessment

Environmental, Social and Governance Report 2022 (Continued)

The results of materiality issue assessment for the Year are as follows:



Environmental, Social and Governance Report 2022 (Continued)

Operation	1	Product safety and quality
	2	Product innovation and R&D
	3	Compliant operation
	4	Protection of intellectual property rights
	6	Customer service management
	7	Information security and privacy protection
	8	Responsible marketing
	12	Business ethics and anti-corruption
	13	Sustainable development of supply chain
Employment	5	Staff development and training
	10	Staff health and safety
	11	Employee rights and benefits
	17	Employment compliance
	18	Diversity and equal opportunity
Environment	9	Emissions management
	15	Greenhouse gas emissions
	16	Respond to climate change
	20	Use of energy
	21	Use of water resources
	22	Packaging materials and management
Community	14	Inclusive care/accessibility
	19	Social welfare

IV. PRODUCT RESPONSIBILITY: INNOVATION-DRIVEN, QUALITY SERVICE

As an independent innovative company in the PRC, Rainmed adheres to the corporate mission of “Targeted Medical Services for People’s Health”, conducts in-depth research and innovation based on clinical needs, and collaborates with industry partners to promote the development of vascular disease diagnosis and treatment. In addition, the Company has established a strict total quality management system, focuses on improving the quality of customer service, implements responsible marketing, and is committed to providing customers with quality products and services.

1. Product R&D and Innovation

Rainmed insists on independent, clinical-based research and development to build a strong core competitiveness. In order to meet the demand for high quality products, it invests substantial R&D funds and strives to create the world’s leading innovative medical products. Driven by customer needs, the Company harnesses the power of innovative technology to meet the ever-changing treatment needs of clinical scenarios, bringing life science and technology to the public and making medical care accessible.

1) R&D achievements

Focusing on the field of precision diagnosis and treatment of cardiovascular diseases, the Company has successfully developed the caFFR System, which includes a console and related consumables and has been launched in the market. In addition, the Company has the following products under development, including but not limited to the caIMR System, the Intelligent Angiographic Injection System and the Flash Robot Vascular Intervention Navigation Operation System, with a total of 17 projects under development.

caFFR System

caFFR System can restore the three-dimensional model of the coronary arterial system based on two angiograms, determine blood flow velocity using the Thrombolysis In Myocardial Infarction (TIMI) framing method, and calculate FFR values by combining real-time aortic pressure and optimized computational fluid dynamics methods. caFFR System has been approved for marketing by the National Medical Products Administration and has received CE mark in the EU in 2019, and TGA mark in Australia in 2022. Overcoming the shortcomings of the traditional imported pressure guidewire and characterized by safety, efficiency, precision and simplicity, it has been widely recognized by domestic and overseas experts, becoming the first exported domestic FFR product.



caFFR System

calMR System

calMR is a non-invasive system for the treatment of microcirculatory lesions. Featuring safety, efficiency, precision, simplicity and first-in-class, the system was certified to be eligible for the Special Approval Procedures of Innovative Medical Devices promulgated by the NMPA and is authorized by the NMPA for priority product approval. calMR System has been categorized by the NMPA as a Class III medical device and has completed the confirmatory clinical trial. It is expected to become the first less-invasive IMR system approved for commercialization globally.



calMR System

Flash Robot Vascular Intervention Navigation Operation System

Studies have confirmed that the combination of caFFR System and calMR System provides a complete functional assessment of the vasculature from the epicardial coronary arteries to the intracardiac microcirculation. In the future, the Company will further explore the synergies of calMR System and caFFR System. As an important part of the functional diagnostic module, they will be integrated and built into the Flash Robot Vascular Intervention Navigation Operation System to create an integrated solution for diagnosis and treatment in the catheter lab, contributing Chinese wisdom to the development of precision medicine.

Rainmed's Flash Robot Vascular Intervention Navigation Operation System successfully entered animal testing phase

In February 2022, Rainmed's Flash Robot Vascular Intervention Navigation Operation System successfully completed its first animal test in Suzhou. In this test, the Flash Robot Vascular Intervention Navigation Operation System realized automated visual positioning puncture, contrast-guided push, rapid functional diagnosis, interventional channel construction, surgical navigation guidance, and postoperative evaluation management, comprehensively covering all aspects of vascular interventional treatment.

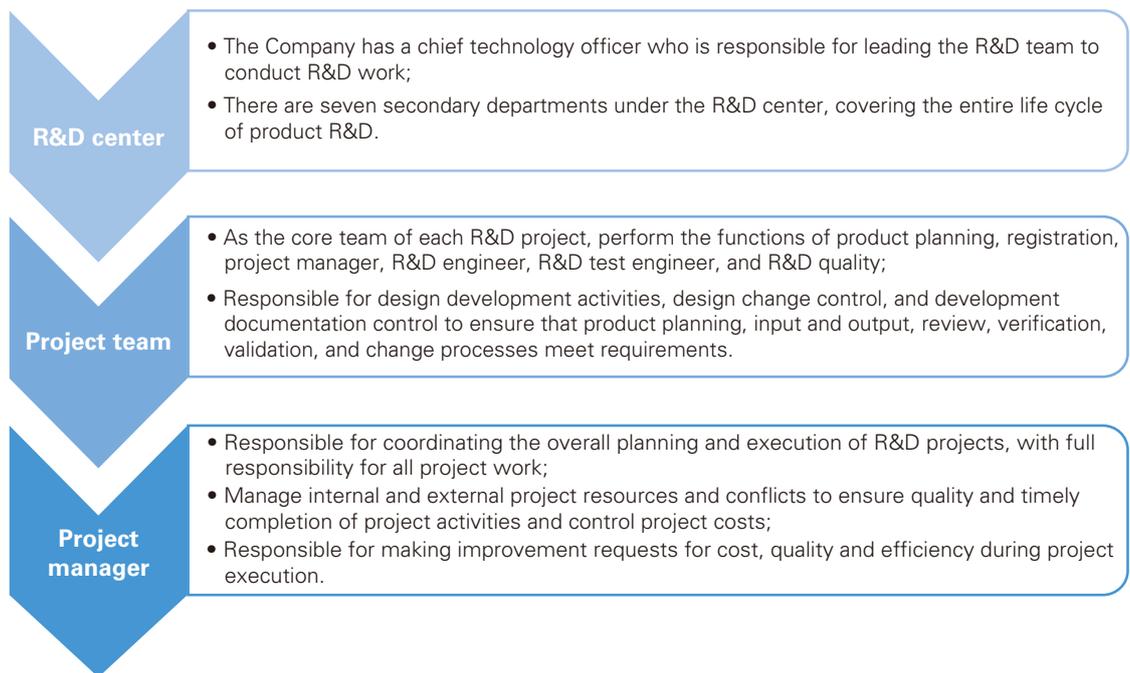
No surgical complications, such as vasospasm, occurred during the entire test, confirming the clinical operability, safety and efficacy of the Flash Robot Vascular Intervention Navigation Operation System. The success of this animal test marks a major step forward in Rainmed's goal to become a global leading vascular interventional surgical robotics company.

2) R&D management

In accordance with the Good Manufacturing Practice for Medical Devices, ISO13485:2016 standard, US FDA QSR820 (Quality System Regulation) and other industry practices and international standards, the Company has developed a series of internal procedures and established a sound full lifecycle R&D management system, which clarifies the requirements and specifications of R&D project management, project design and development, project process management, and result management to promote the R&D process with high quality and efficiency.

R&D management structure

Following the requirements of the design and development control procedures for the entire product design and development process, the Company clarifies the responsibility system at each level of the R&D center, project team, and project manager, and refines the project work procedures to ensure that R&D project management is scientific and reasonable.



R&D management structure

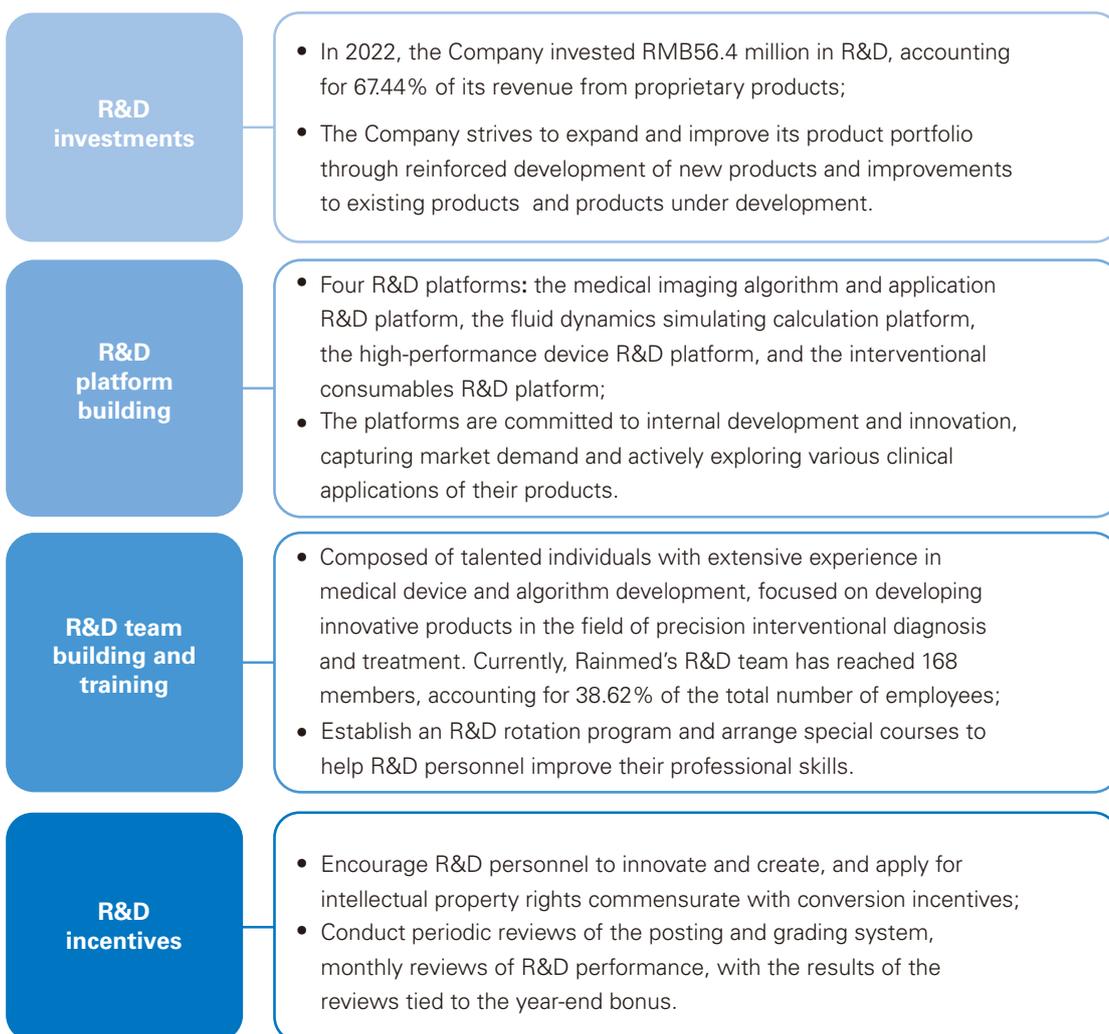
The Company strictly regulates the entire product design and development process, and controls the planning, input, output, review, verification, validation, conversion and change processes, as well as the design and development documentation for product design and development, to ensure that R&D activities are conducted in a compliant and effective manner. The Company has built a project management system to archive and manage the key nodes and key documents of each R&D project and phase. By connecting it to the Office Automation (OA) system, the Company can obtain information about the positions and responsibilities of employees, assign different document access rights, and track project progress in a timely manner. In addition, the R&D center, through

Environmental, Social and Governance Report 2022 (Continued)

the product planning department, has established an online functional product needs database that quickly imports the needs of front-line users into the design and development process in a timely manner, thereby improving the quality of R&D while meeting clinical needs in a more user-friendly manner.

R&D capability development

Innovation and breakthrough are in Rainmed's genes. The Company insists on clinical application-oriented R&D, and drives innovation and R&D capabilities with patient needs at the core. By building a world-class R&D team, securing and increasing R&D investment, and integrating R&D system resources, the Company is committed to pushing the boundaries of technology, responding to patient needs, and safeguarding people's health.



Environmental, Social and Governance Report 2022 (Continued)

R&D ethics

Rainmed adheres to the general principle of “respect for life and use of animals in a scientific, rational and humane manner” and strictly complies with the Guideline for the Registration and Review of Animal Experiments on Medical Devices and the United States Guide to the Management and Use of Laboratory Animal Diets and other laws and regulations to standardize the development and implementation of animal testing protocols.

- According to the purpose of the test and under the premise of ensuring the test effect and scientific accuracy of the results, the test program is strictly designed according to the “3R” principle of replacement, reduction and refinement, such as prioritizing the use of 3D vessel models and testing the performance of catheter guidewires in terms of pushing, rotating, and retracting;
- Use in vitro test models or ex vivo tissues and organs whenever possible to design tests and reduce or eliminate the use of live animals, such as the use of ex vivo kidneys for baseline performance testing of RDN catheters;
- In product testing that requires the use of live animals, ensure that the animals have basic rights in five areas: physiological, environmental, health, psychological and behavioral.

3) Industry cooperation and communication

Rainmed attaches great importance to cooperation and communication with industry partners, working with hospitals, experts and industries to achieve cross-border integration, actively participating in industry activities, jointly discussing medical problems and promoting technological innovation in the industry.

Industry cooperation

- In the development of vascular interventional surgery robots, the Company has established close research cooperation with benchmark hospitals such as Peking University First Hospital, Zhongshan Hospital of Fudan University, Fuwai Hospital Chinese Academy of Medical Sciences and West China Hospital of Sichuan University to further improve the research and development of caFFR and calMR products, optimize product quality and improve the diagnosis and treatment of cardiovascular diseases for the benefit of more physicians and patients.
- The Company has entered into a strategic cooperation agreement with multinational technology giant GE Healthcare (China), and has established close cooperation with renowned domestic medical device companies such as China Resources Pharmaceutical Commercial Group Medical Devices Co., Ltd. and Anjite (Tianjin) Technology Co., Ltd.. The parties will fully leverage their own resource advantages to create a medical innovation plateau and provide patients with precise diagnosis and treatment of cardiovascular diseases.

Environmental, Social and Governance Report 2022 (Continued)



Signing ceremony

- The Company is also actively exploring opportunities to partner with investment management companies and has entered into strategic cooperation agreements with Ping An Capital Co. Ltd. and Hanxiputai (Beijing) Hospital Investment Management Co., Ltd., to realize resource sharing and complementary advantages and jointly promote cooperation in the fields of science and technology innovation, capital operation and ESG.

Industry communication

- In May 2022, the Company organized a Rainmed session at the European Conference on Cardiovascular Interventions (EuroPCR) in France, inviting renowned cardiovascular experts for academic presentations. During the conference, Ge Junbo, Academician of Chinese Academy of Medical Sciences and Zhongshan Hospital of Fudan University, published the results of the Flash III clinical trial supported by Rainmed, which confirmed the high clinical feasibility, accuracy, safety and diagnostic consistency of Rainmed's caIMR System, implying that caIMR System is expected to promote the large-scale clinical application of functional diagnosis of coronary microcirculation.



EuroPCR Rainmed satellite conference venue



Group photo of experts after EuroPCR Rainmed satellite conference

Environmental, Social and Governance Report 2022 (Continued)

- During the 4th Confucianism and Taoism International Congress of Cardiology in August 2022, the kick-off meeting of the Expert Consensus on the Clinical Pathway of Coronary Artery Computational Physiology Testing Indicators in China, led by Ge Junbo, Academician of Chinese Academy of Medical Sciences and Zhongshan Hospital of Fudan University, and supported by Rainmed, was held in Anhui Province. At the meeting, a national expert consensus was reached for the first time among domestic independent innovators in coronary physiology, indicating that caFFR System and calMR System are widely accepted by domestic clinical experts.



Expert consensus discussion



Group photo of on-site expert panel members

- In October 2022, Rainmed successfully organized a satellite conference on computational coronary physiology during the 33rd Great Wall Congress of Cardiology. Renowned experts in the cardiovascular field in China were invited to discuss the latest advances in coronary functional assessment techniques and to share their experience in the clinical use of the innovative computational coronary physiological indicators caFFR System and calMR System.



Online conference

- In November 2022, in the 17th Academic Conference on Cardiovascular Disease Treatment Guidelines and Standardized Treatment Training (the “Zunyi Conference”) Academic Activity — Coronary Innovation Forum, Rainmed successfully held a Rainmed Coronary Functional Science Forum. The forum invited renowned experts in the national cardiovascular field to present the cutting-edge concept of functional science diagnostics, who strongly affirmed the clinical value of caFFR System and calMR System and promoted their applications.

Environmental, Social and Governance Report 2022 (Continued)



Conference venue

Industry associations

The Company upholds the concept of openness and inclusiveness. While creating opportunities for academic and industry communication, it actively joins medical device related industry associations and takes the initiative to fulfill its obligations as a member of these associations. As of the end of 2022, the Company has joined associations including China Medical Equipment Association, Yangtze River Delta Quality Special Committee, Suzhou Medical Device Industry Association, Suzhou Senior Health Service Association, Suzhou Industrial Park Science and Technology Enterprise Federation and Suzhou Dushu Lake Alliance. It actively participates in the activities and trainings organized by the associations, strongly supports the daily activities of the associations, promotes communication and cooperation in the industry, and supports scientific research.

Publication of academic articles

As an independent innovation company, Rainmed attaches great importance to product innovation and academic research. It collaborates with top medical centers at home and abroad, including Zhongshan Hospital of Fudan University, Shanghai Tenth People's Hospital, Peking University People's Hospital, Beijing Hospital, Samsung Medical Center in Korea, and CORRIB Research Center, an advanced imaging and core laboratory of the National University of Galway in Ireland, and has published a total of nearly 30 articles in top medical journals, laying a solid academic foundation for the large-scale clinical application of its products.

In 2022, the Company published a total of 11 SCI papers, among which 9 papers were above the level of SCI District II, and 5 papers had an impact factor higher than 5.

2. Product Quality Control

Quality is the key to a healthy business operation. Rainmed strictly implements product quality control, and carries out strict quality control in the design and development, verification, confirmation, production and inspection of products, forming a whole process of quality control. The Company values customer feedback, and has developed a solid after-sales feedback mechanism to promote product upgrade and improvement through professional analysis, meeting review and feedback improvement of multi-channel customer feedback.

1) Quality management system

The Company strictly complies with the Product Quality Law of the PRC, the Regulations for the Supervision and Administration of Medical Devices, the ISO13485:2016 Standard, the EU Medical Device Regulation (Regulation (EU) 2017/745) (“MDR”) and other laws and regulations, and continuously improves the development of internal quality management system.

Quality management system certification and audit

During the Reporting Period, the Company improved and extended its existing qualification certifications and actively implemented the annual supervision and audit of the quality management system. As of December 31, 2022, the Company’s quality management system has met the following quality regulations and standards:

- Medical device registration certificate and medical device manufacturing license issued by the National Medical Products Administration;
- ISO13485 quality management system certification;
- EU CE certificate for coronary artery analysis system with disposable, sterile blood pressure sensor;
- Medical Device Single Audit Program (MDSAP) certification.



ISO13485 quality management system certificate



EU CE certificate

Environmental, Social and Governance Report 2022 (Continued)

In 2022, Rainmed received a total of five quality management system audits by government regulators, external and internal auditors, including internal quality management system audit and detection of potential production risks conducted by the Company itself, as well as annual supervision and audit of the ISO13485 and MDSAP quality management systems by external institutions, listing registration and change of production address, with a pass rate of 100%.

Quality management system optimization and upgrading

The Company has developed a set of complete internal quality management system documentation to clarify the process specifications for product development, raw material inspection, production, procurement, transportation, storage, sales and marketing management. Each link must follow strict standardized management procedures, and all operations can be traced, so as to ensure the sound, stable and long-term operation of its quality management system.

The Company's key initiatives to further improve its quality management system in 2022 include, but are not limited to:

- optimizing the management structure of the quality department, adjusting business segments, and strengthening product quality control throughout the product life cycle;
- conducting regular product quality inspection, including raw material inspection, process inspection and finished product inspection, to strictly control the quality standard of each link from product production to delivery;
- building a digital quality data platform to realize the whole process supervision from raw material inspection to customer quality feedback, and accurately recording and timely following up feedback from all parties;
- further increasing investment in production capacity expansion and equipment upgrading, and establishing an industry-leading production system and supply chain system.

Use intelligent management tools to build a world-class production and manufacturing system

With its outstanding diagnostic functions, the Rainmed imaging product series has been confirmed by clinical studies in many countries and widely praised by clinicians, and its market demand grew rapidly. In order to better meet the growing demand for production capacity, the Company has established new production facilities. Breaking through the previous production management mode, the Company carries out electronic, automatic and intelligent improvement for each production link, which greatly improves the level of refined workshop management and lays a solid foundation for achieving a great leap in production capacity.



Rainmed production workshop

Cultivate a high-end quality technical team and build model production facilities in the industry

The senior technical managers of Rainmed's production and quality control team have strong professional skills and years of management experience, bringing advanced management experience and innovative production mode to the Company. Moreover, with strict control in supply chain, manufacturing and quality control system, the Company has created a technical highland in Suzhou and even beyond, which constantly attracts industry peers to visit and study and is highly recognized by the Suzhou Industrial Park Administrative Committee.



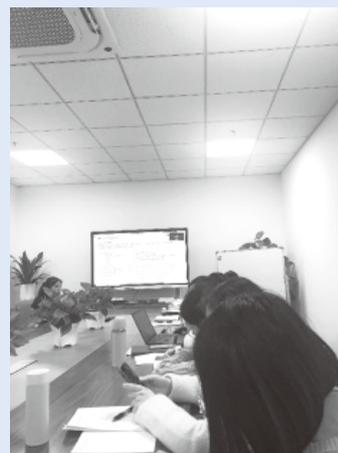
Rainmed's intelligent equipment

2) Quality training and culture

The effectiveness of building a culture of quality is one of the key factors in determining the level of management quality in an organization. The Company actively conducts various quality culture activities and regularly invites internal and external experts to provide quality training covering knowledge in the areas of production, quality, engineering, safety, laws and regulations, aiming to further improve employees' awareness of quality and safety.

Conduct quality culture training to improve the quality management of all employees

In November 2022, the Company's quality department organized a special training on the ISO 13485:2016 standard to explain the relevant regulatory requirements and clarify the objectives of the quality management system, further enhancing the professional knowledge of its quality-related personnel. Following the training, all trained employees took and passed the post-course exam to further strengthen the effectiveness of the training.



Quality training

3) Medical device alerts and recalls

To ensure that product quality risk management is effectively extended to its customers, the Company continues to monitor the use of its sold products to achieve true product lifecycle risk management. The Company has developed internal procedures for the management of medical device alert system in accordance with the Administrative Measures for Monitoring and Re-evaluation of Adverse Events of Medical Devices, the Administrative Measures for Medical Device Recalls, the EU Medical Device Regulation (MDR) and other laws and regulations, which cover the monitoring of adverse events, complaints, reporting, data analysis, processing, risk management processes, and safety corrective actions, in order to achieve continuous monitoring of product quality, timely control and reduction of potential safety risks in product use. The achievements of the Company's medical device alert and recall system include, but are not limited to:

- the Company's medical device adverse event monitoring leading group is responsible for registering with the National Medical Device Adverse Event Monitoring Information System, actively collecting information on adverse events within the prescribed time period, and reporting them to the monitoring authority in a timely manner. If an adverse event occurs, it will be handled according to the appropriate documentation and a non-volume event report will be submitted to the government as required;

Environmental, Social and Governance Report 2022 (Continued)

- it has developed the Adverse Events and Re-Evaluation Procedures for Medical Devices. Contact information, such as telephone number, mailing address, and e-mail address, shall be published in the product manual or on the website to provide users with an open and viable channel for reporting adverse events;
- it has developed the Alert System Control Procedures. For accidents required to be reported, the reporting shall be completed within the specified period in accordance with the documentation. The Company shall conduct investigations, develop on-site corrective safety actions, communicate them through on-site safety notice, track the implementation of the actions, and prepare and submit a final report;
- it has developed the Medical Device Recall Procedures. For products subject to regulatory recall, the Company shall develop a detailed recall plan in accordance with the documentation, complete the recall process within the specified period, conduct processing, and then report the recall to the regulatory authority.

To date, the Company has not experienced any adverse events or incidents triggering the alert system for its products, nor has it issued any product recalls for safety and health reasons.

In addition, the Company is strengthening internal training related to medical device alerts, organizing adverse event-related training and conducting regular assessments for all employees related to the quality management system, continuously strengthening employees' understanding of concepts and requirements related to medical device alerts, and further improving their awareness of adverse event reporting.

Conduct medical device alert training to improve alert awareness of all employees

In September and October 2022, the Company's registration department conducted training on medical device adverse events for all employees within the organizational structure of its quality management system, covering related regulatory requirements, the importance of adverse event monitoring and the monitoring of the Company's adverse events. Following the training, all employees took and passed the adverse event monitoring exam.

3. Customer Services

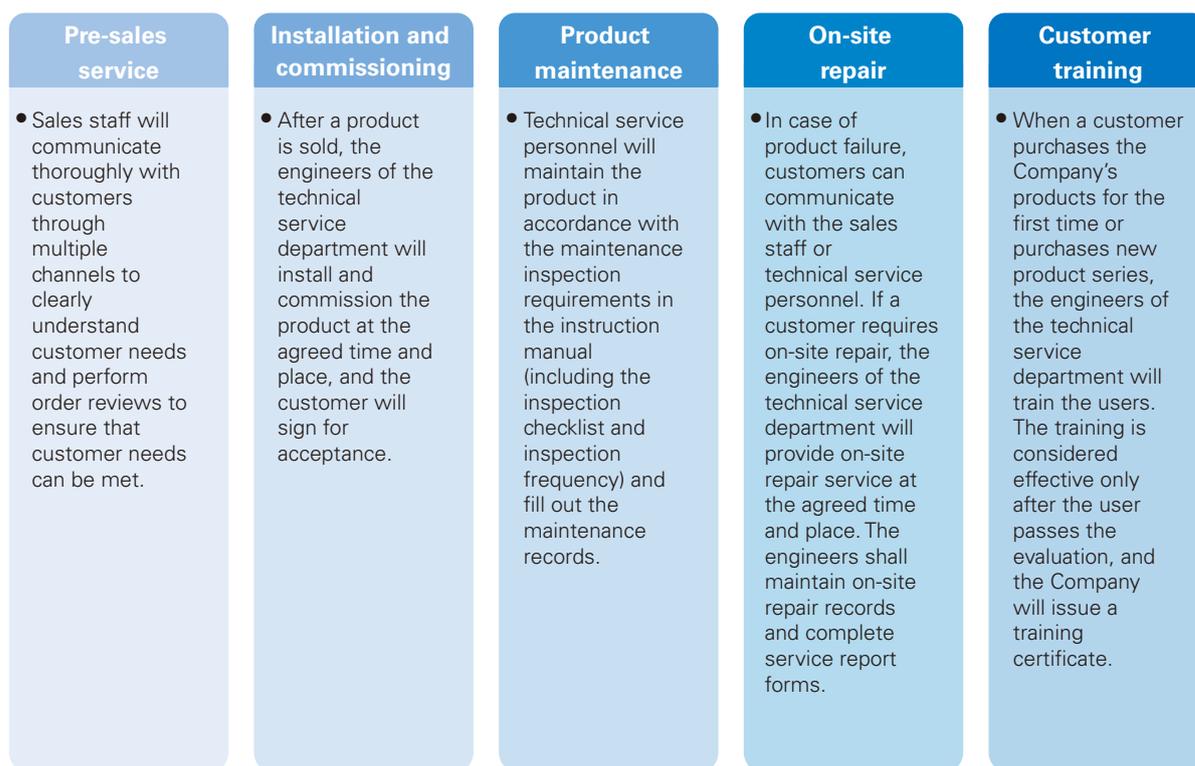
Rainmed pays close attention to customer needs. It strictly complies with laws and regulations, such as the Law of the PRC on the Protection of Consumer Rights and Interests, and has formulated and implemented internal management systems, such as the Service Provision Procedure, the Customer Complaint Handling Procedure and the Medical Device Recall Procedure. It collects customer feedback through various channels and takes corresponding remedial measures to continuously improve the

Environmental, Social and Governance Report 2022 (Continued)

quality of customer service. In addition, the Company has developed a standardized complaint handling mechanism to ensure that customer feedback is resolved in a timely and effective manner to protect the rights and interests of its customers.

1) Service quality management

Rainmed has established a sound service quality management system to continuously improve the standardization of service content and process. The Company has a dedicated team to provide customer services. The sales staff of the marketing center and the international marketing department are responsible for communicating with customers and responding to inquiries, while professional technicians are responsible for installation and commissioning, maintenance and repair, training, and other services. Besides, the Company monitors the entire customer service process to ensure service quality and further improve customer satisfaction.

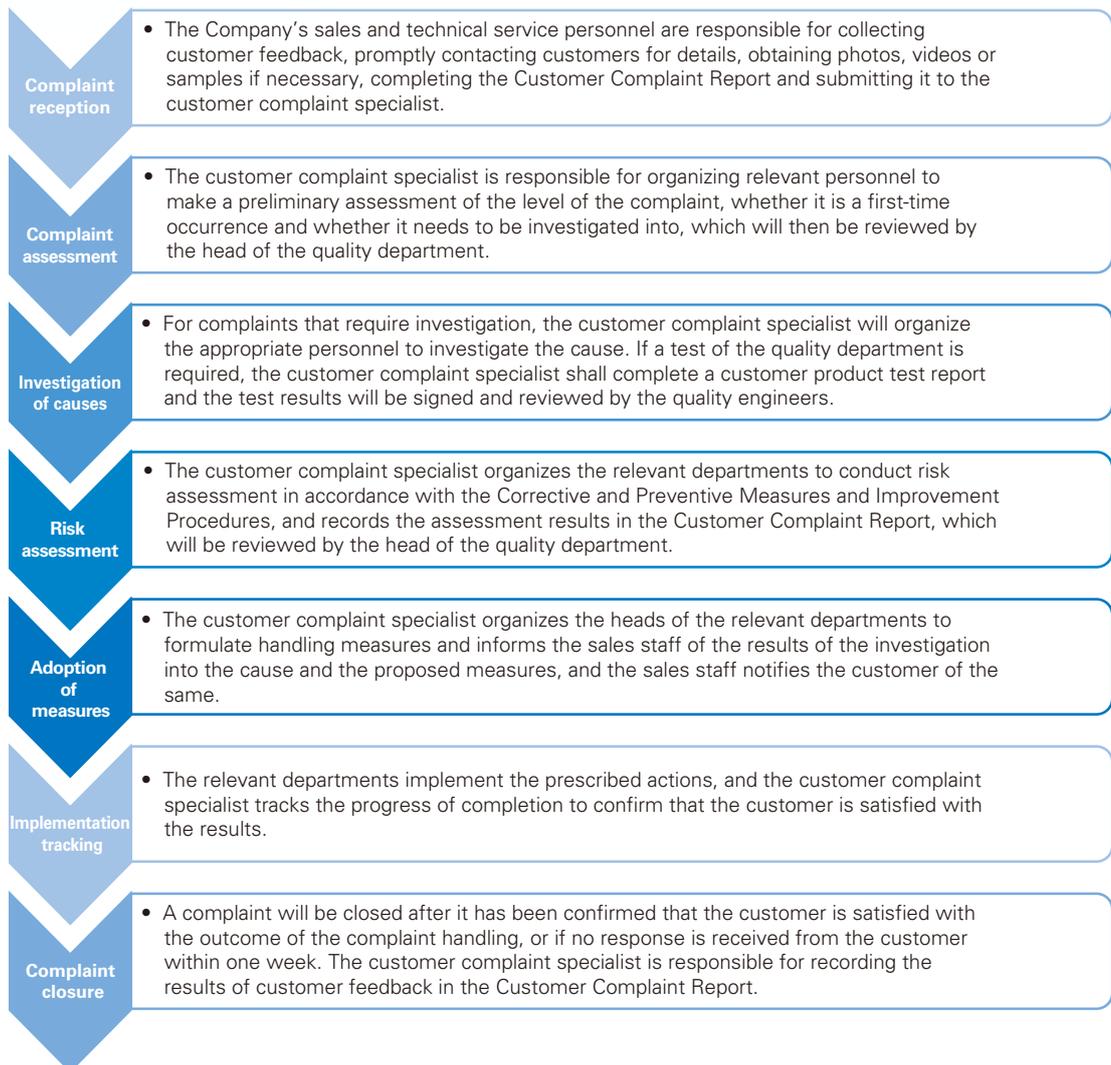


Customer service process

During the Year, the Company conducted a total of 720 end-user satisfaction surveys covering communication skills, work service attitude, problem solving skills and timeliness, and daily maintenance training of technical service engineers, with an overall customer satisfaction rate of 99.86%.

2) Customer complaint handling

Rainmed has established a sound customer complaint handling system, standardized customer complaint handling process and methods, and clearly defined the management scope and responsibilities of each department in customer complaint handling. The marketing center and the international marketing department are in charge of customer complaint handling, responsible for receiving and summarizing customer complaints and preparing customer complaint reports, and providing real-time feedback to customers on the progress of complaint handling. Other departments assist in the assessment, investigation and resolution of customer complaints. Furthermore, the Company has appointed a customer complaint specialist to handle customer complaints, who is responsible for managing and coordinating customer complaints and implementing the full process management of complaint handling.



Complaint handling process

During the Year, the Company received two customer complaints, and the related problems were properly handled by the engineers of the technical service department through on-site troubleshooting or guidance on customer operation, with a resolution rate of 100%.

4. Responsible Marketing

Rainmed strictly complies with the Advertising Law of the PRC, the Interim Measures for the Examination and Administration of Advertisements for Drugs, Medical Devices, Health Foods and Food Formulas for Special Medical Purposes, and other laws and regulations. It applies to the market supervision and drug administration departments of the provincial people's government of the place where it operates for approval of medical device advertising, and eliminates false and exaggerated propaganda. In order to further ensure the authenticity and compliance of its marketing, the Company has developed a standardized review mechanism for its marketing materials. The legal department is responsible for reviewing the contents of relevant advertisements, labelling and related approval documents, which may not be released until the information contained therein is confirmed as accurate.

In addition, the Company further strengthened the responsible marketing management of distributors by formulating and implementing internal systems such as the Management System for Distributors of Products for Domestic Sale, and signing the Distribution Cooperation Agreement for Products for Domestic Sale before cooperating with qualified distributors to regulate and supervise their marketing activities, which stipulates that the promotional materials issued by the distributors shall be provided by the Company to ensure the compliance of the marketing activities conducted by the distributors.

During the Reporting Period, the Company conducted responsible marketing training for sales staff and distributors, and regulated external advertising and promotional activities, in order to improve sales staff's knowledge and ability to operate products, which will reduce the Company's compliance risk while providing better services to customers.

Training for responsible marketing



From June to September 2022, the Company held a total of 9 training sessions on product theoretical knowledge and product practical operation for its sales staff and distributors, in which about 50 sales staff and distributors participated. The training has increased the awareness of responsible marketing among relevant personnel and strengthened their ability to provide customers with accurate product information.

V. OPERATION RESPONSIBILITY: COMPLIANT OPERATIONS, ETHICS FIRST

Rainmed always upholds the concept of compliance, integrity and honesty and strictly complies with the relevant laws and regulations. It has developed and implemented a series of internal management systems to integrate risk control in respect of business ethics, information security and privacy, and intellectual property rights into every operational link, and is continuously improving the compliance systems to enhance operational management and risk prevention capabilities and promote sustainable operations.

1. Business Ethics and Anti-corruption

The Company is committed to creating a clean and upright working atmosphere by strictly complying with the Anti-monopoly Law of the PRC, the Law of the PRC Against Unfair Competition, the Anti-money Laundering Law of the PRC, the Interim Provisions on the Prohibition of Commercial Bribery and other laws and regulations and by implementing internal management systems including the Anti-fraud System and the Employee Complaint and Reporting Management System to regulate the ethical conducts of the management and all employees and resolutely prevent bribery, extortion, fraud, money laundering and unfair competition. During the Reporting Period, no embezzlement lawsuits were filed against the Company or any of its employees.

1) Business ethics and anti-corruption system

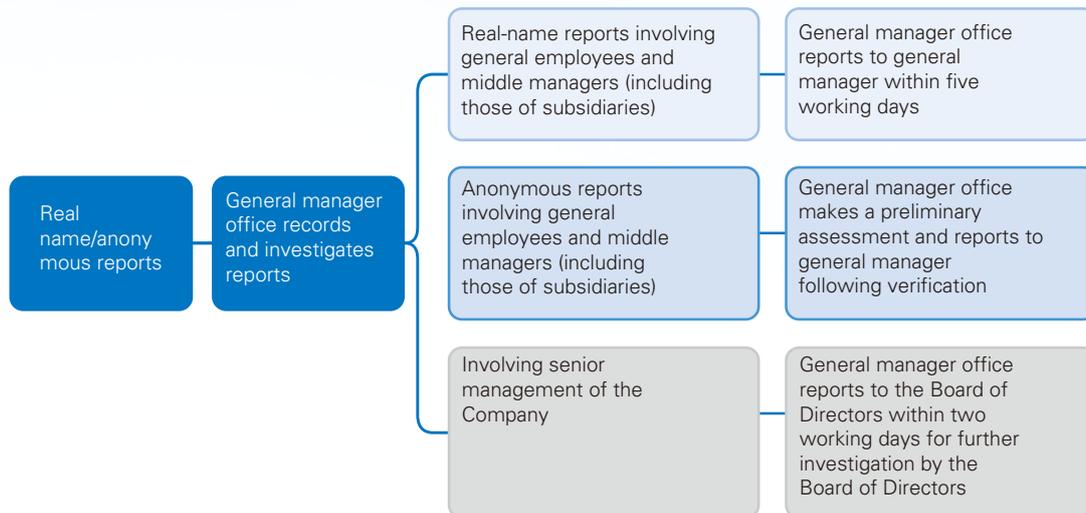
The Company has established a sound internal control system for business ethics and anti-corruption. The Board of Directors is responsible for overseeing the management's anti-corruption efforts and has designated the general manager office of the Company as the department for report and complaint management, which receives, investigates, handles and timely reports corruption-related reports and complaints to the Company's management or the Board of Directors. The Company provides various channels for reporting such as hotline, e-mail and complaint box, and encourages all employees, business partners and the public to report any ethical violations involving the Company.

Reporting channels

- Telephone: 0512-62622215-875; 0512-62622215-805 (general manager office)
- Email: complaint@rainmed.com
- Mailing address: Building 31, Northeast District, Nanopolis Suzhou, No. 99, Jinji Lake Avenue, Suzhou Industrial Park, 215000
- Complaint mailbox: A complaint box located at the reception desk on the first floor of the Company

Environmental, Social and Governance Report 2022 (Continued)

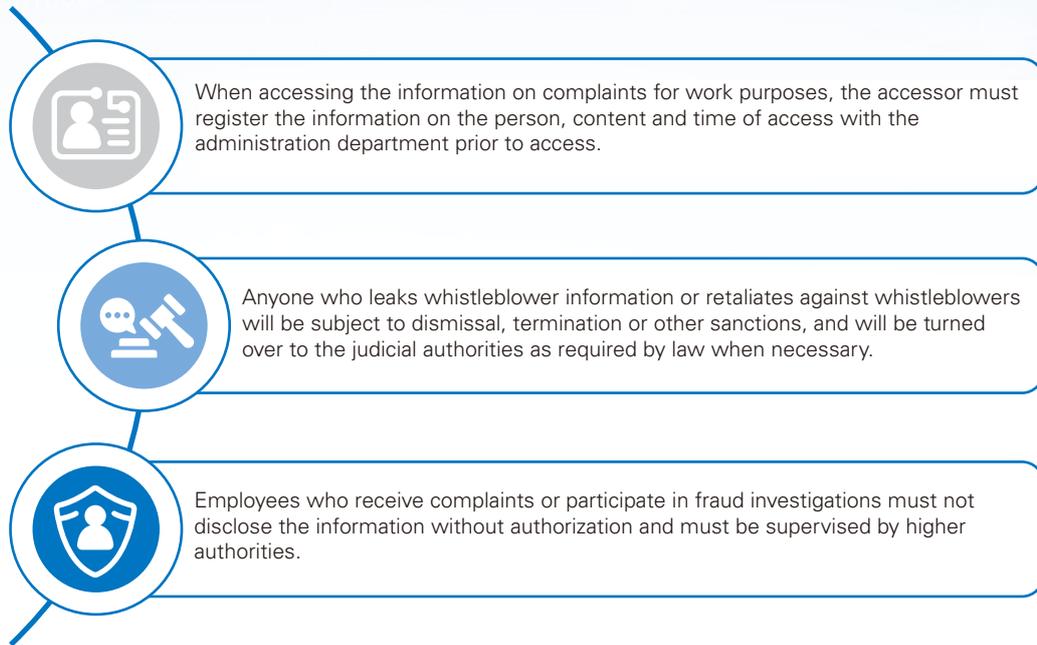
After receiving the reports, the Company strictly follows the following process to follow up and verify:



If a misconduct is identified following verification, the Company will take timely actions to address it in accordance with the relevant policy:

- conducting internal control assessment and improvement activities for the affected business units;
- any employee found to have engaged in fraudulent behavior will be subject to appropriate administrative and disciplinary action in accordance with the applicable regulations. If his/her conduct has violated the criminal law, he/she shall be turned over to the judicial authorities in accordance with the law.

The Company makes every effort to protect the safety and rights of whistleblowers. It has established a whistleblower protection mechanism to maintain the confidentiality of the identities and reports of the whistleblowers and to prevent the retaliation against whistleblowers. Anyone in violation and his/her supervisors will be held accountable and punished as appropriate.



Whistleblower protection measures

2) Anti-corruption initiative

Rainmed adheres to the responsibilities and obligations for integrity, insists on the attitude of “zero tolerance for corruption” and encourages everyone to participate in the fight against corruption. The Company makes anti-corruption an important agenda and adopts anti-corruption measures in view of its production and operation, so as to reduce the chances of corruption incidents and ensure the healthy and stable operation of the Company.

Rainmed has established a comprehensive internal control mechanism for anti-corruption, implements strict appointment procedures for hiring or promotion in key positions, requires background checks to be conducted, and maintains records for the investigation process. The Company strengthens its anti-corruption monitoring mechanism, requires all employees to comply with its code of conduct, code of ethics, the relevant national laws and regulations and industry standards, discloses the reporting channels to all employees, and encourages real-name reporting in various forms as a public watchdog function.

In addition, Rainmed resolutely refrains from commercial bribery and any other unfair commercial competition in all parts of the supply chain. For significant and large purchases, the Company requires suppliers to sign the Anti-Bribery Agreement prior to doing business with them and strictly prohibits both parties and their employees from soliciting or accepting any form of financial benefit from each other, such as rebates, commissions, marketable securities, gifts and benefits in kind. The Company has a full-time procurement specialist and has developed a clear bidding process for suppliers. It requires the procurement specialist to provide an objective and quantifiable evaluation report, taking into account each supplier’s bid, product performance and after-sales service to select the best. The final selection results must be approved by all senior leaders in the process before finalization, ensuring an open and transparent procurement process.

Environmental, Social and Governance Report 2022 (Continued)

Furthermore, the Company makes business ethics and anti-corruption education a priority in building a corporate culture of integrity, conducts anti-corruption training for directors and all employees on a regular basis, and continuously improves the courses and forms related to integrity education to further raise employees' awareness of integrity in practice.

Anti-corruption training



In December 2022, the Company organized all employees to participate in anti-corruption training with the theme of "Understanding the Situations". It teaches the concept of "clear responsibility, strict discipline and integrity" to all employees by inviting external lecturers to teach business ethics standards, and raises the awareness of integrity and honesty among all employees.

2. Information Security and Privacy Protection

Rainmed strictly complies with the Network Security Law of the PRC, the Data Security Law of the PRC and other laws and regulations related to information security and privacy protection. It actively promotes the standardized development of information systems, formulates and implements internal management systems such as the Customer Information Confidentiality Management System, the Computer Management System and the Computer Room Management System, standardizes customer information management, network and software security standards, etc., and clarifies information security management responsibilities, thereby safeguarding the data and information security of the Company and its customers. Meanwhile, the Company actively conducts information security training and education to further enhance employees' skills and awareness of information security and privacy protection.

Rainmed continuously deepens the development of information security management system, and the general manager office of the Company is responsible for the implementation of relevant management requirements. Its responsibilities include the organization of testing and identification of computer hardware and software, maintenance and management of computer network, software, hardware, etc.

Environmental, Social and Governance Report 2022 (Continued)

Each department is responsible for implementing confidentiality of computer programs, information, data and other daily operating practices. In addition, the Company has taken the following steps to protect information security and customer privacy in a comprehensive and multi-faceted manner:

Hardware management	<ul style="list-style-type: none">• The finance department numbers computer equipment and establishes an itemized ledger that is periodically reviewed and maintained by the general manager office;• Hardware failures are addressed by IT engineers in a timely manner, and employees are strictly prohibited from removing or replacing hardware equipment without authorization.
Software management	<ul style="list-style-type: none">• The general manager office purchases, stores and registers software needed by the Company, and employees are strictly prohibited from installing programs unrelated to their work;• IT engineers are responsible for installing, uninstalling, upgrading and troubleshooting software, and employees are strictly prohibited from handling on their own;• Employees are strictly prohibited from using third-party software, CD-ROMs, portable hard drives, and other portable storage devices to prevent data leakage and viruses from entering the internal network.
Network management	<ul style="list-style-type: none">• IT engineers set up user names and passwords, create directories, and assign access rights for new employees in the Active Directory (AD) domain server;• Access to the Company's network by non-company computer equipment is strictly prohibited. If there are special reasons, access must be approved by the department manager and after IT engineers have reviewed system security and installed system security programs.
Data management	<ul style="list-style-type: none">• Encryption systems are configured and deployed in core areas where critical information must be protected from leakage;• Changes to file access rights and data backups must be approved by the department manager, and then the IT engineer in the general manager office will perform the relevant operation;• Employees can regularly back up important work data to file servers to prevent data loss due to hardware or software failures.
Confidentiality agreements	<ul style="list-style-type: none">• Prior to conducting research and clinical trials, the Company enters into research collaboration agreements with physicians that include data confidentiality provisions to ensure the security of patient information and product technology;• Sign informed consent forms with patients before conducting registered clinical trials and strictly prohibit the disclosure of subjects' personal information;• Sign non-disclosure agreements with suppliers involved to protect all data and information relating to the business;• Sign non-disclosure agreements with all employees and strictly prohibit the disclosure of trade secrets and confidential information of the Company.
Publicity and education	<ul style="list-style-type: none">• Push network security messages to alert employees to the information leakage due to spam emails;• Conduct internal information security training for all employees to raise awareness of network information security;• Conduct emergency data backup and recovery drills to ensure the safe, secure, and stable operation of the Company's information systems.

Network information security training

In order to spread the knowledge of network security and minimize information leakage and other undesirable events, during the Year, Rainmed organized all employees to participate in network information security training, and explained the importance of network information security, typical cases, and emergency handling plans through online training. The training deepened employees' understanding of network information security and improved their awareness of network information security.

Emergency data backup and recovery drill

During the Year, in order to ensure the safe, reliable, and stable operation of information systems and to improve its ability to respond to information system emergencies, the Company configured all-in-one backup machines and conducted an emergency data backup and recovery drill. Through the drill, employees mastered the operation process of data backup and recovery, which effectively prevented the risk of key information systems and improved the disaster recovery capability of the Company's data information system.

3. Protection of Intellectual Property Rights

Rainmed considers the protection of intellectual property as the core of business innovation and development, and attaches great importance to the protection of intellectual property rights and trade secrets. The Company strictly complies with the Patent Law of the PRC, the Trademark Law of the PRC, the Rules for the Implementation of the Patent Law of the PRC, the Anti-Unfair Competition Law of the PRC and other laws and regulations. It has formulated and implemented internal management systems, such as the Intellectual Property Management System, to standardize the internal management of intellectual property rights and the process of handling related matters. Meanwhile, the Company has established a patent reward system to encourage employees to actively invent and create, and strives to drive its development with innovations.

Environmental, Social and Governance Report 2022 (Continued)

As of the end of the Reporting Period, the intellectual property rights owned by the Company were as follows:

Patents

- More than **300** granted and applied patents, including **102** granted patents, **178** patents applied pending approval, and **23** Patent Cooperation Treaty patent applications that are still within the designation period.

Trademarks

- **269** registered trademarks.

Software copyrights

- **13** software copyrights.

Rainmed has established a comprehensive intellectual property rights management system to standardize the management process of patents, trademarks, software copyrights and other intellectual property rights, including the patent risk response workflow, the project stage early warning analysis workflow, the patent and intelligence analysis workflow, etc. It also clarifies the management scope and responsibilities of each intellectual property rights management department, and establishes the intellectual property rights department as the competent department responsible for supervising the implementation of intellectual property rights protection measures and realizing the full process management of intellectual property rights protection matters.

Rainmed adheres to the principle of “timeliness” and applies for patents in a timely manner for inventions that meet the conditions for patent grant to obtain legal protection. In addition, the Company has established an intellectual property rights confidentiality system. Before a patent application is published or announced, the Company’s patent staff and related personnel are responsible for maintaining confidentiality of its contents, and if a violation causes losses to the Company, it will pursue the legal responsibility of the related personnel according to law.

Environmental, Social and Governance Report 2022 (Continued)

To further strengthen the protection, application and management of its intellectual property rights, the Company has adopted the following protective measures:

Internal review	<ul style="list-style-type: none">• Review information before releasing it to the public and participating in trade shows, and negotiate about intellectual property rights to protect the security of patented technology and trade secrets.
External monitoring	<ul style="list-style-type: none">• Monitor whether external entities have infringed the Company's intellectual property rights and, if so, protect its intellectual property rights in accordance with the law.
Technology research	<ul style="list-style-type: none">• Prior to initiating product and technology development projects, patent literature searches and analyses must be conducted to avoid duplicating research or infringing on the patent rights of others.
Disposal of subpar trademarks	<ul style="list-style-type: none">• Subpar trademarks in trademark printing must be destroyed, and the printer may not retain or sell the printed materials bearing the Company's trademark logo.
Construction of trade secret demonstration sites	<ul style="list-style-type: none">• In accordance with the requirements of the construction standards for trade secret demonstration sites, initially establish trade secret demonstration sites with organizational security, equipped with reasonable personnel, complete infrastructure, sound and scientific system, and reasonable and effective measures.

Measures to protect intellectual property rights

Environmental, Social and Governance Report 2022 (Continued)

In addition, the Company conducts basic training on intellectual property rights and trade secrets once every six months and conducts related publicity and education from time to time to continuously improve employees' awareness of intellectual property rights protection and their ability to apply the relevant skills. During the Year, the Company organized a total of four training sessions on the protection of intellectual property rights and trade secrets.

July 2022

- Conducted the Training on the Basics of Intellectual Property Rights, enabling employees to understand the basics of intellectual property rights and the Company's intellectual property rights reward system;
- Conducted the Trade Secret Protection Training, so that employees are familiar with trade secret protection laws and understand the scope of trade secret protection.

September 2022

- Conducted the Training on Patent Mining and Technical Submission Writing to strengthen employees' patent writing skills and stimulate their enthusiasm for patent applications.

August 2022

- Conducted the Training on the Use of Databases and Interpretation of Patent Documents to improve employees' patent and literature search skills.



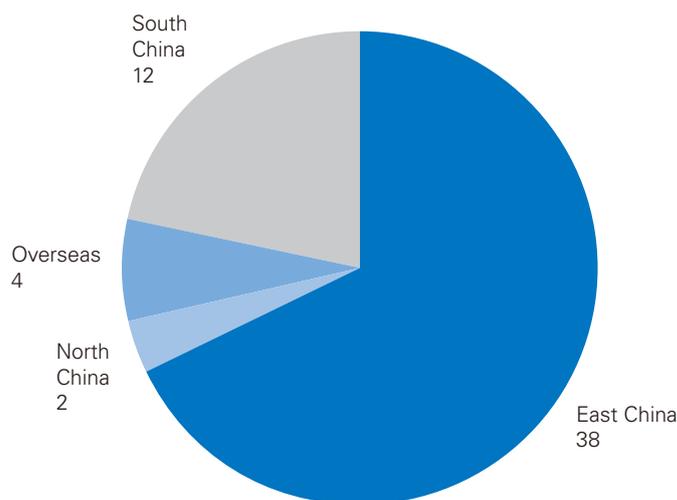
Training on intellectual property rights

VI. PARTNER RESPONSIBILITY: WORK TOGETHER TO MAKE PROGRESS

Rainmed strictly complies with the laws and regulations such as the Bidding Law of the PRC and the Government Procurement Law of the PRC, and earnestly implements its internal management systems such as the Supplier Management Regulations and the Product Price Management System. It establishes and improves supplier qualification examination, admission, evaluation and assessment system, and adopts supplier classification management to ensure procurement quality with strict inspection mechanism and improve supplier management efficiency. On the basis of legal compliance, the Company sets requirements for suppliers with respect to the prevention of environmental and social risks, including but not limited to environmental protection, integrity and honesty, and employment compliance, in an effort to promote the development of a sustainable supply chain.

During the Reporting Period, the Company had a total of 56 suppliers. The number of suppliers by geographical region is as follows:

Number of suppliers by geographical region

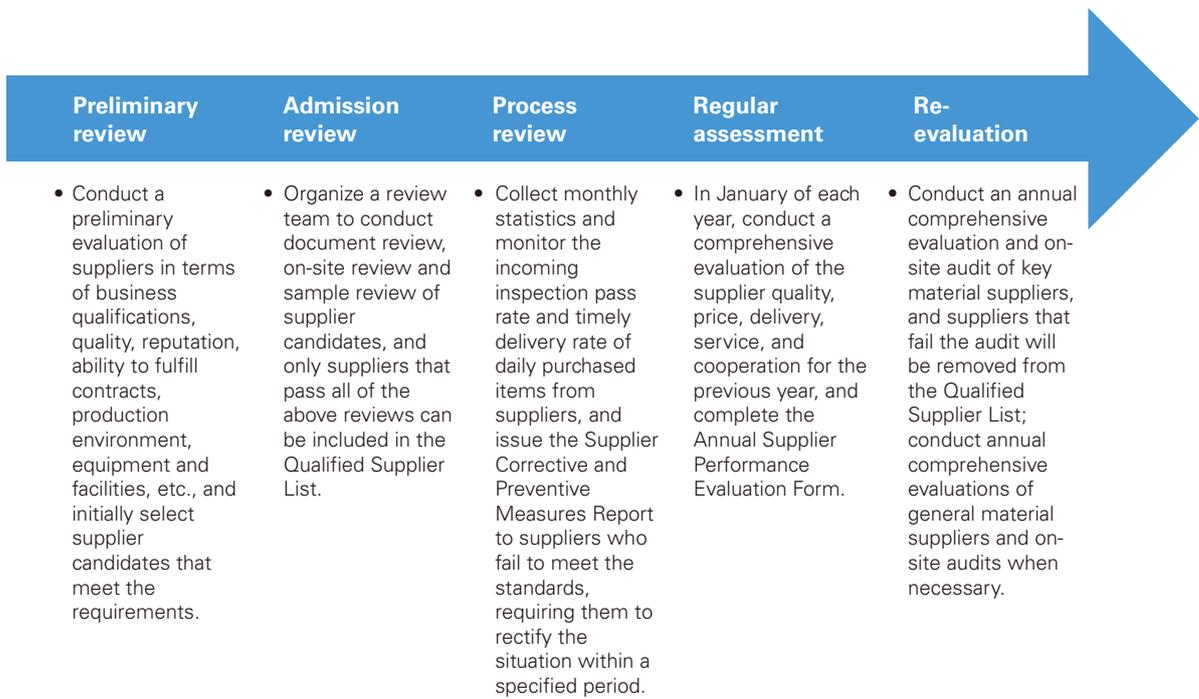


Note: Supplier data includes material suppliers and service providers related to the product manufacturing of the Company.

Environmental, Social and Governance Report 2022 (Continued)

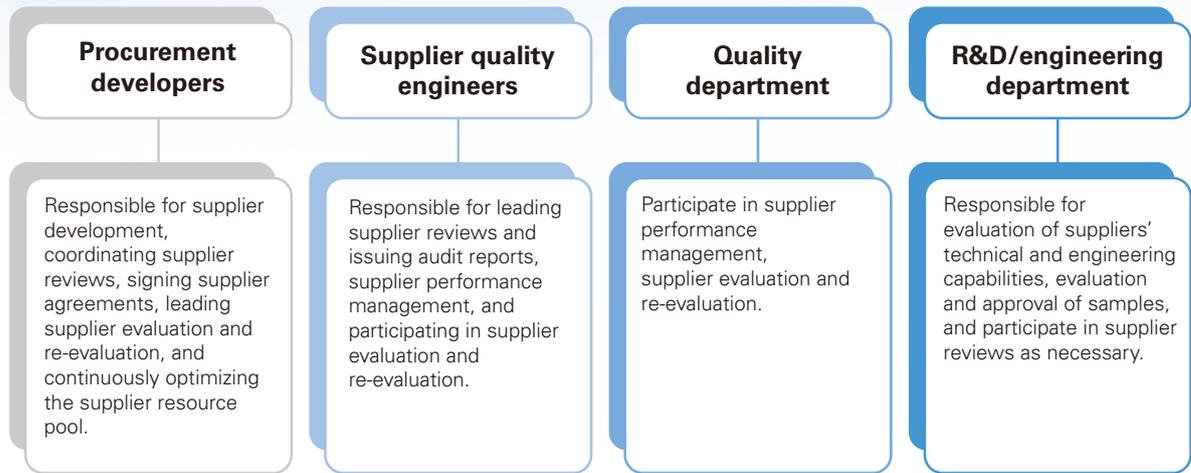
1. Supplier Management

In order to strengthen the dynamic management of suppliers and ensure the quality of cooperation, the Company has clearly specified the processes and responsible parties for each link of supplier admission application, review, approval, and performance management through internal systems such as the Supplier Management Procedures and the Supplier Evaluation Process. It has developed a standardized full process supplier evaluation mechanism to ensure fair and open evaluation, and classifies and manages suppliers to ensure that suppliers who meet the requirements and have the qualifications and capabilities can continue to provide stable and high-quality supplies to the Company.



Full process supplier evaluation mechanism

Environmental, Social and Governance Report 2022 (Continued)



Supplier management responsibilities and authority

2. Build a Sustainable Supply Chain

Rainmed attaches importance to supply chain risk control, identifies potential supply chain risks, and takes timely measures to reduce the incidence of supply chain risk events. In terms of the risk control for key materials, the Company uses various management methods such as rolling forecast and stock preparation for materials with the risk of tight supply and long lead time to ensure continuous and stable supply. In addition, the Company enters into purchase and quality agreements with its suppliers, requiring them to establish quality management systems in accordance with the standards of the ISO9001 Quality Management System Certification and the ISO13485 Medical Device Quality Management System Certification to ensure the quality and safety of the products supplied.

Rainmed continues to monitor the environmental and social risks of its suppliers and takes social and environmental risks into account in supplier admission and process evaluation. The Company also actively promotes its ESG management philosophy to its suppliers and works with the supply chain to achieve sustainable development. The Company continues to optimize ESG risk management in the supply chain in seven areas: clean procurement, quality procurement, environmental procurement, responsible procurement, planned procurement, green storage and transportation, and intelligent management, and continues to explore responsible procurement practices.

Environmental, Social and Governance Report 2022 (Continued)

Clean procurement

- Sign the Anti-Commercial Bribery Commitment with suppliers to eliminate all forms of bribery, abuse of power for personal gain and unfair competition in the supply chain, and to ensure openness, transparency, fairness and impartiality in the procurement process.

Quality procurement

- Develop the Incoming Inspection Management Rules and prepare the Standard Inspection Procedures (SIP) for various materials according to materials drawings and technical standards, including appearance, dimensional and performance inspection, and inspect incoming materials item by item according to the SIP. No materials may be accepted until they have passed inspection;
- Set the monitoring indicators for the incoming batch defect rate and the defect rate of per million parts to ensure stable and controllable quality of incoming materials.

Green procurement

- In the pre-screening of suppliers, the ability to protect the environment is included in the inspection checklist, and they are required to hold environmental protection permits;
- First-time suppliers are required to provide certification reports on the Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS) and the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) according to the technical requirements;
- Streamline the manufacturing process of products and reduce the purchase of hazardous chemicals. During the Year, the Company's total purchases of anhydrous ethanol and 75% alcohol decreased by 55%.

Responsible procurement

- Require suppliers to comply with national labor laws and regulations and internationally recognized labor codes and prohibit the use of child labor and forced labor;
- Require suppliers to provide safe and sanitary working and living conditions and conduct emergency preparations and safety drills.

Planned procurement

- Formulate the Planned Procurement Procedure. The planning department prepares the monthly master production plan and updates the bill of materials, and the purchasing staff places purchase orders in a timely manner to ensure that materials meet production requirements and that inventory is maintained at an appropriate level.

Green storage and transportation

- Formulate the Warehouse Incoming Operation Guideline, the Warehouse Storage Operation Guideline, the Finished Product Delivery Operation Guideline and the Logistics and Transportation Operation Guideline to regulate the whole warehouse and transportation management process;
- In terms of transportation, change some of the packaging from wooden crates to wooden pallets to reduce the amount of packaging materials used;
- For inventory turnover, use recyclable plastic display boards to increase materials reuse;
- For energy savings in the warehouse, reduce air conditioning energy consumption by ensuring that the ambient temperature and humidity are within the proper range.

Intelligent procurement

- Independently develop electronic notice boards for supply chain management to realize real-time visualization of data statistics, visualization of key performance indicator management, and real-time visualization of supply chain logistics status;
- Improve the Enterprise Resource Planning (ERP) system by building systems to visually manage emergency documents, streamline purchasing document archiving, and automatically read materials serial numbers and production dates.

Environmental, Social and Governance Report 2022 (Continued)

In the development and selection of suppliers, Rainmed gives priority and support to local suppliers in consideration of convenient, stable and environmentally friendly supply. Meanwhile, the Company actively responds to the call of national policies and establishes cooperative relationships with small and medium-sized suppliers that meet the Company's supplier evaluation criteria to promote the development of small and medium-sized enterprises.

In addition, to help employees involved in supply chain management improve their professional knowledge and skills in procurement, development and planning, the Company conducted a total of 11 supply chain training sessions during the Year through a combination of internal and external training, and assessed the participants to ensure that the relevant employees are proficient in applying the knowledge and skills related to supply chain management.

3. Communication with Suppliers

The Company maintains transparent and smooth communication with suppliers at all times. It closely communicates with suppliers through telephone, e-mail, visits and interviews, implements suppliers' opinions and feedback mechanism, solves major problems faced in production and supply, and protects suppliers' rights and interests. The Company and suppliers integrate each other's strengths, relying on the Company's product technology and business environment combined with the suppliers' resource advantages to support each other's sustainable business expansion.

Supplier expertise sharing session

During the Year, the Company invited suppliers to participate in a professional knowledge exchange and discussed Design for Manufacturing (DFM) topics with suppliers. Starting with improving the manufacturability of parts, the Company explored the possibility of simplifying the manufacturing and process flow of parts, improving manufacturing efficiency and reducing manufacturing costs, and promoted its green procurement concept to partner with suppliers for sustainable development.

VII. EMPLOYEE RESPONSIBILITY: GATHER TALENTS WITH A PEOPLE-ORIENTED MIND

Rainmed always upholds the concept of people-oriented and considers talents as an important driving force for its steady growth. The Company continuously improves its talent management system to protect the legitimate rights and interests of employees, and is committed to creating a fair, equal, diverse, and inclusive work environment. The Company supports the professional development of its employees, cares for their physical and mental health and safety at work, listens to them, cares for them in their daily lives, and strives for the common growth of the Company and its employees.

As of the end of the Reporting Period, the Company had a total of 435 employees. Under the policy of actively introducing highly educated and qualified talents, the percentage of the Company's employees with a master's degree or higher has reached 12.87%. Details of the employees of the Company are as follows:

Breakdown		Number of employees	Percentage (%)
Total number of employees by gender	Male	258	59.31
	Female	177	40.69
Total number of employees by employment type	Full-time	435	100
Total number of employees by age group	30 and below	210	48.28
	31–50	222	51.03
	Over 50	3	0.69
Total number of employees by geographical region	Mainland China	435	100
Total number of employees by rank	Directors and above	18	4.14
	Managers and supervisors	78	17.93
	General employees	339	77.93

1. Employment and Rights Management

The Company attaches great importance to the development of human resources, continuously optimizes its human resources management system, implements relevant regulations on recruitment and promotion, dismissal and separation, working hours and rest periods and diverse and equal employment, in order to comprehensively protect the legitimate rights and interests of employees. In addition, the Company strives to provide equal development opportunities and a broad development platform for employees, and offers fair and competitive salaries and benefits to promote the recruitment and retention of outstanding talents.

1) Talent introduction and retention

Employment compliance

Rainmed strictly abides by the Labour Law of the PRC, the Labour Contract Law of the PRC, the Employment Promotion Law of the PRC and other laws and regulations, and has formulated and implemented internal systems, such as the Recruitment Management System, to clarify the requirements, procedures and standards for each aspect of employment. The Company establishes labor relationships with employees based on the principles of fairness and legality, equality and voluntariness, honesty and trustworthiness, and enters into contracts with employees in strict accordance with the relevant laws and regulations, with the rate of signing labor contracts reaching 100%.

The Company strictly prohibits child labor. It specifies in its Recruitment Management System that minors under the age of 16 must not be hired as employees of the Company, and strictly verifies basic information of employees such as the age before they join the Company to ensure that they meet the minimum working age requirements set by law. Furthermore, the Company has zero tolerance for forced labor practices and does not encourage overtime or forced extension of working hours, and the human resources department strengthens the management of working hours through monthly attendance reports to ensure legal and compliant employment. Once any illegal activities such as child labor and forced labor are found, the Company will promptly carry out corresponding investigations, implement internal rectification, and hold relevant departments and units accountable. During the Year, the Company was not aware of any illegal incidents related to child labor or forced labor.

The Company conducts an annual talent inventory to determine hiring needs and develop hiring plans. Based on the principle of “fairness and impartiality, comprehensive evaluation and merit-based selection”, it selects talents through various channels such as campus recruitment, social recruitment and internal recommendation to provide talent support for its rapid growth.

Fall Campus Recruiting Fair 2022

From October to November 2022, Rainmed entered Soochow University, colleges in Nanjing and other renowned colleges and universities in Jiangsu Province to conduct offline mutual-selection meetings for fall campus recruitment. By presenting the Company’s corporate culture, campus recruitment positions, career development and training mode, the mutual-selection meetings deepened students’ understanding of the Company’s overall situation and attracted many students to submit their resumes, which facilitated the implementation of the Company’s annual campus recruitment plan and injected a lot of fresh blood into its talent pool.



Environmental, Social and Governance Report 2022 (Continued)

Talent retention

The Company is always focused on team stability and the retention of key talents. It has established a standardized communication and investigation mechanism for employee departures and produces quarterly separation analysis reports to gain a deeper understanding of the reasons for employee departures, and develop targeted solutions to optimize employee retention management.

Position matching and competency exploration	Employee communication and training	External market research
<ul style="list-style-type: none"> The human resources department assists the hiring departments in exploring the deeper qualities of the candidates as much as possible, in order to appropriately match the hiring needs and avoid potential post-hire problems as much as possible; Encourage departments to make thorough assessments of employees' work skills and to prioritize resources when assigning work tasks and developing training plans. 	<ul style="list-style-type: none"> The Company encourages department heads to communicate more with employees and to make full use of performance interviews and other means to communicate with employees and maintaining appropriate records; Newcomer mentors enhance mentoring. A mentoring system for newcomers has been designed and implemented; Conduct leadership training to improve the management skills of employees. 	<ul style="list-style-type: none"> The human resources department should maintain sensitivity to the market environment, pay attention to and understand the changes in the market environment in a timely manner, provide external market information to the hiring departments, and actively promote the Company to keep pace with the market.

Employee retention management optimization plan

During the Year, the Company's employee turnover rate was 17.01%, below the market average. In particular, the male employee turnover rate was 16.67%, and the female employee turnover rate was 17.51%. The turnover rate of employees aged 30 and below was 16.67%, the turnover rate of employees aged 31–50 was 17.57%, and there was no turnover of employees aged 50 or above. The employee turnover rate in Mainland China was 17.01%.

Environmental, Social and Governance Report 2022 (Continued)

2) Equal opportunity

Rainmed respects the differences of its employees by following the principles of equality, tolerance and diversity. It does not discriminate in the hiring, treatment, training and promotion of employees on the basis of color, nationality, gender, age, ethnicity, marital status, religious beliefs, place of residence, etc., and provides a work environment of mutual respect, understanding and integration for employees of diverse backgrounds. The Company also actively supports the employment of people with disabilities. In accordance with the relevant provisions of the Regulations on the Employment of Persons with Disabilities, it provides employment opportunities and corresponding benefits to persons with disabilities in view of its employment needs, in order to fulfill its social responsibility.

The Company actively practices the principle of gender equality in the workplace to protect the legal rights of women in employment, and provides women with fair and equitable employment opportunities and promotion opportunities. As of December 31, 2022, the percentage of female employees in the Company was 40.69% and the percentage of female executives at the director level and higher was 38.89%.

3) Compensation and benefits

Rainmed has developed and implemented internal systems such as the Compensation and Welfare System and the Leave Management System to properly protect the rights and interests of employees. The Company has established a comprehensive compensation system that is oriented towards performance and job contribution and takes into account the value of the position, job performance and skill level of employees, and is committed to providing employees with more competitive compensation packages. In addition, every year, the Company appropriately adjusts the salary according to the overall performance, the industry salary level, the social price level, and the results of the employee performance evaluation, taking into account the actual situation and development needs of the Company, so as to maximize the personal value of its employees.

The Company is also committed to providing a wide range of benefits to employees. While ensuring that employees enjoy statutory benefits such as social insurance, provident fund, and paid vacation, the Company provides annual medical examinations, high-end medical insurance programs and various work allowances, and maintains various welfare insurance policies such as accident and critical illness insurance for employees to effectively enhance their happiness and sense of belonging.

Environmental, Social and Governance Report 2022 (Continued)



Annual physical examination



High-end medical insurance plans



Welfare insurance



Overtime allowance



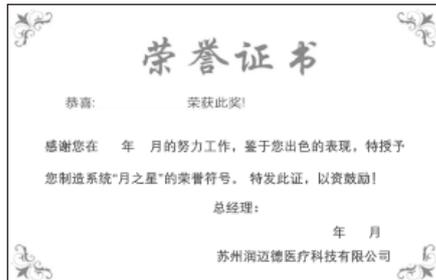
Travel allowance



Talent allowance

Additional benefits (partial)

In addition, the Company focuses on tapping the potential of employees and mobilizing their enthusiasm by formulating the relevant policies and improving the incentive mechanism. Each department of the Company formulates internal incentive policies and pays bonuses to employees who have made outstanding contribution to the Company by putting forward constructive proposals and participating in special projects. It encourages employees to actively participate in its operation and stimulates their potential for innovation in order to realize the common growth and value creation of the Company and employees. The Company also attaches great importance to the recognition of spiritual value of employees. It recognizes employees' contribution and value and gives them a sense of professional honour and accomplishment by holding a variety of outstanding employee selections, issuing honorary certificates of honour, etc.



“Star of the Month” certificate of honour for the production department

Selection of outstanding talents

From January to August 2022, the Company successively organized and carried out employee position and rank determination. During the period, each department nominated outstanding talents through recommendation or self-recommendation. By adhering to the principle of fair and open review, the human resources department arranged the review committee and senior management of the Company to attend the review meeting. 25 outstanding backbone employees were selected and awarded the honorary titles of “Senior Engineer” and “Outstanding Contributor” as a strong recognition for their professionalism and dedication in their respective positions and to motivate all employees to move upward.



Review meeting



Issue of certificates

2. Staff Training and Development

Rainmed put an emphasis on the development of the abilities of employees and the establishment of a sound talent training system. It continues to optimize the development and promotion channels for employees and helps employees to realize their self-worth, in order to enable outstanding talents to stand out.

1) Talent training

Rainmed is well aware that talent training is crucial to its sustainable development. It has formulated and implemented internal systems such as the Training Management System and the Newcomer Mentor System to standardize training management, and established a sound, standardized and systematic staff training system to meet the training needs of employees in different positions in terms of professional fields and business capability development.

Environmental, Social and Governance Report 2022 (Continued)

The Company arranges three types of training courses, being leadership training, personal development plan and new employee training, to provide differentiated training for employees at all levels. By formulating training plans for employees at different stages of development, it aims to selectively improve the position adaptability and competence of employees. To ensure the quality of employee training, during the Year, the Company adopted a dual-channel training method of “offline training supplemented by online training” to maximize the training effectiveness. On the one hand, the Company has established and continuously optimized online learning platforms such as Cloud Class to achieve flexible and convenient employee training. On the other hand, the Company has built a professional team of internal trainers to fully utilize its extensive internal training resources to support the development of all employees. In addition, the Company maintains employee training records to record the development process of employees and provides targeted training programs to employees based on their records to fully realize their personal potential and help employees improve their skills and career development.

Type	Curriculum system	Typical program
Leadership training	Executive leadership EMBA/offline workshop	Leadership workshop
	Training for junior to middle management	New manager training camp
Personal development plan	General skill training courses	Celebrity classroom
	Vocational skills training courses provided based on position requirements/system requirements	Theme training camp
	Product training Business line training Sales line training Technical line training	Case sharing
New employee training	Targeted knowledge and skill training conducted by the departments	Lectures and salons
	Training for employees hired through social recruitment Training for employees hired through campus recruitment	Icebreaker/outreach activities

Staff training system

“Pilot Tour” new manager training camp

From August to November 2022, the Company organized a “Pilot Tour” new manager training camp. A total of 31 new managers received the training. Starting with three areas of business management, team management and self-management, the training camp focused on the efficient execution and implementation of management tasks through centralized teaching, coaching and follow-up and on-the-job practice to develop a unified management language, management culture and management method for the Company, which has effectively helped new managers adapt to new positions and improve their overall management skills.



New manager training camp

Celebrity salon

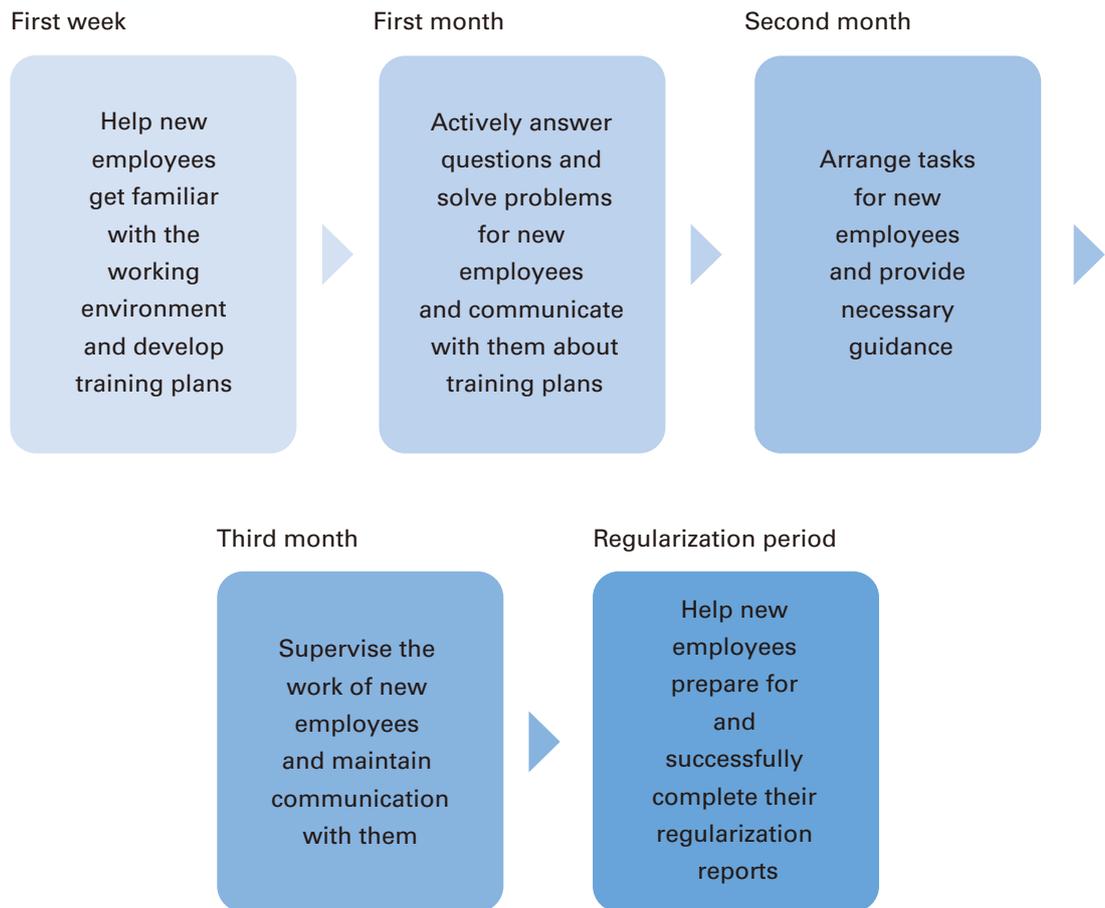


Celebrity salon

In October 2022, the Company held its first celebrity salon, inviting Mr. Liu Kangjian, Vice President and Board Secretary of the Company, to talk about career planning and holding a face-to-face Q&A session to share his valuable experience with employees and help employees better plan for and manage their career.

Environmental, Social and Governance Report 2022 (Continued)

In addition, the Company set up a newcomer mentor program during the Year, developed and implemented the Newcomer Mentor System, under which senior employees provided new employees with one-on-one guidance and training covering work skills, work experience sharing and career development suggestions, aiming to help new employees quickly adapt to the working environment and fit into the team of the Company. In the process of promoting the newcomer mentor project, the core backbone employees of the Company as mentors can also develop their leadership and management skills, which has contributed to the construction of the Company's management echelon and achieved a win-win situation of new employee development, mentor development and organizational development.



Newcomer Mentor Program schedule

In order to ensure the effectiveness of employee training, the Company evaluates and assesses the results of training courses and links the assessment results of trainees directly to their work performance as an important basis for their promotion and position transfer, so as to examine and monitor the learning and mastery of employees. Furthermore, after each training session, the Company summarizes the experience and lessons learned from the training program, and prepares a training result analysis report to continuously optimize the training work.

Environmental, Social and Governance Report 2022 (Continued)

In addition, the Company supports employees in external training and education, encourages employees to improve their professional skills and knowledge on their own time, supports employees in continuing education in management or job-related subjects during their employment, provides reimbursement of training and examination fees and other benefits for employees to obtain professional certificates, and supports employees in improving their academic qualifications and skills.



Employees attending external training

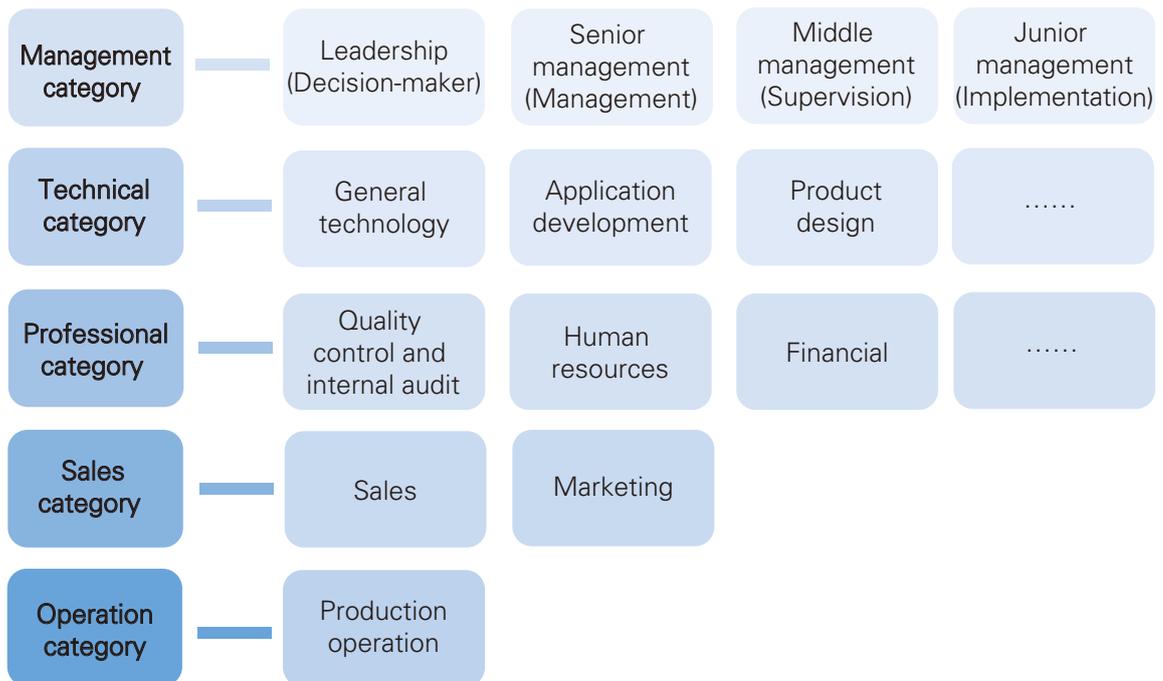
During the Reporting Period, the percentage of trained employees of the Company was 100%, and the average training hours were 16.11 hours. The percentage of trained employees and the average hours of training by gender and rank are as follows:

Breakdown		Percentage of trained employees (%)	Average training hours (hour)
Trained employees by gender	Male	59.31	9.54
	Female	40.69	19.66
Trained employees by rank	Directors and above	4.14	15.89
	Managers and supervisors	17.93	17.62
	General employees	77.93	15.77

2) Promotion and development

Talent development is a source of power for corporate development. Adhering to the purpose of mutual promotion and mutual advancement between employees and the Company, Rainmed has established a sound performance appraisal and promotion system based on internal systems such as the Employee Career Development Management System and the Performance Appraisal System. It also continuously optimizes employee performance appraisal standards, performance appraisal appeal mechanism and promotion process to support the construction of talent echelon in an all-round way.

From the two perspectives of position nature and employee ability difference, the Company has divided its positions and ranks into five categories, and has developed a horizontal multi-channel and vertical multi-grade career development system to provide various talents with a broad space for career development. Besides, the Company continues to optimize career development paths. While choosing career development paths corresponding to their academic background and past experience, employees are also required to select appropriate development paths in other categories according to their own characteristics, forming a dual-path development model to establish a diversified talent pool for the sustainable development of the Company.



Position development system

Environmental, Social and Governance Report 2022 (Continued)

To stimulate the enthusiasm of employees, the Company has established a sound performance appraisal system and assesses the work performance of employees in three areas, being Key Performance Indicators (KPI), work competency and work attitude on a regular basis. The assessment results are linked to their year-end bonuses and salary adjustments and serve as a reference for promotion. The Company has established a complaint handling mechanism. Employees who disagree with the performance appraisal results may submit corresponding evidence and appeal in writing to the human resources department within one week after the appraisal results are delivered. The human resources department will deal with the situation according to the facts to ensure the fairness and reasonableness of the performance appraisal results.

Reference factors for performance appraisal	Key performance indicators (KPI) Three to seven indicators are set, which are generally determined in terms of quantity, quality, timeliness, resources saved and customer feedback and should be specific and measurable;
	Work competency Three to five indicators are set, such as position skills, work execution, problem communication, task feedback speed, flexible response, technical innovation, interpersonal communication and self-regulation;
	Work attitude Three to five indicators are set, such as proactiveness, sense of responsibility, teamwork awareness, learning awareness, discipline awareness and ownership awareness.

3. Staff Health and Safety

Rainmed always puts the health and safety of employees first. In addition to reimbursing the cost of new employees' entry examination and organizing annual health examination for all employees, it also organizes health lectures, first aid training, health awareness month, health awareness competition and other themed activities from time to time to improve employees' health awareness and self-protection ability. In addition, the Company has provided supportive cultural and recreational facilities in the office, such as stationery, sports equipment and books, to help employees achieve a work-life balance and maintain physical and mental health.

Emergency rescue knowledge training



Emergency rescue knowledge training

In June 2022, the Company organized all employees to receive emergency rescue knowledge training. Instructors from the Red Cross were invited to teach employees the theory and practice of cardiopulmonary resuscitation (CPR) and Heimlich maneuvers, helping them to acquire more knowledge and skills for life and safety.

Four seasons wellness activity seminar



Four seasons wellness activity seminar

In November 2022, the Company appointed external medical experts to share health knowledge with employees, covering the mentality toward illness, prevention of common diseases and precautions for medical treatment, tips for health preservation, and interpretation of physical examination reports. A Q&A session was held to help employees develop good health habits and face work and life in the best possible condition.

Environmental, Social and Governance Report 2022 (Continued)

4. Employee Communication and Care

Rainmed listens carefully to the ideas and needs of employees and considers employee communication and care as a key link of team building. By establishing diversified communication channels and carrying out a variety of employee activities, it pursues the well-being of employees, promotes harmonious coexistence among employees, and strives to create a harmonious team atmosphere.

1) Employee communication

The Company always advocates employee participation and democratic communication and strives to create an equal, transparent, and trustworthy communication environment. It has established a variety of communication channels for employees and listens to their voices to effectively solve their problems. In the meantime, the Company regularly organizes cross-department communication and conflict management training to strengthen the communication ability of employees.

	Employees can express their opinions through various channels such as official WeChat account, mailbox and bulletin board.
	The Company has set up a labour union and holds employee representative meetings on a regular basis to discuss important issues such as welfare system, community activities and labour union planning.
	Newcomer mentors communicate with new employees from time to time to understand the integration of new employees into the Company and the team and provide help and guidance when necessary.

Channels for communication with employees

Cross-department communication and conflict management training



Group photo of cross-department communication and conflict management training

In October 2022, the Company organized a cross-department communication and conflict management training with the theme of “communication starts from the heart”, with a total of 40 employees participating. During the training, the methods and skills of effective communication and conflict management were shared, which effectively improved the employees’ communication and conflict management skills. After the training, the Company collected employee feedback in the form of questionnaires, and formulated improvement plans accordingly to continuously optimize the content of employee communication training.

In order to better listen to the voices of employees, during the Reporting Period, the Company conducted several satisfaction surveys on training satisfaction, welfare satisfaction, and newcomer mentor project satisfaction among employees to understand the needs and suggestions of employees in the form of questionnaires. Based on the survey results, targeted measures were taken to continuously improve the Company’s deficiencies in employee management, which received high recognition and good feedback from employees.

Environmental, Social and Governance Report 2022 (Continued)

2) Employee care

Rainmed adheres to the concept of “happy work, happy life” and advocates a balance between work and life for employees. Every year, the Company organizes various departments to carry out team building, group trips, festival celebrations, and other colorful cultural and sports activities, and adopts a series of employee care measures to allow employees to relax after work and enhance their sense of happiness and belonging.



Kung Fu tea, drinks, snacks and fruit are always available in public areas such as the tea break area for employees.



Cultural and recreational supplies are replenished from time to time so that employees can relax during work breaks.



The books on the bookshelf in the public areas are changed from time to time and are always available for employees to read for leisure and learning.



Birthdays, marriages and childbirths of employees are recognized with appropriate gifts.

Employee care measures

The 4th “Nano Cup” Basketball League



Group photo of “Nano Cup” Basketball League

From October to November 2022, the Company organized employees to participate in the 4th “Nano Cup” Basketball League at Nanopolis Suzhou. After going through the group stage — preliminaries — semifinals — finals, they finally finished as the runner-up. Participation in sports events enriched the employees’ leisure time. Working closely together in daily training and competition on the field further reduced the distance between employees and strengthened team friendship and cohesion.

Dragon Boat Festival celebration



Dragon Boat Festival gifts

In June 2022, the Company held a Dragon Boat Festival celebration. Mini games such as ring throwing and shuttlecock kicking were arranged to attract employees to participate in innovative activities and enrich their cultural life. The Company also distributed Dragon Boat Festival gift boxes to employees so that they could feel the warmth during the festival.

VIII. ENVIRONMENT RESPONSIBILITY: PRODUCTION SAFETY AND GREEN DEVELOPMENT

Rainmed has always strictly adhered to the bottom line of production safety and the concept of green development, and has implemented Environmental, Health and Safety (“EHS”) management measures in accordance with the requirements of laws, regulations and relevant policies. The Company has established a sound EHS management mechanism, and continuously improved production safety management measures to provide a safe working environment for employees. In addition, Rainmed earnestly fulfilled its environmental protection responsibilities and explored diversified energy conservation and emission reduction measures to actively respond to the risks of climate change and steadily move toward low-carbon development.

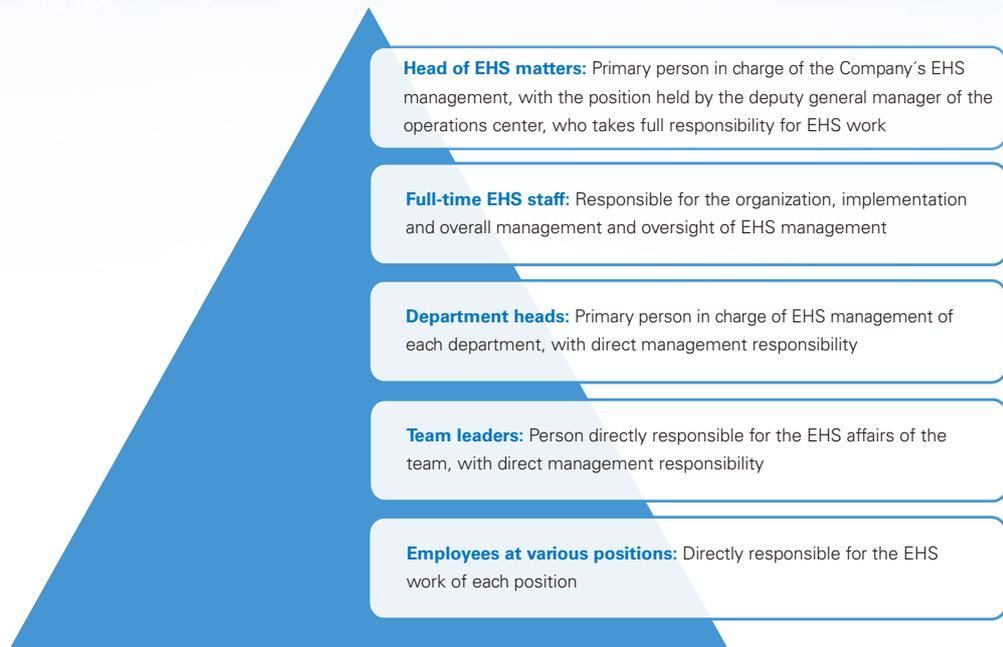
1. EHS Management Mechanism

Rainmed strictly complies with the Environmental Protection Law of the PRC, the Occupational Disease Prevention and Control Law of the PRC, the Work Safety Law of the PRC and other laws and regulations. It has formulated and implemented internal systems, such as the Production Safety Responsibility System and the Environmental Management and Protection System, to strengthen risk control throughout the EHS process and continuously improve the development of the EHS management system.

Rainmed regards EHS management as a long-term and comprehensive task. It has implemented the policy of “safety first, prevention first, comprehensive management” and developed a scientific and comprehensive EHS concept. Adhering to the principle of “whoever is in charge is responsible”, it has implemented an all-staff, all-round, and whole-process EHS management and established a top-down EHS responsibility system with level-by-level implementation.

The Company has full-time EHS staff that plan, establish and make adjustments for its general environmental, safety and health management related matters, are responsible for daily EHS management, supervision and inspection, and organize all employees to conduct EHS education, training and evaluation of the Company.

Environmental, Social and Governance Report 2022 (Continued)



EHS management structure

EHS responsibilities

- Organize the formulation and revision of the Company's EHS management system, and promote the basic policies, objectives and annual plans for EHS;
- Conduct company-wide EHS education, and organize EHS training and assessment;
- Implement the environmental management work plan, and supervise the implementation of environmental protection work by various departments;
- Conduct prevention and control of occupational diseases in accordance with national regulations, provide regular medical examinations for employees engaged in toxic and hazardous work, and conduct promotion and education to prevent employee illness, occupational poisoning, and heat stroke.

During the Year, the Company appointed a third-party professional organization to conduct comprehensive environmental, safety and health inspections for the relocation and operation of its plant. Through a series of procedures such as site inspection, research and relevant data collection, the results showed that the Company's production facilities comply with the requirements of the EHS laws and regulations of the PRC. In addition, the Company regularly conducts internal audits of EHS-related operations and, based on the results of the audit feedback, makes targeted suggestions for improvement and measures to address existing deficiencies in its EHS management in order to further optimize EHS management.

Environmental, Social and Governance Report 2022 (Continued)

Environment	Safety	Occupational Health
<ul style="list-style-type: none">Wastewater monitoring, exhaust gas monitoring, noise monitoring, solid waste monitoring;Pollution control measures.	<ul style="list-style-type: none">Identification and analysis of dangerous and hazardous factors;Analysis of the safety conditions of construction projects;Safety measures and suggestions.	<ul style="list-style-type: none">Occupational health survey;Identification, analysis and detection of occupational disease hazards;Suggestions and measures for occupational disease hazards control.

Main contents of EHS audit

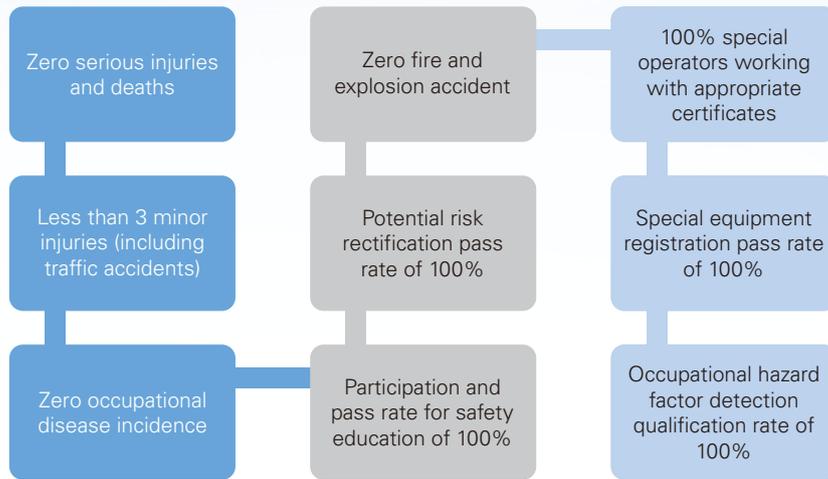
2. Production Safety Management

Ensuring the safety and health of employees is a top priority in a company's production and operations activities. The Company has strengthened production safety management through measures such as ensuring safe construction operations, conducting safety training plans, and organizing emergency drills to effectively ensure the safety and health of employees.

1) Production and construction safety

Rainmed has always put production safety at the top of its operations and management. It has established a production safety committee that is responsible for production safety management. The Company entered into the Letters of Commitment to Production Safety Objectives for 2022 with each department and team employee, setting out nine safety objectives and breaking down the production safety responsibility objectives to all employees level by level to implement production safety responsibility, which has enabled the combination of "rights, responsibilities and benefits" to ensure smooth production safety work.

Environmental, Social and Governance Report 2022 (Continued)



Production safety objectives

In light of these production safety objectives, the Company has applied for production safety qualification certificates in strict compliance with the relevant laws and regulations to ensure that special operators have appropriate operating certificates and that special equipment such as pressure vessels, safety valves and pressure gauges are registered and qualified, so as to ensure the safety of production facilities and equipment for operators. In addition, the Company has implemented comprehensive and diversified production safety management measures to ensure the safety of the production process in a comprehensive manner. During the Reporting Period, the Company had no lost working hours due to work-related injuries, and had no work-related injuries in the past three years.



Production safety management measures

“Educational Tip” safety cards

In order to avoid human operating errors, the Company’s production department has produced “Educational Tip” safety cards, which show operating errors and correct examples through comics, and posted them at relevant operating stations to remind employees of correct operation, thereby effectively preventing repeated operating errors and ensuring a more standardized and safer operating process.



“Educational Tip” safety cards

In addition, in order to enhance employees’ initiative and awareness of production safety, the Company has formulated the Management Regulations on Performance Appraisal of Operation Posts, which incorporates production safety factors into performance appraisal management and sets production safety KPI requirements for employees holding operational positions in the production and manufacturing department. The results of performance appraisals are linked to performance bonuses, salary adjustments, promotions, and training, and employees with outstanding performance are given opportunities for promotions, salary increases, and external training. As a result, employees are encouraged to improve their own safety awareness and implement safety protection measures.

Environmental, Social and Governance Report 2022 (Continued)

 <p>Bonus points: Raise concerns of safety hazards; Solve safety hazards; Actively remind other colleagues of or dissuade their unsafe behaviours.</p>	 <p>Deduction points: Employees fail to use labour protection appliances correctly as required; Operate in violation of safety rules; Block, occupy or misappropriate fire-fighting equipment etc.; Other violations of safety-related regulations and common sense.</p>
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Contents of production safety performance appraisal for employees

For operations with significant safety risks, the Company has formulated the Safety Management System for Hazardous Operations to carry out strict management and control, and sets requirements for the process before, during and after operation for hazardous operations scenarios such as hot work, confined space operation, and high-altitude equipment inspection and maintenance operations, in order to ensure the safety of construction operations and improve the Company's safety operation management.

Before operation	<ul style="list-style-type: none"> Identify potential hazards and risk factors at the work site and during the work process and develop appropriate safety measures; Provide safety training to the personnel involved in the operation; Perform safety inspections of equipment, facilities, tools, etc. involved in the operation.
During operation	<ul style="list-style-type: none"> Persons entering the work area must follow the safe operating procedures for such work and properly wear personal protective equipment as required; If a failure occurs in the production equipment that may endanger the safety of the operators, the operators shall stop the operation and evacuate quickly, and the operating unit shall immediately notify the production unit.
After operation	<ul style="list-style-type: none"> Restore the safe use functions of safety devices removed during operation, such as cover plates, grate plates, handrails, railings, protective covers; Evacuate tools and instruments, scaffolding, temporary power supply and temporary lighting equipment for operation from the site in a timely manner; Clean up trash, debris, garbage, oil, etc.

Hazardous operations management measures

Environmental, Social and Governance Report 2022 (Continued)

In addition, to further standardize construction safety management, the Company requires external construction units to sign the External Unit Construction Safety Agreement, which specifies the safety responsibilities and obligations of external construction units and strictly controls their production safety management, production safety equipment, safety protection equipment and use of hazardous materials, so as to effectively protect the personal safety of construction workers and prevent construction accidents.

2) Safety training and emergency drills

Safety training and emergency drills are an important way to strengthen employees' awareness of production safety. Rainmed actively conducts a variety of content-rich safety education and training activities, continuously optimizes the emergency rescue plan, and conducts emergency drills to improve employees' ability to apply production safety skills and strengthen production and operational safety management.

Safety training activities

In order to strengthen employees' awareness of safety responsibilities, the Company organized a series of safety training activities in 2022 to promote employees' production safety knowledge and safety protection skills, with the aim of enabling all employees to grasp the safety concept of "I want to be safe, I understand how to be safe, I can be safe, I must be safe, I will be safe". It also conducted safety education and training for related parties and worked with partners to build a safe production line.

Environmental, Social and Governance Report 2022 (Continued)

Key safety education and training activities during the Year	Safety education and training before the Spring Festival
	Training for production safety knowledge and safety awareness promotion
	Watch and learn from the feature film “Life is more important than Mount Tai” in the month of production safety
	Fire safety awareness training for all employees
	Training for hazard identification, risk assessment, risk control
	Purchase, use and storage management of hazardous chemicals
	Whole process training for hazardous waste operations
	Safety management training for outsourced special operations
	Safety education and training for related parties

Training for production safety knowledge and safety awareness promotion



Training for production safety knowledge and safety awareness promotion

In September 2022, the Company organized training activities to promote safety awareness, including promoting safety awareness, introducing safety knowledge, sharing safety regulations, identifying dangerous situations, handling safety hazards, etc. A total of 19 employees participated in the training, with a 100% pass rate. It has effectively expanded employees’ knowledge of production safety, improved their skills in dealing with safety hazards, and encouraged employees to integrate their awareness of safety responsibility into every link of production.

Fire safety awareness training for all employees



Fire safety awareness training for all employees

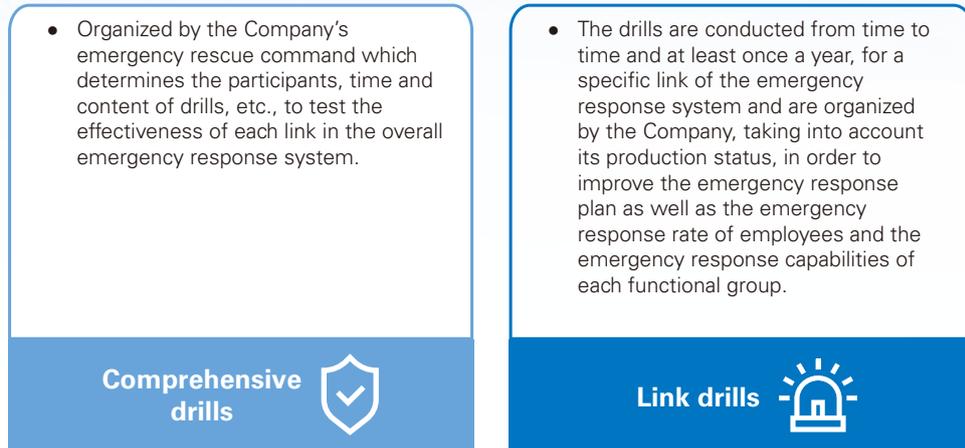
In November 2022, the Company conducted a fire safety awareness training activity for all employees. By explaining the basics of fire and the requirements of fire safety regulations, as well as reviewing fire incidents in the surrounding areas and typical cases of fire incidents and explosions in previous years, employees' fire safety awareness and their ability to respond to sudden fires were improved, thereby ensuring the Company's fire safety.

Moreover, the Company actively encourages employees to participate in external EHS training, such as occupational health management knowledge training and occupational health management personnel training, and to obtain relevant certificates to further improve employees' safety knowledge and practical skills.

Safety emergency drills

Rainmed strictly implements internal systems such as the Emergency Rescue and Management System for Occupational Disease Hazards, the Special Emergency Plan for Occupational Disease Hazard Accidents and the Emergency Plan for Chemical Leakage. It has established an emergency rescue command, headed by the deputy general manager of the operations center and composed of various departments of the operations center, to manage its emergency rescue work, the responsibilities of which include but are not limited to formulating safety emergency rescue plans, emergency training plans and emergency drill plans, etc. The Company also continues to strengthen employees' ability to handle safety emergencies by continuously improving emergency rescue facilities and equipment reserves. During the Year, the Company organized a total of three safety drills, with 255 participants.

Environmental, Social and Governance Report 2022 (Continued)



Emergency drill plan

3. Environment Management

Rainmed follows the green development concept of harmonious coexistence between man and nature. It strictly complies with the laws and regulations including the Law of the PRC on the Prevention and Control of Environmental Noise Pollution, the Law of the PRC on the Prevention and Control of Atmospheric Pollution, the Law of the PRC on the Prevention and Control of Water Pollution, and the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste. It has formulated and implemented internal systems such as the Environmental Management and Protection System, and actively fulfills its obligations to protect the environment. The Company's full-time EHS staff has established a management structure for environmental protection work that defines responsibilities at each level to ensure the effective operation of the environmental management system. In addition, by constantly optimizing energy conservation and emission reduction measures, improving the manufacturing process and reducing the consumption of raw materials, the Company is committed to reducing the negative impact of its operations on the ecological environment and striving for synchronous growth of environmental, social, and economic benefits.

1) Emissions management

The company has clearly defined its emissions management goals that meet the requirements of the locations in which it operates and ensures that the appropriate qualifications have been obtained for all projects in which the Company is involved that require a pollution discharge permit or pollution discharge registration. On the basis of ensuring the compliant and proper handling of emissions, the Company has taken efficient and scientific management measures to minimize the generation of emissions and achieve green environmental protection in the production and operation process.

Environmental, Social and Governance Report 2022 (Continued)

Exhaust gas management

The exhaust gases emitted by the Company are mainly organic fumes generated during material disinfection, assembly workshop disinfection, experiments, chemical storage, and welding fumes, all of which are treated with activated carbon devices or mobile fume scrubbers to meet standards prior to emission and are monitored annually by qualified monitoring organizations appointed by full-time EHS staff.

Wastewater management

The wastewater generated by the Company is mainly domestic wastewater, concentrated water produced from purified water, and cleaning wastewater. After complying with the relevant discharge standards, they are discharged to the sewage treatment plant in the industrial park via the municipal sewage system, treated centrally by the sewage treatment plant in the industrial park, and monitored annually by qualified monitoring organizations appointed by full-time EHS staff.

Waste management

In accordance with the principles and target of waste management of “recycle, reduce and render harmless”, Rainmed has formulated and implemented internal systems including the Hazardous Waste Management System and the Operating Instructions for Hazardous Waste Temporary Storage Room Management, and strictly implements the collection, temporary storage, treatment and comprehensive utilization of various wastes in the production process. In addition, the Company’s full-time EHS staff is responsible for preparing annual plans and reports on pollutant and waste management, and submitting them to the relevant environmental authority for review.

The Company’s non-hazardous waste includes general industrial solid waste and domestic waste. General industrial solid waste is collected and treated by a qualified third party contracted by the supply chain department; domestic waste is collected by the administrative department and handed over to the sanitation department for regular disposal.

The Company’s hazardous wastes consist primarily of medical wastes such as test fluid waste, laboratory cleaning waste water, and waste packaging containers, as well as waste activated carbon generated during emission reduction activities. For hazardous waste, each division of the Company has established an organizational system for hazardous waste disposal management, appointed specialists responsible for hazardous waste disposal and management, and accepted the guidance and supervision of EHS to ensure legal compliance of hazardous waste discharge.

Noise management

The noise source of the Company is mainly the noise generated by the operation of production equipment. By taking measures such as low-noise equipment, workshop sound insulation and vibration reduction, distance attenuation, and planting greenery in the factory area, the noise at the factory boundary can meet the requirements of the Emission Standard for Industrial Enterprises Noise at Boundary and achieve emissions as required by the standards.

2) Energy and resource management

Rainmed continues to optimize energy and resource management and complies with laws and regulations such as the Law of the PRC on Energy Conservation. Through measures such as improving energy conservation and emission reduction measures, optimizing systematic water use methods, recycling packaging materials, and improving resource utilization while gradually reducing energy consumption, it is committed to building a resource-saving company.

Energy conservation and emission reduction

Energy utilization and conservation is the core of energy management. The Company has established an energy management leading group to centrally manage and coordinate energy-related matters, set the energy management target of “rational use of energy, reduction of energy waste, and reduction of energy consumption costs”, and formulated the energy management implementation plan in accordance with this goal to ensure the scientific and efficient implementation of energy conservation and emission reduction.

Focusing on its energy management goals, the Company digitally monitors energy-consuming equipment, carries out energy-saving renovation and maintenance of energy-consuming facilities and equipment, strengthens energy conservation and consumption reduction in office areas, and takes various measures to improve energy use efficiency.

Independent metering of large energy-consuming equipment

- Separate meters are installed for large energy-consuming equipment to check the operation and energy consumption of such equipment and to compare and analyze the energy consumption with that of the same period and to make timely adjustments in case of any abnormality, so as to avoid the increase in energy consumption caused by the failure of large energy-consuming equipment.

Strengthen electrical equipment maintenance

- The maintenance of electrical equipment is strengthened for timely maintenance to eliminate the heat caused by poor wire connections and line leakage, save energy while ensuring the safety of power supply.

Reasonably adjust the operation of air conditioning system

- The operation parameters and operation time of the central air conditioners are adjusted according to the outdoor temperature to maintain reasonable control over the inlet and outlet temperatures of the cooling water and chilled water, and to reduce the operating load of the cooling unit to reduce energy consumption;
- After the chiller mainframe is shut down, the chilled water recirculation system continues to circulate for 30–60 minutes to improve the efficiency of chilled water usage.

Establish proper equipment operating practices

- Correct and detailed operating instructions are developed for each piece of equipment in each workshop, which can not only extend the service life of the equipment, but also reduce the energy loss and effectively prevent the problems of idling and “sick use” of the equipment.

Specify lighting brightness

- Indoor lighting standards and light switch systems are developed for different areas to achieve power savings while meeting the needs of the office.

Reduce standby time of office equipment

- Office equipment such as computers, printers, copiers, and water fountains are turned off when not in use.

Reduce use of elevators

- The Company actively encourages multiple employees to travel together or “use the stairs to go to the next level up and the next two levels down”, and reduces energy consumption by reducing the use of elevators.

Energy conservation and emission reduction measures

Environmental, Social and Governance Report 2022 (Continued)

In addition, the Company actively promotes the concept of energy conservation and emission reduction, and places energy conservation and low-carbon promotional materials in office areas to encourage employees to reduce consumption of resources and energy and to raise awareness of energy conservation. The Company also conducts extensive energy conservation training and organizes employees to study laws and regulations such as the Law of the PRC on Energy Conservation, the Law of the PRC on the Promotion of Circular Economy and the Energy Conservation Supervision Regulations as well as the Company's internal energy conservation system. It encourages employees to make reasonable suggestions on energy conservation and emission reduction, and gives honorary recognition and bonus incentives to employees who pay attention to energy conservation in their work or make practical suggestions on energy conservation, so as to mobilize employees to participate in energy conservation and emission reduction and encourage their energy-saving and innovative practices.



Energy-saving signs in the office

Saving water resources

Rainmed is an advocate of water conservation and strives to continuously improve the efficiency of water use throughout its production and office processes. The Company continues to optimize its green production measures and has optimized and upgraded its water usage system during the Year to achieve reuse of concentrated water in production operations. In addition, the Company has installed water-saving faucets in the office to encourage employees to adopt a water-saving lifestyle and actively improve water use and reduce water waste. During the Year, all of the water used by the Company is municipal water, and it has not experienced any issue in sourcing water that is fit for purpose.

Environmental, Social and Governance Report 2022 (Continued)

Water pipe renovation project

- In the purified water system, the secondary reverse osmosis (RO) concentrated water pipes and electrodeionization (EDI) water purification technology concentrated water pipes are connected to the original tank for continuous use, to achieve concentrated water reuse and annual water savings of approximately 300 tonnes, with a water saving rate of approximately 25%.

Use water-saving faucets

- Sensor-activated or low-flow water-saving faucets are installed in public restrooms to properly control water flow;
- Water nozzles are installed at the outlet of water pipes for washing (such as water pipes for washing vehicles and garbage bins) to realize water conservation by turning on and off as needed.

Change the way of drinking water

- Drinking water for offices is centrally boiled to reduce the amount of bottled water used;
- The Company provides potable water at conferences, provides water fountains, and encourages attendees to bring their own drinking utensils to consume water as needed.

Water saving measures

Green packaging

The packaging materials used by the Company in production and operation are mainly paper packaging materials, and the Company is committed to promoting the recycling of packaging materials by taking full account of the recyclability of packaging materials. In addition, priority is given to environmentally friendly packaging materials that have passed RoHS certification in order to minimize the negative impact of product packaging materials on the ecological environment.

3) Respond to climate change

Reducing greenhouse gas emissions and actively addressing climate change has become a social consensus. In response to the national goal of "carbon peaking and carbon neutrality", Rainmed actively identifies the risks of climate change and takes diversified initiatives to mitigate the progress of climate change, thereby contributing its own strength to respond to climate change.

The Company has been monitoring climate risks and impacts arising from its production and operations and has identified climate change issues that may have a significant impact on the Company in two areas: physical risks and transition risks. Physical risks include, but are not limited to, the risk of water and power outages or equipment damage due to heavy rains, typhoons and earthquakes, which can impact R&D, production and schedules. Transition risks include, but are not limited to, policy risks related to carbon emissions. During the Reporting Period, the Company has not experienced any significant impact from climate change or extreme weather conditions on its business operations or financial performance.

Environmental, Social and Governance Report 2022 (Continued)

The Company also adopts a number of initiatives to actively respond to climate change:

<p>Use of new energy</p>		<ul style="list-style-type: none"> It plans to install photovoltaic power generation project on the building roof to introduce new energy power and optimize its energy consumption structure.
<p>Green storage and transportation</p>		<ul style="list-style-type: none"> In the warehouse, only 1/3 of the air conditioners are turned on in the winter, and the air conditioning temperature is set at 27°C in the summer; The Company plans to use new energy vehicles for short-haul logistics.
<p>Green office</p>		<ul style="list-style-type: none"> The Company promotes the concept of green office and encourages employees to develop the energy-saving habit of turning off lights when not in use and adjusting the temperature of air conditioners in the office to reduce energy consumption and carbon emissions.

Measures to respond to climate change



Rooftop photovoltaic power panels (planned)

IX. SOCIAL RESPONSIBILITY: DEVOTED TO PUBLIC WELFARE AND GIVE BACK TO SOCIETY

Since its inception, Rainmed has been actively involved in social welfare activities, striving to use its influence and resources to bring health and care to the places where it is most needed. The Company has always taken the protection of people's health as its core strategic position and has continued to promote inclusive medical care, while encouraging employees to actively participate in public welfare activities, thus creating a good atmosphere in which everyone cares about and supports public welfare.

1. Inclusive Medical Care

As a listed medical device company, Rainmed actively responds to the outline of the "Healthy China 2030" initiative and pays close attention to people's demand for medical care and the demand for equipment in primary medical institutions. Over the years, it has persistently used its professional strengths to help improve the accessibility and availability of medical equipment products and strive to promote the balance of medical resources.

Develop surgical robots to improve medical care

- The Company is committed to developing the world's leading vascular interventional surgical robot, and will gradually build an "unmanned operating room" in the future to achieve automation and standardization of surgical operations, thereby significantly improving the medical care in small and medium-sized cities, helping to solve the problem of uneven distribution of physicians and patients in China, and providing better medical services for patients with coronary artery disease.

Actively respond to national fiscal policies to promote the homogenization of treatment levels across regions

- As a domestic independent innovation enterprise that has entered the special approval channel of the National Medical Products Administration for innovative medical devices many times, the Company actively responds to the favourable policy of financial subsidies to support hospital loans for medical equipment upgrading, and provides medical institutions at all levels with a safer, more efficient, more convenient and more accurate integrated vascular disease treatment solutions, so as to enable precision medicine to cover the whole process of diagnosis and treatment of vascular diseases, to meet the needs of hospital upgrading and transformation, and to jointly promote the creation of a benign medical ecology.

Establish a medical training center to promote the development of precision medical care

- The Company has established a caFFR training center to train young physicians and technicians who can perform percutaneous coronary intervention (PCI) procedures. It is committed to disseminating the latest academic knowledge and promoting continuing education as a way to improve the level of homogeneity of PCI treatment and the quality of service of hospitals at all levels. The establishment of the training center will contribute to the implementation of caFFR System in hospitals, so that advanced scientific research results can be widely used by physicians and patients to promote public health.

2. Social Welfare

As a responsible corporate citizen, Rainmed actively participates in social welfare activities and responsibly gives back to the society. During the COVID-19 outbreak, the Company responded to the national call to actively carry out epidemic prevention and control, and organized epidemic prevention and anti-epidemic material donation activities to protect public health.

Fulfill corporate responsibility by fighting the epidemic

In 2022, the Company donated 12,000 tablets of Ibuprofen and 2,400 tablets of Loxoprofen through the Suzhou Industrial Park Charity Federation to support epidemic prevention and control and public health.



Donation certificate

In the future, the Company will establish and improve internal donation review procedures in accordance with the Law of the PRC on Public Welfare Donations and other laws and regulations, improve the public welfare system, and effectively fulfill its social responsibilities. In addition, the Company plans to work with its public welfare partners to carry out public welfare activities in areas such as educational support, health care, and cultural development, in order to effectively help groups in need and convey love and warmth.

APPENDIX I: KEY PERFORMANCE INDICATORS IN 2022

Key Environmental Performance Indicators

ESG indicator	Unit	Value
A1.1 The types of emissions and respective emissions data¹		
Nitrogen oxide (NOx) emissions	kg	2.60
Sulfur oxide (SOx) emissions	kg	0.05
Particulate matter (PM) emissions	kg	0.19
Volatile organic compounds (VOCs) emissions	kg	30.00
A1.2 Direct and energy indirect greenhouse gas emissions²		
Total greenhouse gas emissions	tonne of carbon dioxide equivalent	741.95
Greenhouse gas emissions (scope 1)	tonne of carbon dioxide equivalent	9.38
Greenhouse gas emissions (scope 2)	tonne of carbon dioxide equivalent	732.57
A1.3 Total hazardous waste generated³	tonne	1.73
A1.4 Total non-hazardous waste generated⁴	tonne	12.36
A2.1 Total direct and indirect energy consumption and intensity by type		
Total energy consumption	MWh	1,233.24
Energy consumption intensity	MWh/revenue of RMB1,000	0.01
Direct energy consumption⁵	MWh	32.51
Gasoline consumption	MWh	32.51
Indirect energy consumption	MWh	1,200.73
Electricity consumption	MWh	1,200.73
A2.2 Total water consumption and intensity		
Total water consumption	m ³	3,477.00
Total water consumption intensity	m ³ /revenue of RMB1,000	0.04
A2.5 Total packaging material used for finished products⁶	tonne	5.64

Environmental, Social and Governance Report 2022 (Continued)

Description of key environmental performance indicators:

The coverage period of data collected is from January 1, 2022 to December 31, 2022. The environmental data collection covers the entire office and production areas of Rainmed.

1. Volatile organic compounds (VOCs) emissions are primarily generated during the product manufacturing process. Emissions of nitrogen oxides, sulfur oxides and particulate matter are primarily caused by the use of gasoline in company vehicles, with emission factors based on the Reporting Guidance on Environmental KPIs issued by the Stock Exchange;
2. Total greenhouse gas emissions include direct greenhouse gas emissions and indirect greenhouse gas emissions. Direct greenhouse gas emissions are primarily caused by the use of gasoline in company vehicles, and indirect greenhouse gas emissions are primarily caused by the use of purchased electricity. The emission factors are based on the Reporting Guidance on Environmental KPIs issued by the Stock Exchange;
3. Hazardous waste is primarily medical waste;
4. Non-hazardous waste is primarily office paper;
5. Direct energy consumption represents the direct consumption caused by the use of gasoline in company vehicles. The direct energy calorific value coefficients are based on the Guidelines for Accounting and Reporting Greenhouse Gas Emissions of Enterprises in Other Industries (for Trial Implementation) issued by the National Development and Reform Commission in 2015;
6. The packaging materials used for finished products are mainly cardboard, plastic and wood products.

Environmental, Social and Governance Report 2022 (Continued)

Key Social Performance Indicators

ESG indicator		Unit	Value
B1 Employment			
B1.1 Total workforce by gender, employment type, age group and geographical region			
Total number of employees		person	435
By gender	Male	person	258
	Female	person	177
By age group	30 and below	person	210
	31–50	person	222
	Over 50	person	3
By rank	Directors and above	person	18
	Managers and supervisors	person	78
	General employees	person	339
By geographical region	Mainland China	person	435
Number of employees by educational background	Doctoral degree	person	7
	Master's degree	person	49
	Bachelor's degree	person	231
	Associate degree and below	person	148
B1.2 Employee turnover rate by gender, rank, age group and geographical region			
Total turnover rate		%	17.01
By gender	Male	%	16.67
	Female	%	17.51
By age group	30 and below	%	16.67
	31–50	%	17.57
	Over 50	%	0

Environmental, Social and Governance Report 2022 (Continued)

ESG indicator		Unit	Value
By rank	Directors and above	%	5.56
	Managers and supervisors	%	2.56
	General employees	%	20.94
By geographical region	Mainland China	%	17.01
B2 Health and Safety			
B2.1 Number of work-related fatalities			
2022		person	0
2021		person	0
2020		person	0
B2.2 Lost days due to work injury			
Lost days due to work injury		day	0
B2.3 Number of annual employee health check-ups			
2022		person	435
B3 Development and Training			
B3.1 Percentage of employees trained by gender and employment category			
By gender	Male	%	59.31
	Female	%	40.69
By rank	Directors and above	%	4.14
	Managers and supervisors	%	17.93
	General employees	%	77.93

Environmental, Social and Governance Report 2022 (Continued)

ESG indicator		Unit	Value
B3.2 Average training hours of employees trained by gender and employment category			
By gender	Male	hour	9.54
	Female	hour	19.66
By rank	Directors and above	hour	15.89
	Managers and supervisors	hour	17.62
	General employees	hour	15.77
B5 Supplier Management			
B5.1 Number of suppliers by geographical region			
Geographical region	South China	N/A	12
	East China	N/A	38
	North China	N/A	2
	Overseas	N/A	4
B6 Product Responsibility			
B6.2 Number of products and service related complaints received			
Number of complaints received		times	2
Number of customer complaints handled		times	2
B7 Anti-corruption			
B7.1 Number of concluded legal cases regarding corrupt practices and the outcomes of the cases			
Number of concluded legal cases regarding corrupt practices		case	0
B7.3 Anti-corruption training provided to directors and employees			
Number of persons trained	Directors	person-time	9
	Employees	person-time	426
Number of training hours	Directors	hour	18
	Employees	hour	852

APPENDIX II: CONTENT INDEX OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE BY THE STOCK EXCHANGE

ESG indicator		Disclosure status	Corresponding section
A1 General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to exhaust and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Disclosed	VIII. Environment Responsibility: Production Safety and Green Development
A1.1	The types of emissions and respective emissions data.	Disclosed	VIII. Environment Responsibility: Production Safety and Green Development Appendix I: Key Environmental Performance Indicators
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in tonnes and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	Appendix I: Key Environmental Performance Indicators
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	Appendix I: Key Environmental Performance Indicators
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	Appendix I: Key Environmental Performance Indicators
A1.5	Description of emissions target(s) set and steps taken to achieve them.	Disclosed	VIII. Environment Responsibility: Production Safety and Green Development
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Disclosed	VIII. Environment Responsibility: Production Safety and Green Development

Environmental, Social and Governance Report 2022 (Continued)

ESG indicator		Disclosure status	Corresponding section
A2 General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Disclosed	VIII. Environment Responsibility: Production Safety and Green Development
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Disclosed	Appendix I: Key Environmental Performance Indicators
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Disclosed	Appendix I: Key Environmental Performance Indicators
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Disclosed	VIII. Environment Responsibility: Production Safety and Green Development
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Disclosed	VIII. Environment Responsibility: Production Safety and Green Development
A2.5	Total packaging materials used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Disclosed	Appendix I: Key Environmental Performance Indicators
A3 General Disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	Disclosed	VIII. Environment Responsibility: Production Safety and Green Development
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Disclosed	VIII. Environment Responsibility: Production Safety and Green Development
A4 General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Disclosed	VIII. Environment Responsibility: Production Safety and Green Development
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Disclosed	VIII. Environment Responsibility: Production Safety and Green Development

Environmental, Social and Governance Report 2022 (Continued)

ESG indicator		Disclosure status	Corresponding section
B1 General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Disclosed	VII. Employee Responsibility: Gather Talents with a People-oriented Mind
B1.1	Total workforce by gender, employment type (for example, full or part time), age group and geographical region.	Disclosed	VII. Employee Responsibility: Gather Talents with a People-oriented Mind Appendix I: Key Social Performance Indicators
B1.2	Employee turnover rate by gender, age group and geographical region.	Disclosed	VII. Employee Responsibility: Gather Talents with a People-oriented Mind Appendix I: Key Social Performance Indicators
B2 General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Disclosed	VIII. Environment Responsibility: Production Safety and Green Development
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Disclosed	Appendix I: Key Social Performance Indicators
B2.2	Lost days due to work injury.	Disclosed	Appendix I: Key Social Performance Indicators
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Disclosed	VIII. Environment Responsibility: Production Safety and Green Development Appendix I: Key Social Performance Indicators

Environmental, Social and Governance Report 2022 (Continued)

ESG indicator		Disclosure status	Corresponding section
B3 General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Disclosed	VII. Employee Responsibility: Gather Talents with a People-oriented Mind
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Disclosed	VII. Employee Responsibility: Gather Talents with a People-oriented Mind Appendix I: Key Social Performance Indicators
B3.2	The average training hours completed per employee by gender and employee category.	Disclosed	VII. Employee Responsibility: Gather Talents with a People-oriented Mind Appendix I: Key Social Performance Indicators
B4 General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Disclosed	VII. Employee Responsibility: Gather Talents with a People-oriented Mind
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Disclosed	VII. Employee Responsibility: Gather Talents with a People-oriented Mind
B4.2	Description of steps taken to eliminate such practices when discovered.	Disclosed	VII. Employee Responsibility: Gather Talents with a People-oriented Mind
B5 General Disclosure	Policies on managing environmental and social risks of the supply chain.	Disclosed	VI. Partner Responsibility: Work Together to Make Progress

Environmental, Social and Governance Report 2022 (Continued)

ESG indicator		Disclosure status	Corresponding section
B5.1	Number of suppliers by geographical region.	Disclosed	VI. Partner Responsibility: Work Together to Make Progress Appendix I: Key Social Performance Indicators
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Disclosed	VI. Partner Responsibility: Work Together to Make Progress
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Disclosed	VI. Partner Responsibility: Work Together to Make Progress
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Disclosed	VI. Partner Responsibility: Work Together to Make Progress
B6 General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Disclosed	IV. Product Responsibility: Innovation-driven, Quality Service V. Operation Responsibility: Compliant Operations, Ethics First
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Disclosed	IV. Product Responsibility: Innovation-driven, Quality Service
B6.2	Number of products and service related complaints received and how they are dealt with.	Disclosed	IV. Product Responsibility: Innovation-driven, Quality Service Appendix I: Key Social Performance Indicators
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Disclosed	V. Operation Responsibility: Compliant Operations, Ethics First

Environmental, Social and Governance Report 2022 (Continued)

ESG indicator		Disclosure status	Corresponding section
B6.4	Description of quality assurance process and recall procedures.	Disclosed	IV. Product Responsibility: Innovation-driven, Quality Service
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Disclosed	V. Operation Responsibility: Compliant Operations, Ethics First
B7 General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Disclosed	V. Operation Responsibility: Compliant Operations, Ethics First
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Disclosed	V. Operation Responsibility: Compliant Operations, Ethics First Appendix I: Key Social Performance Indicators
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Disclosed	V. Operation Responsibility: Compliant Operations, Ethics First
B7.3	Description of anti-corruption training provided to directors and staff.	Disclosed	V. Operation Responsibility: Compliant Operations, Ethics First Appendix I: Key Social Performance Indicators
B8 General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Disclosed	IX. Social Responsibility: Devoted to Public Welfare and Give Back to Society
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Disclosed	IX. Social Responsibility: Devoted to Public Welfare and Give Back to Society
B8.2	Resources contributed (e.g. money or time) to the focus area.	Disclosed	IX. Social Responsibility: Devoted to Public Welfare and Give Back to Society

The logo for RainMed, featuring the word "Rain" in black with a red diagonal slash through the letter "i", followed by the word "Med" in blue. The background is a light blue gradient with faint, abstract patterns of binary code (0s and 1s) and a network of white lines connecting nodes, suggesting a digital or medical theme.

RainMed