健世科技
Jenscare

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

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

Stock Code : 9877

2023
ANNUAL REPORT

Contents

DEFINITIONS

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

"AGM"	the 2024 annual general meeting of the Company to be held on Friday, 31 May 2024
"Articles" or "Articles of Association"	the articles of association of the Company
"Audit Committee"	the audit committee of the Board
"Board of Directors" or "Board"	the board of Directors
"Board of Supervisors"	the board of Supervisors
"CE Certificate"	Conformité Européenne, an administrative marking that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area
"CG Code"	the "Corporate Governance Code" as contained in Appendix C1 to the Listing Rules
"China" or "PRC"	the People's Republic of China, which, for the purpose of this annual report and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, the PRC
"CMDE"	Center for Medical Device Evaluation of NMPA (國家藥品監督管理局醫療器械技術評審中心)
"Company" or "our Company"	Jenscare Scientific Co., Ltd. (寧波健世科技股份有限公司), a joint stock company incorporated in the PRC with limited liability on 23 March 2021, or, where the context requires (as the case may be), its predecessor Ningbo Jenscare Biotechnology Co., Ltd. (寧波健世生物科技有限公司), a limited liability company established in the PRC on 8 November 2011
"Concert Parties"	refer to Mr. Lv and Ms. Li and "Concert Party" means any one of them
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and in this context, refer to the Concert Parties, Mr. Lv and Ms. Li Hui
"Core Product(s)"	LuX-Valve and Ken-Valve, the designated "core products" as defined under Chapter 18A of the Listing Rules
"Directors"	the directors of the Company or any one of them
"Domestic Share(s)"	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and are unlisted Shares which are currently not listed or traded in any stock exchange
"Global Offering"	the global offering of the H Shares, details of which are set forth in the Prospectus

"Group", "our Group", "our", "we", or "us"	the Company and all of its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
"H Shares"	overseas listed foreign invested ordinary share(s) in the ordinary share capital of our Company, with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and which are listed on the Main Board of the Stock Exchange
"H Share Scheme"	the H Share award scheme approved and adopted by the Shareholders at the extraordinary general meeting held on 15 December 2023
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars", "HK dollars" or "HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Listing"	the listing of the H Shares on the Main Board of the Stock Exchange
"Listing Date"	10 October 2022, on which the H Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix C3 to the Listing Rules
"Mr. Lv"	Mr. LV Shiwen (呂世文), the chairman of the Board, an executive Director, the chief executive officer and the chief technology officer of our Company, and one of our Controlling Shareholders
"NMPA"	the National Medical Product Administration of the PRC* (中國國家藥品監督管理局), successor to the China Food and Drug Administration or CFDA (國家食品藥品監督管理總局)
"Nomination Committee"	the nomination committee of the Board
"Prospectus"	the prospectus of the Company dated 23 September 2022
"R&D"	research and development

"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of the Board
"Reporting Period"	the year ended 31 December 2023
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each, comprising Unlisted Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy Committee"	the strategy committee of the Board
"Supervisors"	the member(s) of the Company's Board of Supervisors
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction, any State of the United States, and the District of Columbia
"Unlisted Foreign Share(s)"	ordinary share(s) issued by the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid for in currency other than RMB by foreign investors and are not listed on the Stock Exchange
"Unlisted Share(s)"	Domestic Shares and Unlisted Foreign Shares
"US$"	United States dollars, the lawful currency of the United States
"%"	per cent

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LV Shiwen
Mr. PAN Fei

Non-executive Directors

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

Independent non-executive Directors

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

SUPERVISORS

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

AUDIT COMMITTEE

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

REMUNERATION AND APPRAISAL COMMITTEE

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

NOMINATION COMMITTEE

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

STRATEGY COMMITTEE

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

JOINT COMPANY SECRETARIES

Mr. LI Yuanyuan
Mr. WONG Wai Chiu

AUTHORIZED REPRESENTATIVES

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

AUDITOR

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

LEGAL ADVISERS

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

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

COMPLIANCE ADVISER

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

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

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY WEBSITE

www.jenscare.com

STOCK CODE

9877

LISTING DATE

10 October 2022

H SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

In the past year of 2023, Jenscare made significant strides towards the commercialization phase, marking an important year in the Company's progression. We have completed clinical trials and filed registration applications for multiple heart valve intervention treatment products, in particular, the tricuspid valve replacement devices, our core products, and have finished the commercialization preparation in a number of countries and regions around the world. During the past year, we have been continuously laying a solid foundation to achieve our long-term development goals of establishing a multi-product pipeline and a dual-driven growth strategy in both China and overseas markets. At the same time, we have also streamlined our operation, optimized the Company's product pipeline, and concentrated our strategic resources on the core products to support our subsequent growth and long-term sustainable and healthy development. We have been continuously to promote the internationalization of our core products by increasing our efforts on the independent research and development and cooperation with overseas partners, refining the advanced technology in the field of tricuspid valve replacement and making preparations for commercialization. We have also dedicated ourselves to building up a high-quality professional team and medical team, which will safeguard and facilitate the rapid development of the Group.

Our self-developed transcatheter tricuspid valve replacement system, the LuX-Valve series, has taken root in China, Europe, North America, Asia-Pacific, Latin America and other regions, and have been widely used and highly recognized.

Based in China, the LuX-Valve series products have been admitted into the Special Procedures for Examination and Approval of Innovative Medical Devices (the "Green Path") which were also the "only" tricuspid valve interventional replacement device admitted in the "Green path". The road to innovation is long, but we have prepared to meet any difficulties and challenges ahead. We will continue to accumulate clinical data, and continue to advance the registration for the circulation of the LuX-Valve series products. We have completed the confirmatory clinical trial for LuX-Valve Plus, the second-generation transcatheter tricuspid valve replacement system, and the six-month follow-up for registration clinical trial. We expect to submit the application for registration to NMPA for approval in the near future.

With a global perspective, we adhere to our strategy of "going out" to penetrate into the international markets.

- In Europe, as of the date of this annual report, LuX-Valve Plus, our transcatheter tricuspid valve replacement product, was about to complete the enrollment of trial subjects for the clinical trial carried out at clinical institutions in France, Germany, Spain, and Denmark in Europe with the aim of obtaining the CE Certificate. LuX-Valve Plus won unanimous acclaim from those participating clinical institutions. In October 2023, LuX-Valve Plus was selected for European Medicines Agency's Expert Panel Scientific Advice Pilot, which would accelerate the clinical trial and registration process for CE Certificate of LuX-Valve Plus in Europe, and expand the global reach and facilitate the internationalization progress of the product.

- In North America, LuX-Valve Plus was selected into FDA's Total Product Life Cycle Advisory Program ("TAP") pilot in September 2023, which would enable the product to gain assistance from FDA for its launch in the U.S. as early as possible so that patients there can receive treatments using this product. We have completed dozens of clinical implantations in North America, including the U.S. and Canada, and achieved remarking clinical results. The pre-submission of the early feasibility study ("EFS") of LuX-Valve Plus in the U.S. was officially accepted by the U.S. Food and Drug Administration ("FDA"). The preparation of Investigational Device Exemption ("IDE") application of LuX-Valve Plus in the U.S. also officially commenced. It was expected that the EFS clinical study would be completed in the fourth quarter of 2024, marking the significant progress made by LuX-Valve Plus in the United States clinical trial registration process and in overseas business expansion.

- In the Asia-Pacific region excluding the mainland of China, we have been conducting commercialization preparation in various regions to meet the large and urgent treatment needs of tricuspid regurgitation patients worldwide. Since the first clinical implantation of LuX-Valve Plus at Hong Kong Asia Heart Centre in August 2023, we have completed a series of implantations with remarkable clinical results.

- In Latin America, the first clinical implantation of Lux-Valve Plus in Latin America was successfully completed in Brazil in February 2024.

While patients across the world were receiving treatment, the remarkable clinical results of the product attracted the attention of experts and authoritative organizations in the industry from various countries. The one-year clinical data of LuX-Valve was officially published at PCR London Valves 2023 (2023年倫敦心臟瓣膜病介入治療會議) in which we were invited to participate. In October 2023, Academician Ge Junbo, a Professor of Zhongshan Hospital affiliated to Fudan University (復旦大學附屬中山醫院) gave a report on the results of the multicenter clinical trial of LuX-Valve Plus at the 2023 Transcatheter Cardiovascular Therapeutics conference ("TCT") in the U.S., making the Jenscare's product which is originally developed in China being aware and highly recognized by an increasing number of foreign physicians, who are looking forward to the treatment of tricuspid regurgitation patients worldwide in the future.

At present, we are exploring global business development cooperation and partnership with foreign medical device manufacturers and enterprises in different phases, and plan to carry out pre-commercial activities in various regions around the world to further enhance the Company's global academic position and commercial influence.

We have trained more than 50 independent physicians in China, and 24 independent physicians in other countries and regions for the LuX-Valve series products, and have supplied such products to more than 270 domestic and foreign hospitals. Capitalizing on the construction of domestic and foreign academic platforms for tricuspid valve intervention treatments, we will further consolidate our position as a global industry leader in the field of tricuspid valve interventional replacement and establish our commercial strategy and marketing path with our own characteristics. Along this path, we will allow more physicians to use our products independently, and quickly spread the concept of tricuspid valve intervention treatments to more regions to bring hope in life to more patients.

With regard to other products, the one-year follow-up for confirmatory clinical trial for Ken-Valve, our transcatheter aortic valve replacement product, has been completed and the registration application of this product has already been officially accepted by NMPA, and we expect to obtain the NMPA approval for the commercialization of Ken-Valve, in the second half of 2024. In October 2023, the registration application for Ken-Valve, was accepted in the priority approval process of the NMPA (the "Green Path") for medical devices, making Ken-Valve, the first valve product to enter the Priority Approval Process. In China, the subject enrollment for the feasibility clinical trial for JensClip, our transcatheter mitral valve repair device, was completed in December 2022, and up to the present, all of the subject enrollments for the confirmatory clinical trial and the one-month follow-up have been completed.

With regard to our operation and management, in order to minimize the operating risks of the Company so as to ensure the Company's long-term sustainable development and bring stable returns for shareholders, the management and the Board of Directors, after prudent consideration, decided to further optimize the Company's product pipeline, strategically concentrate its resources on key core products, and accelerate the Company's global commercialization process with a view to achieving breakeven and high profit growth as soon as practicable. As a result, our recent business focus will still be on the global promotion of the LuX-Valve series products, a transcatheter tricuspid valve replacement system, and target to lay a foundation for global commercialization of this product series through various means such as conducting clinical trial for registration and obtaining approval, expanding regional business development, establishing strategic cooperation and other diversified ways in multiple countries and regions globally which will also provide support for other key products in the future.

In 2024, the Company remains in a critical period of strategic opportunities and a crucial year for tackling challenges head-on. Stepping into this new year, we will continue to adhere to the general principle of striding forward with steady pace, further promote the innovation and high-quality development of the medical devices in the field of tricuspid valve interventional replacement, accelerate the commercialization of innovation and industrial agglomeration for medical devices, and establish our international position and market leader advantages. We also firmly believe that the Company will eventually bring highly innovative solutions to patients with structural heart disease around the world, and make contribution to the country, bring benefit to the patients, provide social good to the society, and offer rewards to our shareholders with high-quality development. This is also the important mission we have been adhering to, namely "We strive for a healthy China and a better world (健康中國，世界有我)".

Yours faithfully,
Mr. LV Shiwen
Chairman and executive Director

Hong Kong, 27 March 2024

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four[Note] financial years, is set out below:

	Year ended 31 December			
	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**–**	–	–	–
Gross profit	**–**	–	–	–
Loss before income tax	**(379,096)**	(440,914)	(500,673)	(299,673)
Loss for the year	**(379,096)**	(440,914)	(500,673)	(299,673)
Loss attributable to owners of the parent	**(371,736)**	(439,311)	(500,517)	(299,447)
Loss per Share attributable to ordinary equity holders of the parent				
Basic and diluted	**RMB(0.89)**	RMB(1.20)	RMB(1.48)	RMB(1.07)

	As at 31 December			
	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	**1,154,913**	855,359	828,805	355,186
Current liabilities	**58,681**	56,736	49,700	18,356
Net current assets	**1,096,232**	798,623	779,105	336,830
Non-current assets	**172,179**	575,970	512,554	17,657
Non-current liabilities	**42,157**	1,566	1,068	1,704
Net assets	**1,226,254**	1,373,027	1,290,591	352,783

Note: The H Shares of the Company were listed on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on 10 October 2022.

BUSINESS HIGHLIGHTS

During the Reporting Period and as at the date of this annual report, we have made the following progress with respect to our product pipeline and business operations:

MAINLAND CHINA

- We published the one-year clinical data on LuX-Valve of the registration clinical trial in China. As at 24 April 2024, the NMPA provided notice that it did not approve the registration application of LuX-Valve, after the Company was informed by the CDME on 25 March 2024 that the technical evaluation for LuX-Valve was not approved at the technical evaluation stage of registration, please refer to the announcement of the Company dated April 25, 2024 for details. In light of the development, we will not be able to obtain the registration approval for LuX-Valve as previously scheduled. The Company is currently evaluating the potential impact and will continue to pursue the commercialization of the LuX-Valve series of products.

- We have completed the confirmatory clinical trial for LuX-Valve Plus and the six-month follow-up for registration clinical trial. We expect to submit the application for registration of LuX-Valve Plus to NMPA for approval in the near future.

- The registration to NMPA for approval of Ken-Valve was already officially accepted by NMPA, and the application was admitted to enter the priority approval process of the NMPA (the "Priority Approval Process") for medical devices, making Ken-Valve the first valve product to enter the Priority Approval Process.

- JensClip has completed the enrollment of the trial subjects for the confirmatory clinical trial and the one-month follow-up.

OVERSEAS

- LuX-Valve Plus is about to complete the enrollment of trial subjects for the clinical trial carried out in Europe with the aim of obtaining the CE Certificate. Clinical institutions from countries, such as France, Germany, Spain and Denmark, are actively participating in the clinical trial and LuX-Valve Plus won unanimous acclaim from those participating clinical institutions.

- The pre-submission of the early feasibility study ("EFS") of LuX-Valve Plus in the U.S. was officially accepted by the U.S. Food and Drug Administration ("FDA"). The preparation of Investigational Device Exemption ("IDE") application of LuX-Valve Plus in the U.S. also officially commenced. It was expected that the EFS clinical study would be completed in the fourth quarter of 2024 and enter into pivotal trial preparation.

- LuX-Valve Plus has completed a number of pre-commercial activities in North America and Asia-Pacific regions. In order to meet the substantial and urgent demand from tricuspid regurgitation patients around the world, we plan to carry out pre-commercial activities in phases in different regions globally, in order to further enhance the Company's academic position and commercial influence in the world and lay a solid foundation for the worldwide promotion for commercialization.

- LuX-Valve Plus was selected into FDA's Total Product Life Cycle Advisory Program, which would improve certainty and accelerate the progress of the clinical trial and the commercialization of the product in the U.S.

- LuX-Valve Plus was selected for European Medicines Agency's Expert Panel Scientific Advice Pilot, which would improve the certainty and accelerate the progress of CE clinical trial and the commercialization of the product in Europe and other regions worldwide.

- The one-year clinical data of LuX-Valve was officially published at PCR London Valves 2023 (2023年倫敦心臟瓣膜病介入治療會議). According to the published clinical data, LuX-Valve was not only safe but also able to alleviate tricuspid regurgitation, and improve patients' heart functions and their quality of life.

- The one-month clinical data of LuX-Valve Plus was officially published at Transcatheter Cardiovascular Therapeutics 2023. According to the published clinical data, the success rate for both of the device and the operation reached 96.84%. The 30-day efficacy demonstrated that all patients' tricuspid regurgitation reduced to mild or below, and more than 80% of patients had cardiac function and quality of life improved from NYHA class III/IV before the procedures to class I/II. The safety results showed that the composite event rate was only 6.45%.

- In February 2024, the first clinical implantation of Lux-Valve Plus in Latin America was successfully completed in Brazil.

- We are exploring global business development cooperation and partnership with foreign medical device manufacturers and enterprises in different phases, which can accelerate the global commercialization of the Company's products around the world.

COMMERCIALIZATION

Commercial Team

- We have built a professional and efficient commercial team responsible for the pre-market introduction and education of the Core Products. The Company's clinical medicine team has set up a professional follow-up team with medical literacy and surgical understanding, which has established the global operating standards through high-standard clinical follow-up feedbacks. At the same time, the sales and marketing team has started product admission and the construction of regional distributors' network to enhance the Company's market expansion and marketing capabilities to further enhance commercialization capabilities.

Training of Independent Physicians

- In China, we have trained more than 50 independent physicians and teaching experts of LuX-Valve series products.

- In countries and regions other than China, we have provided training to 24 independent physicians and teaching experts covering regions such as North America, Europe, Asia-Pacific and Latin America.

Targeted Hospitals Coverage

- With respect to LuX-Valve series products, we have expanded to more than 220 hospitals in China with influence in both academia and industry, with presence in more than 30 provinces, municipalities and autonomous regions.

- We have completed implantation procedures or treatment promotions for LuX-Valve Plus in nearly 50 hospitals worldwide (excluding China), covering hospitals with regional influence in, among others, North America, Europe, Asia-Pacific and Latin America.

Expanding Product Influence through Academic Conferences and Events

- We have participated in both domestic and overseas high-quality academic conferences in the field of structural heart diseases, including industry conferences, associations, and annual meetings, which helps to promote brand awareness and to increase the market visibility of the Company's products. Through academic conferences and events, our products have been widely accepted globally, enabling us to access resources such as hospitals, physicians, sales networks, supply chains, and potential partners for our current and future global commercial promotion.

I. BUSINESS REVIEW

Overview

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

Products and Pipeline

As of the date of this annual report, we have a portfolio of seven product candidates in various stages of development. In order to minimize the operating risks of the Company so as to ensure the Company's long-term sustainable development and bring stable returns for the shareholders, the management and the Board of Directors of the Company, after prudent consideration, decided to further optimize the Company's product pipeline, strategically concentrate its resources on key core products, and accelerate the Company's global commercialization process with a view to achieving breakeven and high profit growth as soon as practicable.

Our recent business focus will still be on the global promotion of the LuX-Valve series, our transcatheter tricuspid valve replacement ("TTVR") products, and target to lay a foundation for global commercialization of this product series through various means such as conducting clinical trial for registration and obtaining approval, expanding regional business development, establishing strategic cooperation and other diversified ways in multiple countries and regions globally which will also provide support for other key products in the future.

The following diagram summarizes the status of our product candidates under development as of the date of this annual report:

Product Candidates	Product Categories	Pre-Clinical	Clinical Stage [Note 1]	Registration	Upcoming Milestones	Expected Commercialization [Note 2]
Valvular Heart Diseases Product Candidates						
LuX-Valve [Note 4]★	Transcatheter tricuspid valve replacement (TTVR) system	Admitted into the Green Path and completion of the one-year follow up			Note 5	Note 5
LuX-Valve Plus★	Transcatheter tricuspid valve replacement (TTVR) system	NMPA approval: Completed the confirmatory clinical trial			Submission for NMPA approval (2024Q2)	2025H1
	Transcatheter tricuspid valve replacement (TTVR) system	CE Marking: In the process of registration clinical trial			Completion of the subject enrollments for the registration clinical trial (2024Q2)	2025H2
	Transcatheter tricuspid valve replacement (TTVR) system	FDA Marking: Preparing to initiate EFS clinical trial			Completion of EFS clinical trial (2024Q4)	2027H1
Ken-Valve [Note 4]★	Transcatheter aortic valve replacement (TAVR) system	NMPA approval: Completed the confirmatory clinical trial			Obtained the NMPA approval (2024Q4)	2024Q4
JensClip★	Transcatheter mitral valve repair (TMVr) system	NMPA approval: Completed the subject enrollments for the confirmatory clinical trial			Submission for NMPA approval (2025Q2)	2026H1
JensRelive [Note 3]	Transcatheter mitral valve replacement (TMVR) system	NMPA approval: In the process of conducting animal trials			Initiation of the feasibility clinical trial (2024Q4)	2027H1
Other Structural Heart Diseases Product Candidates						
MicroFlux	Atrial septostomy stent & delivery system	NMPA approval: In the process of confirmatory clinical trial			Completion of confirmatory clinical trial (2025H1)	2026H2
SimuLock	Biomimetic left atrial appendage occluder system	NMPA approval: In the process of confirmatory clinical trial			Completion of confirmatory clinical trial (2025H1)	2026H2

Note 1: Entering clinical stage is marked by the completion of first human trial.

Note 2: The point in time of expected commercialization is based on the obtaining of product registration certificate.

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

Note 4: The Company's Core Products.

Note 5: As at 24 April 2024, the NMPA provided notice that it did not approve the registration application of LuX-Valve, after the Company was informed by the CDME on 25 March 2024 that the technical evaluation for LuX-Valve was not approved at the technical evaluation stage of registration, please refer to the announcement of the Company dated April 25, 2024 for details. In light of the development, we will not be able to obtain the registration approval for LuX-Valve as previously scheduled. The Company is currently evaluating the potential impact and will continue to pursue the commercialization of the LuX-Valve series of products.

★: Products with ★ are core technology products of the Company, which refer to the products entering confirmatory clinical trial stage based on the application of the Company's core technology and the R&D progress achieving certain stages.

Our Products and Product Candidates

Tricuspid Valve Product Candidates

LuX-Valve, our Core Product and our proprietary first-generation TTVR system, is designed to treat patients with both severe tricuspid regurgitation and high surgical risk. LuX-Valve works by replacing the function of a patient's dysfunctional native tricuspid valve with a prosthetic valve implanted through a minimally invasive intervention without the need for conventional open-heart surgery. LuX-Valve is a Class III medical device under the classification criteria of the NMPA. LuX-Valve was admitted into the Special Examination for Innovative Medical Devices (the "Green Path") by the NMPA in January 2019, and therefore is eligible for an expedited approval process in China in accordance with the Special Procedures for Examination and Approval of Innovative Medical Devices (創新醫療器械特別審批程序). In November 2023, the one-year results of the confirmatory clinical trial of LuX-Valve was reported at the PCR London Valves 2023 (2023年倫敦心臟瓣膜病介入治療會議). As at 24 April 2024, the NMPA provided notice that it did not approve the registration application of LuX-Valve, after the Company was informed by the CDME on 25 March 2024 that the technical evaluation for LuX-Valve was not approved at the technical evaluation stage of registration, please refer to the announcement of the Company dated April 25, 2024 for details. In light of the development, we will not be able to obtain the registration approval for LuX-Valve as previously scheduled. The Company is currently evaluating the potential impact and will continue to pursue the commercialization of the LuX-Valve series of products.

LuX-Valve Plus, our proprietary second-generation TTVR system, is designed for patients with severe tricuspid regurgitation and high surgical risk. LuX-Valve Plus works by functionally replacing the patient's dysfunctional native tricuspid valve with a prosthetic valve implanted through a minimally invasive intervention without the need for conventional open-heart surgery. LuX-Valve Plus is a Class III medical device under the classification criteria of the NMPA. In comparison to LuX-Valve, LuX-Valve Plus uses a transvascular delivery system through transjugular approach. We expect the transvascular access path not only to effectively simplify the operation procedure with shorter device procedure time, smaller incisions, and less damage to the heart tissue, but also to be used in a wider range of situations such as rare and complex anatomical structures. In addition, the delivery system of LuX-Valve Plus is multi-angle adjustable and steerable, allowing physicians to more conveniently adjust the release position and angle, and thereby further increasing the product's safety profile. LuX-Valve Plus is about to complete the enrollment trial subjects for the clinical trial carried out in Europe with the aim of obtaining the CE Certificate. Clinical institutions from countries, such as France, Germany, Spain and Denmark, actively participating in the clinical trial and LuX-Valve Plus won unanimous acclaim from those participating clinical institutions. In October 2023, LuX-Valve Plus was selected for the Expert Panel Scientific Advice Pilot of the European Medicines Agency, and it is expected that the clinical development and clinical research of Lux-Valve Plus will be guided by the expert panels, which will further accelerate the clinical development and registration progress for CE Certificate in Europe, expand the global reach and facilitate the internationalization progress of the product.

The pre-submission of the EFS of LuX-Valve Plus in the U.S. was officially accepted by FDA. The preparation of IDE application of LuX-Valve Plus in the United States also officially commenced. It was expected that the EFS clinical study would be completed in the fourth quarter of 2024 and then enter pivotal trial preparation. It is expected to officially enter into the EFS and IDE clinical trial stage in the near future and mark a significant progress made by LuX-Valve Plus in the U.S. clinical trial registration process and in overseas business expansion. In September 2023, LuX-Valve Plus was enrolled in the Total Product Life Cycle Advisory Program Pilot of the FDA. In October 2023, Professor Ge Junbo, a fellow of Zhongshan Hospital affiliated to Fudan University (復旦大學附屬中山醫院) and his team gave a report on the results of the multicenter clinical trial of LuX-Valve Plus at the 2023 Transcatheter Cardiovascular Therapeutics conference in the U.S.

The Company has completed dozens of clinical implantations in North America, including the U.S. and Canada, and will continuously promote the clinical and commercialization process of LuX-Valve Plus in North America. In August 2023, the Company and LifeTech Scientific Corporation (a company whose shares are listed on the Stock Exchange (stock code: 1302)) collaborated to conduct pre-commercial activities in Asia-Pacific area. We subsequently plan to commence more pre-commercial activities in phases in different regions globally, including but not limited to in North America and Asia-Pacific regions, to meet the substantial and urgent demand from tricuspid regurgitation patients around the world and to further enhance the Company's status in academic community and influence in the markets.

Aortic Valve Product Candidates

Ken-Valve, our Core Product and our proprietary first-generation transcatheter aortic valve replacement ("TAVR") system, is designed for the treatment of patients with severe aortic regurgitation or combined with aortic stenosis. Ken-Valve is a Class III medical device under the classification criteria of the NMPA. After the completion of the one-year follow up work of the confirmatory clinical trial in May 2023, the registration application for Ken-Valve was accepted by the NMPA in October 2023 and it is expected that we shall obtain the NMPA approval for the commercialization of Ken-Valve in the second half of 2024. In October 2023, the registration application for Ken-Valve was accepted in the priority approval process of the NMPA for medical devices. For details, please refer to the announcement of the Company dated 30 October 2023.

Mitral Valve Product Candidates

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

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

Other Structural Heart Diseases Product Candidates

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

SimuLock, our product candidate for cardiogenic stroke prevention, is our proprietary bionics left atrial appendage occluder system. The three-dimensional sealing and controllable differential endothelial coating design of this product helps to prevent the thromboembolism of left auricle and lower the risk of fatal bleeding for nonvalvular atrial fibrillation patients who are suitable for anticoagulation treatment or have contraindications to anticoagulation treatment. SimuLock adopts a unique design of bionics anchoring, which helps to reduce safety risks. In addition, SimuLock can be modularly assembled as required to cover extensive patients with atrial fibrillation featuring significant differences in anatomical structure of the left atrial appendage. In the third quarter of 2023, we commenced the feasibility clinical trial. In November 2023, we completed the subject enrollment for the first confirmatory clinical trial and clinical implantation of SimuLock. For details, please refer to the announcement of the Company dated 13 November 2023.

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

Cautionary Statement as required by Rule 18A.08(3) of the Listing Rules: There is no assurance that we will ultimately develop, market and/or commercialize our Core Products or any other product candidates successfully.

Research and Development

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

As of the date of this annual report, we had:

- two Core Products, as well as five other product candidates in various stages of development; and
- 173 issued patents and 222 patent applications in more than ten countries or regions.

Manufacturing

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

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

Commercialization

Commercialization of our product candidates is critical to our future growth and success. To drive our product launch and bring our product candidates to market, we are assembling our core commercial leadership team in anticipation of product launch.

As of the date of this annual report, we have built a commercial team with more than 60 members. The commercial team, comprising of sales and marketing team and clinical medicine team, is responsible for the pre-market introduction and education of the Core Products. The Company's clinical medicine team has set up a professional follow-up team with medical literacy and surgical understanding, which has established the global operating standards through high-standard clinical follow-up feedbacks.

The sales and marketing team has started product admission as well as the construction of regional distributors' network to enhance the Company's market expansion and marketing capabilities to further enhance commercialization capabilities. As of the date of this annual report, we have expanded to more than 220 hospitals in China with influence in both academia and industry, with presence in more than 30 provinces, municipalities and autonomous regions. We have completed the training of more than 50 independent physicians and more than 15 teaching experts in 2023. We plan to scale up our commercial team to cover the increasing number of hospitals for the upcoming product launch.

In countries and regions other than China, we have provided training to 24 independent physicians and teaching experts covering regions such as North America, Europe, Asia-Pacific and Latin America, and have completed implantation procedures or treatment promotions in nearly 50 hospitals.

We have participated in both domestic and overseas high-quality academic conferences in the field of structural heart diseases, including industry conferences, associations, and annual meetings, such as PCR London Valves 2023 (2023年倫敦心臟瓣膜病介入治療會議), Transcatheter Cardiovascular Therapeutics 2023 (2023年美國經導管心血管治療大會), Strait Cardiovascular Interventional Symposium* (海峽兩岸心血管介入治療研討會), PCR-CIT China Chengdu Valves 2023* (2023成都國際心臟瓣膜病介入治療會議), the Hangzhou Valve Seminar* (杭州瓣膜會), and the Western Valve Forum* (西部瓣膜論壇). These events allow us to increase the market visibility of our product candidates, share our clinical results and enhance experts' awareness of clinical benefits of our product candidates. Going forward, we plan to organize and participate in more academic conferences of the aforementioned kinds on a yearly basis.

We are exploring global business development cooperation and partnership with foreign medical device manufacturers and enterprises in different phases, which would accelerate the global commercialization of the Company's products around the world.

Future Development

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

- expedite the commercialization of our product candidates, especially our Core Products, in order to enjoy the first-mover advantage in the underpenetrated and fast-growing TTVR market;

- specialize in structural heart diseases and build upon our R&D capabilities and seek strategic collaborations to optimize our product portfolio; and

- expand our footprint to become an industry leader.

* *For identification purposes only*

II. FINANCIAL REVIEW

Other Income and Gains

Our other income and gains primarily consist of (i) interest income from bank deposits; (ii) government grants, primarily including subsidies received from the local governments to support our R&D activities and business operations; (iii) net foreign exchange gains in connection with bank balance and cash denominated in U.S. dollars; and (iv) gains on financial assets at fair value through profit or loss, representing the realized and unrealized gains from wealth management products we purchased. Our other income and gains decreased from RMB54.4 million in 2022 to RMB43.8 million in 2023. The decrease was primarily attributable to the decline in foreign exchange gains.

Research and Development Expenses

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

Our R&D expenses has slightly decreased from RMB291.6 million in 2022 to RMB288.2 million during the Reporting Period. The decrease was primarily attributable to the reduction in share-based compensation expenses incurred for R&D personnel, partially offset by the rise in staff costs, costs of material and consumables used, and third-party contracting costs arising from our continuous R&D efforts.

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Share-based compensation expenses	**125,073**	170,474
Staff costs	**62,392**	51,983
Costs of raw materials and consumables used	**32,733**	27,574
Third-party contracting costs	**39,713**	26,103
Depreciation and amortization expenses	**6,965**	4,298
Others	**21,275**	11,148
Total	**288,151**	291,580

Administrative Expenses

Our administrative expenses primarily consist of (i) share-based compensation expenses; (ii) staff costs, including salaries, bonus and welfare for administrative personnel; (iii) professional service fees incurred primarily in relation to recruitment, legal and accounting services; (iv) depreciation and amortization; and (v) travelling and transportation expenses. In 2022 and 2023, we recorded share-based compensation expenses of RMB147.4 million and RMB80.3 million respectively, under our administrative expenses.

Our administrative expenses decreased from RMB219.7 million in 2022 to RMB150.3 million in 2023. The decrease was primarily attributable to the reduction in share-based compensation expenses incurred for administrative personnel and a decrease in professional service fees.

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Share-based compensation expenses	**80,315**	147,401
Staff costs	**29,258**	17,771
Professional service fees	**19,808**	40,645
Depreciation and amortization expenses	**5,095**	4,901
Traveling and transportation expenses	**4,790**	1,388
Utilities and office expenses	**844**	1,126
Others	**10,199**	6,465
Total	**150,309**	219,697

Other Expenses

Our other expenses mainly consist of disposals of property, plant and equipment, impairment of other receivables and others.

Our other expenses increased from RMB0.1 million in 2022 to RMB0.6 million in 2023. The increase was primarily attributable to the increase in impairment of other receivables.

Finance Costs

Our finance costs mainly consist of lease liabilities.

Our finance costs remained relatively stable, increasing slightly from RMB113,000 for the year ended 31 December 2022 to RMB142,000 for the year ended 31 December 2023.

Income Tax Expenses

We did not incur any income tax expenses during the Reporting Period.

Loss for the Year

Based on the factors described above, our net losses amounted to RMB379.1 million and RMB440.9 million for the years ended 31 December 2023 and 2022, respectively.

Working Capital

Our primary uses of cash relate to the R&D of our product candidates and capital expenditures. Our net cash used in operating activities was RMB222.4 million for the year ended 31 December 2023, primarily due to the significant R&D expenses and administrative expenses we incurred during the Reporting Period. Our operating cash flow will continue to be affected by our R&D expenses. During the Reporting Period, we primarily funded our working capital requirements through capital contributions from our Shareholders. We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. Going forward, we believe our liquidity requirements for conducting our R&D activities and realizing the commercialization of our product candidates, as well as supporting our future expansion plans will be satisfied by using funds from a combination of our cash and bank balances and other funding sources as we believe appropriate.

Our net cash generated from investing activities was RMB358.1 million for the year ended 31 December 2023, primarily due to the proceeds from the disposal of our equity interest in Starway Medical Technology, Inc. For details, please refer to the announcement of the Company dated 28 November 2023.

Our net cash generated from financing activities was RMB56.4 million for the year ended 31 December 2023, primarily due to the contribution by our Shareholders and new bank loans during the Reporting Period.

As of 31 December 2023, we had cash and cash equivalents of RMB927.8 million, representing an increase of 27.6% compared to RMB727.4 million as of 31 December 2022.

Our net current assets increased from RMB798.6 million as of 31 December 2022 to RMB1,096.2 million as of 31 December 2023, primarily because of an increase in the cash and cash equivalents of the Group as a result of the net proceeds we received from the disposal of an investment in associate.

Capital Expenditure

We regularly incur capital expenditures to expand our operations, upgrade our facilities, enhance our development capabilities and increase our operating efficiency. Our capital expenditures primarily consisted of expenditures on machinery and office equipment, as well as leasehold improvements. We expect our main sources of funding for capital expenditure in 2024 to be bank loans, net proceeds from the Global Offering, and capital contributions from our Shareholders.

Our capital expenditures increased from RMB49.6 million for the year ended 31 December 2022 to RMB78.6 million for the year ended 31 December 2023. Our capital expenditures were primarily attributable to the purchase of property, plant and equipment.

Key Financial Ratios

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

	As of 31 December	
	2023	2022
Current ratio(1)	**19.7**	15.1
Quick ratio(2)	**19.2**	14.9
Gearing ratio(3)	**7.6%**	4.1%

Notes:

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

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

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

Indebtedness

As of 31 December 2023, we had total bank borrowings of RMB40.7 million denominated in RMB at floating interest rates, of which RMB15.8 million is secured, as compared to nil bank borrowings as of 31 December 2022.

Our lease liabilities decreased from RMB3.9 million as of 31 December 2022 to RMB3.3 million as of 31 December 2023, primarily because of the repayment of lease liabilities.

Pledge of Assets

As of 31 December 2023, certain leasehold land with a carrying amount of RMB24.8 million was pledged to secure the bank borrowings of RMB15.8 million.

Contingent Liabilities

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

Significant Investments, Material Acquisitions and Disposals

Disposal of equity interest in Starway Medical

As disclosed in the announcement of the Company dated 28 November 2023, the Group entered into an equity transfer agreement in relation to the disposal of the entire equity interest in Starway Medical Technology, Inc. (北京華醫聖傑科技有限公司) ("Starway"), representing approximately 22.48% of the entire issued share capital of Starway, for a consideration of RMB500.00 million (equivalent to HK$547.47 million).

For further details, please refer to the announcements of the Company dated 28 November 2023, 20 December 2023 and 21 December 2023, respectively, and the circular of the Company dated 29 November 2023. The transaction of the Company's equity interest in Starway was completed in December 2023.

Save as disclosed in this annual report, the Group did not make any material acquisitions or disposals of subsidiaries, associated companies or joint ventures and significant investment during the Reporting Period, and does not have any specific plan on material investments or capital assets as of the date of this annual report.

Foreign Exchange Exposure

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

Material Litigation

The Company was not involved in any material litigation or arbitration during the Reporting Period. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group as of 31 December 2023.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. LV Shiwen, aged 55, joined our Group as our chief technology officer since January 2013 and has been our Director since April 2018. He was appointed as the Chairman of the Board, chief executive officer of our Company in August 2020, and was re-designated as our executive Director in May 2021. Mr. Lv is responsible for the overall management of business operation, strategy and corporate development of our Group.

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

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

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

Mr. PAN Fei, aged 39, joined our Group in January 2021 and has been our vice president and chief financial officer since then. He was appointed as the Director of our Company in March 2021 and was re-designated as our executive Director in May 2021, being responsible for the overall financial management, legal, investment management, human resources management, business development and financing activities of our Group. Mr. Pan has also been serving as the general manager, legal representative and executive director of Jenscare Hainan since January 2021.

Prior to joining our Group, Mr. Pan successively served as an executive director of asset management department and investment banking department of China International Capital Corporation Limited (a company listed on the Main Board of the Stock Exchange (stock code: 3908) and the Shanghai Stock Exchange (stock code: 601995)) ("CICC") from October 2010 to January 2021. During his time at CICC, Mr. Pan worked on a wide range of mergers and acquisitions and other equity investment transactions, and accumulated extensive investment experience and industry insights. Mr. Pan received his license as an investment principal (投資主辦人) of the Securities Association of China in March 2015, being responsible for the investment management of various collective investment funds. From July 2016 to December 2018, as one of its founders, Mr. Pan served as a member of the investment management committee of CICCB (Shenzhen) Investment Management Centre (Limited Partnership) (金建(深圳)投資管理中心(有限合夥)), an investment management platform focused on investment in biotechnology industry and asset allocation formed by CICC and CCB Trust Co., Ltd. (建信信託有限責任公司). He has been a director of Starway Medical Technology, Inc. (北京華醫聖傑科技有限公司) from May 2021 to December 2023.

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

Non-executive Directors

Mr. TAN Ching, aged 59, has been a Director since March 2019, and was re-designated as a non-executive Director in May 2021.

Mr. Tan has extensive experience in corporate governance and investment. He has been the executive director and general manager of Shanghai Jiachen Investment Co., Ltd. (上海甲辰投資有限公司) since November 2012. Since October 2018, he has been a director of BMC Medical Co., Ltd. (北京怡和嘉業醫療科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 301367).

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

Mr. ZHENG Jiaqi, aged 40, has been a Director since October 2020, and was re-designated as a non-executive Director in May 2021.

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

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

Ms. XIE Youpei, aged 54, has been a Director since November 2011, and was re-designated as a non-executive Director in May 2021. Ms. Xie has been our Director since our establishment and she has a thorough understanding of the affairs of our Group. As such and given her experience in financial management, in addition to participating in decision-making in respect of major matters such as corporate and business strategies as with other non-executive Directors, Ms. Xie also provides invaluable supervision and guidance to our Group on financial matters.

Ms. Xie has over 20 years of experience in financial management. She has served as the manager of the financial department of Romon Co., Ltd. (羅蒙集團股份有限公司) since May 2000.

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

Mr. CHEN Xinxing, aged 38, has been a Director since April 2021, and was re-designated as a non-executive Director in May 2021.

Prior to joining our Group, Mr. Chen joined Boston Consulting Group as a consultant from September 2007 to August 2010. He then worked at Morgan Stanley as a manager of the China healthcare team of the investment banking department from August 2012 to April 2014. Mr. Chen served as a director of the China healthcare team of Actis Capital, LLP from April 2014 to May 2018. From September 2018 to March 2020, Mr. Chen served as an executive director of Huaxing Healthcare Fund (華興醫療產業基金). In July 2020, he joined Hillhouse Investment and currently serves as a managing director of Hillhouse Investment. From April 2021 to present, he has served as a director of Hillhouse Investment. Since December 2023, Mr. Chen has been a non-executive director of Shanghai MicroPort MedBot (Group) Co., Ltd. (上海微創醫療機器人(集團)股份有限公司), a company listed on the Stock Exchange (stock code: 2252).

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

Independent Non-executive Directors

Dr. LIN Shoukang, aged 60, as an independent non-executive Director, is responsible for supervising and providing independent judgment and strategic advice to our Board.

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

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

Ms. DU Jiliu, aged 54, as an independent non-executive Director, is responsible for supervising and providing independent judgment and strategic advice to our Board.

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

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

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

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

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

SUPERVISORS

Ms. XU Jing (徐婧), aged 35, joined in our Group in March 2021 and has been our Supervisor and the chairwoman of Board of Supervisors since then.

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

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

Mr. TANG Hao (唐皓), aged 39, joined our Group in October 2020 and has been our Supervisor since then.

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

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

Mr. HU Bo (胡波), aged 34, has been our Supervisor since March 2021. Mr. Hu joined our Group in February 2019 and is currently serving as our IT director since January 2023.

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

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

SENIOR MANAGEMENT

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

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

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

Mr. LI Yibin (李毅斌), aged 38, has been our vice president since February 2016. Mr. Li joined our Group in November 2011 and successively served as project principal and manager of the R&D department of our Group. Mr. Li is responsible for the overall daily operation of our Group, including quality control, regulatory registration and IP related works.

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

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

Mr. LI Biao (李彪), aged 39, has been our vice president since May 2021. Mr. Li joined our Group in October 2014 as the project manager of R&D department and has successively been a vice president of Ningbo Diochange since February 2017. He was appointed as the executive director and general manager of Ningbo Diochange since August 2020. Mr. Li is responsible for the overall research and development activities and overall business operations of Ningbo Diochange.

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

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

Mr. ZHANG Ruinian (張瑞年), aged 60, joined our Company in January 2023 and has been our vice president since then, being responsible for overseeing the commercialization of our products.

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

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

JOINT COMPANY SECRETARIES

Mr. LI Yuanyuan (李遠源), aged 38, was appointed as our joint company secretary on 21 May 2021 with his appointment taking effect upon Listing. Mr. Li joined our Group in December 2020 and has been our director of finance department since then.

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

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

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

Mr. Wong is a fellow member of the Hong Kong Institute of Chartered Secretaries (now known as The Hong Kong Chartered Governance Institute) and The Chartered Governance Institute; Certified Practising Accountant, CPA Australia and Certified Trust Practitioner of the Hong Kong Trustees' Association.

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

CHANGES IN DIRECTORS' AND SUPERVISORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the following changes in the information of our Directors or Supervisors have taken place since the date of the Board meeting approving the annual report of 2022 up to the date of the Board meeting approving this report:

Mr. PAN Fei (潘斐), our executive Director, resigned as a director of Starway Medical Technology, Inc (北京華醫聖傑科技有限公司) in December 2023.

Since December 2023, Mr. Chen has been a non-executive director of Shanghai MicroPort MedBot (Group) Co., Ltd. (上海微創醫療機器人(集團)股份有限公司), a company listed on the Stock Exchange (stock code: 2252).

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the CG Code as its own code of corporate governance. During the Reporting Period, the Company has complied with all applicable code provisions of the CG Code save and except for the following deviation.

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

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

THE BOARD OF DIRECTORS

Board composition

As at 31 December 2023, the Board consists of two executive Directors, namely Mr. LV Shiwen and Mr. PAN Fei, four non-executive Directors, namely Mr. TAN Ching, Mr. ZHENG Jiaqi, Ms. XIE Youpei and Mr. CHEN Xinxing, and three independent non-executive Directors, namely Dr. LIN Shoukang, Ms. DU Jiliu and Dr. MEI Lehe. A list of the Directors and their roles and functions is published on the websites of the Stock Exchange and of the Company. The overall management and supervision of the Company's operation and the function of formulating overall business strategies were vested in the Board. There are no financial, business, family or other material relationships among members of the Board.

During the year ended 31 December 2023, the Board has at all times met the requirements of Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. The three independent non-executive Directors represent more than one-third of the Board, complying with the requirement under Rule 3.10A of the Listing Rules whereby independent non-executive directors of a listed issuer must represent at least one-third of the board. The Board believes there is sufficient independence element in the Board to safeguard the interest of Shareholders.

Directors' responsibilities

The Board takes the responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitor the performance of the senior executives. The Directors have to make decisions objectively in the interests of the Company. As at 31 December 2023, the Board comprised nine Directors, including two executive Directors, four non-executive Directors and three independent non-executive Directors. Their names and biographical details are set out in the "Directors, Supervisors and Senior Management" section of this annual report.

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

Delegation by the Board

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

Directors' responsibilities for financial statements

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

Independent non-executive Directors

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

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

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

Confirmation of independence

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

Board diversity policy

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

As at the date of this annual report, our Board consists of seven male members and two female members with three Directors of age 38 to 40 years old and six Directors of age 54 to 60 years old. Our Company has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable our Company to maintain high standard of operation.

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

Gender Diversity

As at the date of this annual report, the Board currently has two female Directors. The Nomination Committee will take opportunities to increase female representation on the Board when selecting and recommending suitable candidates for Board appointments in accordance with the Company's diversity policy and nomination policy. The Group will continue to emphasize training of female talent and providing long-term development opportunities for female staff. As at 31 December 2023, the gender ratio in our workforce (including senior management) for male and female employees were 41% and 59%, respectively. For a discussion of the gender ratio in the workforce, please refer to the Environmental, Social and Governance Report in this annual report.

Appointment and re-election of Directors

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

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

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

Compensation of Directors, Supervisors and senior management

The emoluments of the Directors and Supervisors of the Group are subject to the Shareholders' approval at the general meeting, and the emoluments of senior management are determined by the Board, with reference to the recommendation given by the Remuneration and Appraisal Committee, having regard to the Group's operating results, individual performance and comparable market statistics. No Directors or Supervisors, or any of their respective associates, were involved in regard to the relevant resolution approving their own remuneration.

Details of the Directors' and Supervisors' emoluments and emoluments of the five highest paid individuals in the Group are set out in notes 8 to 9 to financial statements on pages 119 to 122 of this annual report. Details of the Executive Directors', Supervisors' and senior managements' emoluments are set out in note 8 to financial statement on pages 119 to 121 of this annual report.

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

None of the Directors or Supervisors has waived any emoluments for the year ended 31 December 2023.

Except as disclosed above, no other payments have been made or are payable, for the year ended 31 December 2023, by our Group to or on behalf of any of the Directors.

Directors' training and professional development

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

During the year ended 31 December 2023, each Director, namely, Mr. LV Shiwen, Mr. PAN Fei, Mr. TAN Ching, Mr. ZHENG Jiaqi, Ms. XIE Youpei, Mr. CHEN Xinxing, Dr. LIN Shoukang, Ms. DU Jiliu, Dr. MEI Lehe have been updated with the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. In addition, briefing and professional development training to Directors will be arranged whenever necessary. All Directors are encouraged to attend relevant training courses at the Company's expense.

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

Board meetings

Code provision C.5.1 of the CG Code stipulates that Board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communications. Apart from regular Board meetings, the Chairman should at least annually hold meetings with the independent non-executive Directors without the presence of other Directors under the code provision C.2.7 of the CG Code.

During the year ended 31 December 2023, eight Board meetings were held at which the Board considered and approved the annual results announcement, annual report, interim results announcement, interim report and other business affairs of the Group. The Company adopts the practice of holding board meetings regularly, at least four times a year, and at approximately quarterly intervals.

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

	Number of meeting(s) attended/number of meeting(s) held for the year ended 31 December 2023					
Name of Director	**Board**	**Shareholders' General Meeting**	**Audit Committee**	**Remuneration and Appraisal Committee**	**Nomination Committee**	**Strategy Committee**
Executive Directors						
Mr. LV Shiwen	8/8	3/3	N/A	2/2	1/1	2/2
Mr. PAN Fei	8/8	3/3	N/A	N/A	N/A	2/2
Non-executive Directors						
Mr. TAN Ching	8/8	3/3	N/A	N/A	N/A	N/A
Mr. ZHENG Jiaqi	8/8	3/3	N/A	N/A	N/A	N/A
Ms. XIE Youpei	8/8	3/3	N/A	N/A	N/A	N/A
Mr. CHEN Xinxing	8/8	3/3	N/A	N/A	N/A	N/A
Independent Non-executive Directors						
Dr. LIN Shoukang	8/8	3/3	4/4	2/2	1/1	2/2
Ms. DU Jiliu	8/8	3/3	4/4	2/2	N/A	N/A
Dr. MEI Lehe	8/8	3/3	4/4	N/A	1/1	N/A

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

Nomination policy

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

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

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

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

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

Mechanism to Ensure Independent Views of Directors

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

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

BOARD COMMITTEES

The Board delegates certain responsibilities to various Board committees. In accordance with the relevant PRC laws and regulations, the Articles and the Listing Rules, we have established the Audit Committee, Remuneration and Appraisal Committee, Nomination Committee and Strategy Committee.

Audit Committee

The Company established the Audit Committee which consists of three independent non-executive Directors, Ms. DU Jiliu, Dr. LIN Shoukang and Dr. MEI Lehe. Ms. DU Jiliu, being the chairwoman of the committee, has appropriate professional qualifications under Rule 3.10(2) of the Listing Rules.

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

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

For the year ended 31 December 2023, the Audit Committee convened four meetings. The attendance record of the Directors at meetings of the Audit Committee is set out in the table on page 32. During the meetings, the Audit Committee discussed with the management and the external auditor on the issues concerning accounting policies and practices which may affect the Group, along with financial reporting matters, and reviewed the annual results for the year ended 31 December 2022 and interim results for the six months ended 30 June 2023 and the related reports of the Company.

Remuneration and Appraisal Committee

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

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

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

No Director or Supervisor, nor any of their associates, were involved in regard to the relevant resolution approving their own remuneration.

For the year ended 31 December 2023, the Remuneration and Appraisal Committee convened two meetings. The attendance record of the Directors at meetings of the Remuneration and Appraisal Committee is set out in the table on page 32. During the Reporting Period, the Remuneration and Appraisal Committee (i) reviewed the remuneration policy and structure of the Company; (ii) assessed the performance of the Directors; (iii) reviewed and considered the remuneration packages for the Directors and senior management of the Company; and (iv) reviewed and approved matters relating to the share scheme pursuant to Chapter 17 of the Listing Rules.

Nomination Committee

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

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

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

For the year ended 31 December 2023, the Nomination Committee convened one meeting. The attendance record of the Directors at meetings of the Nomination Committee is set out in the table on page 32. The Nomination Committee reviewed the structure, size and composition of the Board and assessed the independence of the independent non-executive Directors.

Strategy Committee

We have established the Strategy Committee which consists of two executive Directors, Mr. LV Shiwen and Mr. PAN Fei, with one independent non-executive Director, Dr. LIN Shoukang, with Mr. Lv being the chairman of the committee. The primary duties of the Strategy Committee are to study and advise on the long term strategy and operation plans of our Group.

The Strategy Committee will assist the Board, in conjunction with our management, in addressing our Company's overall mission, vision and strategic direction. Areas of focus will include: providing the Board and management, as applicable, with input and recommendations with respect to key strategic initiatives and major R&D programs and partnerships; and assisting management in establishing a strategic planning process, identifying and addressing organizational challenges and evaluating strategic alternatives.

For the year ended 31 December 2023, the Strategy Committee convened two meetings. The attendance record of the Directors at meetings of the Strategy Committee is set out in the table on page 32. The Strategy Committee discussed and advised the Board on the long-term development strategies and operation plans of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the guidelines for the Directors' and Supervisors' dealings in the securities of the Company since the Listing and, having made specific enquiries of all the Directors and Supervisors, each of them has confirmed that he/she complied with all applicable code provisions under the Model Code during the Reporting Period.

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

REMUNERATION PAYABLE TO MEMBERS OF SENIOR MANAGEMENT

Pursuant to code provision E.1.5 of Part 2 of the CG Code, the annual remuneration of members of the senior management by band for the year ended 31 December 2023 is set out below:

Remuneration band	Number of members of senior management
Nil to HK$1,000,000	2
HK$1,000,001 to HK$2,000,000	1
HK$2,000,001 to HK$3,000,000	–
HK$3,000,001 to HK$4,000,000	2

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties set out in code provision A.2.1 of the CG Code. As at the date of this annual report, the Board has performed the following duties:

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

The Board had performed the above duties during the year ended 31 December 2023.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

  o Interview with responsible personnel;

  o Obtain and review the required documents;

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

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

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

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

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

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

- The Audit Committee is responsible for reviewing the effectiveness of the risk management and internal control systems. For the Reporting Period, the Audit Committee has reviewed the effectiveness of the risk management and internal control systems, including the financial, operational and compliance controls, and considered that such systems are effective and adequate. The review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources, and considered that the internal audit function is effective and adequate.

- The Company engaged Somerley Capital Limited as the compliance adviser to provide professional advice to Directors and management team.

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

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

- establish the Audit Committee to review and supervise our financial reporting process and internal control system.

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

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

- engaged Somerley Capital Limited as the compliance adviser to provide professional advice to Directors and management team.

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

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

AUDITOR'S REMUNERATION

For the year ended 31 December 2023, the remunerations paid or payable to Ernst & Young, the external auditor of the Company, in respect of its audit services and non-audit services are RMB1,800,000 and RMB500,000, respectively. A statement by Ernst & Young about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 94 to 95.

Details of the fees paid/payable in respect of the audit and non-audit services provided by Ernst & Young for the year ended 31 December 2023 are set out in the table below:

Services rendered for the Company	**Fees paid and payable** RMB'000
Audit services	1,800
Non-audit services	500

JOINT COMPANY SECRETARIES

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

Mr. Wong is an associate member of The Hong Kong Institute of Chartered Secretaries (now known as The Hong Kong Chartered Governance Institute), and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules. In compliance with Rule 3.29 of the Listing Rules, Mr. Li and Mr. Wong have undertaken no less than 15 hours of relevant professional training during the year of 2023. The main contact person of Mr. Wong in the Company is Mr. Li.

The biographies of Mr. Li and Mr. Wong are set out in the "Directors, Supervisors and Senior Management" section on pages 27 to 28 of this annual report.

DIVIDEND POLICY

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

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

(1) cash;

(2) shares; or

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

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

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

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

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting and putting forward proposals

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

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

Enquiries to the Board

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. In order to promote effective communication, the Company has adopted a shareholder communication policy that aims at establishing a two-way relationship and communications between the Company and the Shareholders. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

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

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

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

CHANGES IN CONSTITUTIONAL DOCUMENTS

The Articles were adopted with effect from the Listing Date. Pursuant to a special resolution of the Shareholders passed on 15 May 2023 at the 2023 first extraordinary general meeting of the Company, the amended and restated Articles of Association was adopted with effect from 1 August 2023, the date on which the draft amendments to the Listing Rules in Appendix II to the consultation paper "Rule Amendments Following Mainland China Regulation Updates and Other Proposed Rule Amendments Relating to PRC Issuers" published on 24 February 2023 by the Stock Exchange were fully implemented and became effective.

The amendment was adopted in order to update the Articles of Association in light of the New PRC Regulations and the repeal of the Mandatory Provisions for Companies Listing Overseas (《到境外上市公司章程必備條款》), as well as to prepare for the Proposed Issue of A Shares and listing on the STAR Market and comply with the relevant CSRC and Shanghai Stock Exchange rules. For further details, please refer to the circular of the Company dated 14 April 2023.

Save as disclosed above, during the year ended 31 December 2023, the Company has not made any changes to its Articles. The amended and restated Articles is available on the websites of the Company and the Stock Exchange.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1 ENVIRONMENTAL, SOCIAL AND GOVERNANCE OVERVIEW

1.1 Environmental, Social and Governance Report

1.1.1 Company Profile

Jenscare Scientific Co., Ltd. (hereinafter the "Group" or "we"/"us") is a medical device company dedicated to the development of innovative solutions for structural heart disease. Since our founding in 2011, we have independently developed a series of innovative products targeting tricuspid valve diseases, mitral valve diseases, aortic valve diseases, heart failure and cardiogenic stroke prevention. And we are expanding our product candidates so as to provide "heart power" for patients around the world who do not have access to effective treatment options.

1.1.2 Basis of Report Preparation

This Environmental, Social, and Governance Report (hereinafter referred to as this "Report") was prepared according to the key performance indicators ("KPIs") by reference to the calculation standards and methodologies set out in the *Environmental, Social and Governance Reporting Guide*, an appendix to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, informing and presenting such content as per the principles of Materiality, Quantitative, Balance and Consistency. This Report has the same calculation methodologies and coverage for each Reporting Period, and has avoided the selections, omissions, or presentation formats that may influence a decision or judgment by the reader. The standards, methodologies, assumptions and calculation tools used for the reporting of emissions and energy consumption are in line with the Reporting Guidance on Environmental KPIs and the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

1.1.3 Reporting Coverage

This Report aims to provide an overview of the Group's performance in environmental, social and governance (ESG) for the year, for stakeholders to have a better understanding of our sustainability philosophy, management approaches, measures and performance. This Report sets out the principles of our approach to corporate social responsibility and describes our vision and commitment to corporate social responsibility. The disclosure scope of this Report includes the Company and each of its subsidiaries and branches. This Report covers the period from 1 January 2023 to 31 December 2023.

1.1.4 Mission and Vision

We aspire to become a global leader in innovative solutions for structural heart diseases, providing comprehensive treatment options for all types of structural heart diseases through continuous R&D and innovation, with a vision to become a globally leading healthcare technology platform owning a full range of innovative products for the treatment of structural heart diseases which will be a boon to patients all over the world. We are well aware of our duty to continue providing safe and effective treatment solutions. Therefore, we will spare no effort to fulfill our corporate responsibility of giving back to society, while adhering to sustainable development and contributing to the health and well-being of mankind.

The Board of Directors of the Group is the highest decision-making body of ESG governance responsible for developing the ESG strategies and objectives of the Group. The Group keeps following and evaluating ESG-related major issues and risks, and ensures through scientific and effective management that the Group actively fulfills its social responsibility and achieves sustainable development while pursuing economic benefits. In daily operation, the Group integrates ESG management philosophy into all aspects of product quality, employee management, community development, business ethics and compliance management, and is committed to improving product quality and ensuring patient safety; supporting employee growth and creating a harmonious working atmosphere; actively participating in community construction and contributing to local development; adhering to business ethics and operating with integrity; and strictly abiding by laws and regulations to ensure compliance operation. The Board of Directors of the Group always seeks to integrate the practice of sustainable development into its daily operation, to ensure that the overall strategic direction is highly consistent with the goal of sustainable development, and assesses the collective performance of the organization across environmental, social, and governance aspects, and appraises the attainment of objectives within each aspect, to contribute to a green, low-carbon and circular-development future.

1.2 Honors and Stakeholders of the Group

1.2.1 Overview of Corporate Honour

In 2023, the Group made the list of "Best-Performing Public Companies of 2023 Future Healthcare VB100 (2023未來醫療100強年度風雲企業)", and received the honors of "Best Performing Strategic Layout Cases of 2023 China-Go-Global Medical Device (2023中國醫療器械出海最佳戰略布局企業)", "2023 Golden Kirin of Sina Finance – Most Growing Hong Kong Pharmaceutical Company (2023新浪財經金麒麟－最具成長港股醫藥公司)", "Most Valuable Pharmaceutical and Medical Company (最具價值醫藥及醫療公司)" and "2023 Outstanding IR Team (2023年度卓越IR團隊)".

1.2.2 Stakeholders Engagement

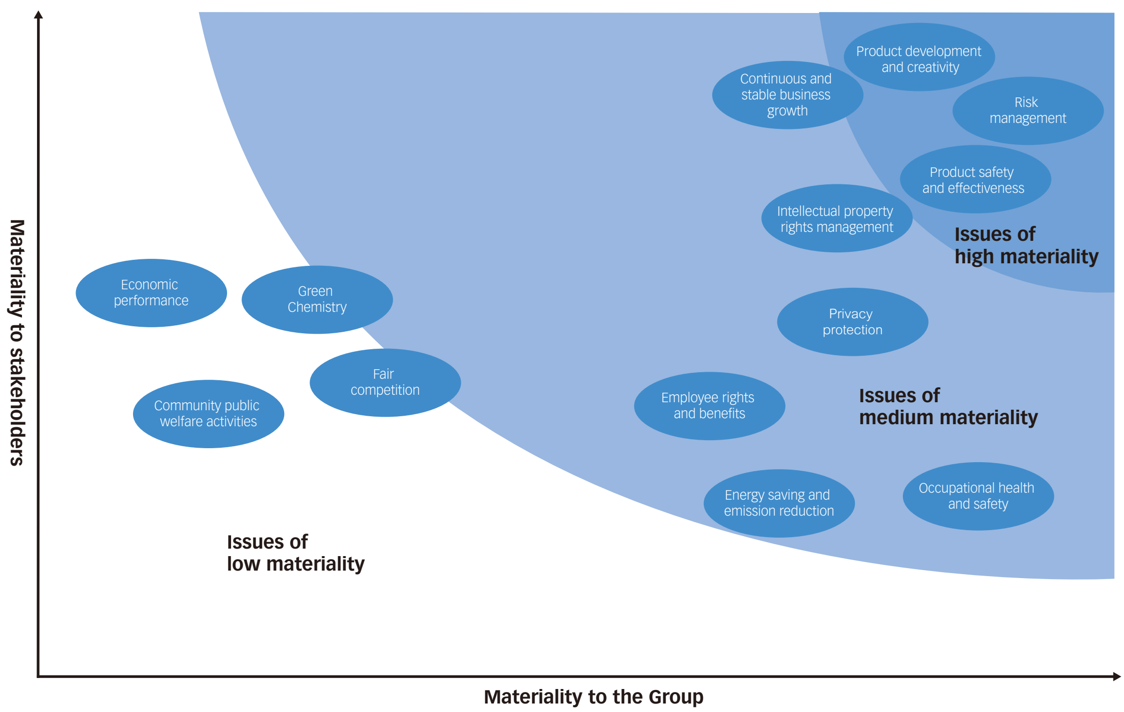
The Group is fully aware that maintaining close communication with stakeholders is key to achieving sustainable development. Effective communication enables the Group to better understand the needs and expectations of various stakeholders, and develop a more realistic and targeted sustainable development strategy. The Group's stakeholders cover a wide range of areas and aspects, including but not limited to government and regulators, shareholders and investors, customers and partners, suppliers, employees, community and the public, board members, doctors and patients, as well as trade and industry associations. Valuing the relationship with each stakeholder, the Group strives to maintain smooth communication with them, and seeks win-win through cooperation.

Stakeholder	Expectations and requirements	Communication mode
Government and Regulators	National policies, laws and regulations Emission management Product safety and efficacy Business ethics and anti-corruption	Institutional visits Presenting policy suggestions and recommendations Communications about registration Adverse event reporting
Shareholders and Investors	Corporate governance Risk management Return on investment Sustained and stable business growth	General meeting of shareholders Information disclosure Investor meetings and exchanges
Customers and Partners	Due performance of contracts Honest business operation Quality products and services	Business communication Customer feedback Exchange and discussion
Suppliers	Compliance in purchasing Win-win cooperation	Business visits and meetings Audit and performance assessment

Stakeholder	Expectations and requirements	Communication mode
Employees	Rights and interests protection and salary and welfare Occupational health Diversity and equality Career development	Labor union Information publicity Democratic communication platform
Community and Public	Improvement of community environment Engagement in public welfare undertakings Open and transparent information	Official corporate website Corporate announcement Interview and exchange
Board Members	ESG governance Risk management Industry development and win-win	Board meeting
Trade and Industry Associations	Fair competition Contribution to industry development	Trade association Industry conference

1.2.3 Materiality Assessment

Based on the environmental and social areas set out in the *Environmental, Social and Governance Reporting Guide*, the information collected from stakeholders, and the evaluation of materiality to business, the Group has developed the following materiality matrix to show areas of high materiality to stakeholders and the Group.



2 CORPORATE ENVIRONMENTAL PERFORMANCE ANALYSIS

2.1 Corporate Emission Related Analysis

The Group actively fulfills its environmental protection responsibilities, in strict compliance with *the Environmental Protection Law of the People's Republic of China* (《中華人民共和國環境保護法》), *the Law of the People's Republic of China on the Prevention and Control of Air Pollution* (《中華人民共和國大氣污染防治法》), *the Law of the People's Republic of China on the Water Pollution Prevention and Control* (《中華人民共和國水污染防治法》), *the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* (《中華人民共和國固體廢物污染環境防治法》) and *the Integrated Emission Standards for Air Pollutants* (《大氣污染物綜合排放標準》) and other applicable laws, regulations, standards and local environmental protection management measures for gas emissions and waste disposal; and keeps promoting the construction of environmental management system, making efficient use of energy and resources, reducing the negative impact of its own production and operation on the environment, and implementing the concept of green development.

2.1.1 Analysis of Corporate Emission Related Indicators

Total emission volume and intensity of corporate exhaust gas

The Group's emissions of exhaust gas mainly include emissions from the Group's self-owned vehicles, which mainly include nitrogen oxides (NO_x), sulfur oxides (SO_x) and suspended particulate matter (PM). In 2023, the total air emissions of the Group was approximately 129.1 kg, equivalent to an emission intensity of about 0.3 kg/person, rising by 50% compared to 2022. This was mainly due to more customer visits and other business trips for business development, which led to an increase in the frequency of use of self-owned vehicles and an increase in gasoline consumption.

Below please find the air emissions and emission intensity of the Group in 2023 by type:

Type of exhaust gas	**Emission volume** (kg)	**Emission intensity** (kg/person)
Nitrogen oxides (NO_x)	117.5	0.3
Sulfur oxides (SO_x)	0.3	0.0
Suspended particulate matter (PM)	11.3	0.0
Total	**129.1**	**0.3**

Note: (1) Exhaust gas emission mainly includes exhaust gas generated by the Group's self-owned vehicles;

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

Total emission volume and intensity of corporate greenhouse gases

The Group's greenhouse gas (GHG) emissions mainly include two scopes: (i) direct emissions from fuel combustion of the Company's vehicles, and (ii) indirect emissions from purchased electricity. In 2023, the total GHG emissions of the Group was approximately 1,346.1 tons of carbon dioxide equivalent, equivalent to an emission intensity of about 3,580.0 kg of carbon dioxide equivalent/person. The increase in GHG emissions of the Group in 2023 was mainly due to more customer visits and other business trips for business development, which led to an increase in the frequency of use of self-owned vehicles and an increase in gasoline consumption.

The Group's emissions in 2023 by type and source of greenhouse gases are shown in the table below:

Direct GHG emissions

Type of GHG	Emission volume (ton of carbon dioxide equivalent)	Emission intensity (kg of carbon dioxide equivalent/person)
Carbon dioxide (CO_2)	45.1	119.9
Methane (CH_4)	0.1	0.3
Nitrous oxide (N_2O)	6.6	17.6
Total	**51.8**	**137.8**

Indirect GHG emissions

Source of indirect emissions	Emission volume (ton of carbon dioxide equivalent)	Emission intensity (kg of carbon dioxide equivalent/person)
Electricity usage	1,294.2	3,442.1
Total	**1,294.2**	**3,442.1**

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

Total discharge volume and intensity of corporate solid waste

The Group advocates energy conservation and waste reduction, and strictly regulates the generation and discharge management of solid waste during operation. The Group's waste is mainly the garbage produced in daily office work. In 2023, the waste discharged by the Group primarily included 6.5 kilograms of waste dry batteries, 4.3 tons of non-hazardous waste office paper and 0.3 tons of packaging materials in logistics process. In particular, the significant difference in discharge of waste dry batteries compared to 2022 was mainly due to the fact that the Group used rechargeable batteries whenever possible and strengthened the recycling of batteries, thereby reducing the discharge of waste dry batteries; while the significant difference in discharge of waste office paper compared to 2022 was mainly due to the audit work of the Group in 2023 leading to more office paper consumed. The Group collected waste for disposal by hazardous waste treatment companies.

Below please find the waste discharge and discharge intensity of the Group in 2023 by type:

Type of waste	Discharge volume	Discharge intensity
Hazardous wastes		
Waste dry batteries	6.5 kg	0.02 kg/person
Non-hazardous wastes		
Office paper	4.3 tons	11.4 kg/person
Packaging materials in logistics process	0.3 tons	0.8 kg/person

2.1.2 Emission and Waste Reduction Measures and Targets Implemented by Enterprises

Emission reduction targets set by enterprises and corresponding measures

The Group strictly abides by the major PRC laws and regulations on pollutant discharge/emission, including the *Environmental Protection Law of the People's Republic of China* (《中華人民共和國環境保護法》), and the Integrated Emission Standards for Air Pollutants (《大氣污染物綜合排放標準》), and puts in use and in place relevant environmental protection facilities and measures to strictly control the fugitive air emission. The administration department of the Group: (i) has carried out strict inspection, maintenance and energy consumption management and adopted an approval and registration system for the Group's shuttle buses, (ii) advocates gathering of employees to take a bus nearby, reasonable arrangement, overall dispatch, reasonable planning of the bus travel routes, reduction of the empty mileage and improvement of the efficiency of bus use, (iii) gives drivers regular training on vehicle fuel saving, repair and maintenance, and standardized driving operation, to improve their professional and technical level, thereby reducing fuel consumption and maintenance costs, and (iv) implements the bus seal-up system on holidays, to timely seal up redundant ones, and avoid private use of buses.

In the future, the Group will continue to strive for energy conservation and emission reduction, continuously improve the energy efficiency of the Group's equipment, and further reduce the overall air emission of the Group by improving the corresponding measures, so as to minimize the possible impact of the Group's production and operation on the environment.

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

The Group develops and updates from time to time the Waste Management Policy in strict compliance with the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* (《中華人民共和國固體廢物污染環境防治法》) and other relevant national and local laws and regulations on pollutant discharge management, to clearly specify the duties, responsibilities and authorities of waste management and waste disposal procedures within the Group. Any recyclable and sellable items (including but not limited to used cartons, plastic waste, glass bottles, etc.) will be collected in the waste warehouse and then sold, while all unsellable items placed together and to the waste area after the workshop is cleared, and then moved to the designated dump area outside the factory after work every day. Any waste animal tissues will be classified and disposed, with production personnel filling in the Treatment Record of Waste Animal-derived Tissues after disposal. And before disposal of any chemical liquid reagent waste, we will collect the MSDS (Material Safety Data Sheet) of the relevant solution and dispose the chemical liquid reagent waste according to the information provided in the MSDS, or to the extent that disposal within the Company is not feasible, this kind of waste will be gathered and handed over to a qualified entity for disposal. We continuously monitor the waste disposal of the Group to ensure the effective implementation of relevant environmental protection measures and the compliant operation of the Group's business.

2.2 Analysis Related to the Use of Corporate Resources

2.2.1 Structure of Major Corporate Energy Consumption

The Group advocates saving resources and energy, reducing the consumption of energy and raw materials, strengthening energy management, improving the level of reasonable use of energy, thereby reducing the consumption of energy and raw materials, and maximizing the recycling of energy and resources in the production process. In 2023, the Group consumed approximately 19,127.0 liters of gasoline, approximately 1.61 million kWh of electricity and approximately 10,499.3 m^3 of water.

The Group's energy consumption by type in 2023 is shown in the table below:

Type of energy	Consumption	Intensity of consumption
Gasoline	19,127.0 litres	50.9 litres/person
Electricity	1.61 million kWh	4,278.1 kWh/person
Water	10,499.3 m^3	27.9 m^3/person

The following table shows all packaging materials for the Group's finished goods by product packaging material type in 2023:

Product packaging materials	Unit	Consumption
Plastic	ton	3.0
Paper	ton	0.3

2.2.2 Energy Efficiency Targets and Measures Developed by Enterprises

The Group develops and implements Group-wide energy conservation measures in strict compliance with *the Law of the People's Republic of China on Energy Conservation* (《中華人民共和國節約能源法》) and other applicable laws and regulations. The Group has established a quarterly notification system whereby regular production energy conservation meetings will be held to analyse any existing problems and propose improvement measures for timely rectification. The Group is phasing out fluorescent lamps and turning to energy-saving lamps for lighting, and has implemented regional control and transformation of the factories and offices where lighting fitting is widely used, reasonably setting the opening and using time according to seasons and personnel distribution; and replaced with the infrared induction switch for the corridor lighting fitting to ensure that the lights go out when no one is around at night. The Group has strengthened the management of air conditioning installation and operation, by ensuring that the air conditioning system will be thoroughly maintained and cleaned every year, timely putting special and ordinary air conditioners out of service with season changes, setting the air conditioning temperature control standard of 27°C in summer and 25°C in winter, and promoting the use of air fans in the office area to shorten the operation time of air conditioning. The Group encourages employees to use computers reasonably and reduce standby time, and requires employees to turn off the computers, water dispensers, printers and other electrical equipment in the office after work to minimize energy consumption. In addition, the Group has reduced the power of the lights in the elevators and encourages employees to take the stairs more often.

The Group has set the energy use efficiency targets in 2024, achieving 3% saving in electricity consumption, 3% saving in water consumption and 5% saving in fuel consumption, and more than 5% reduction in office energy consumption and per capita energy consumption respectively, from the 2023 energy consumption bases as carefully verified. The Group will constantly monitor the progress of the targets and will continue to review and improve environmental policies and measures.

2.2.3 Objectives and Measures for Enterprises to Find Suitable Water Sources and Enhance Water Efficiency

The Group regards the conservation of water resources as an environmental obligation of the Group in the course of developing its business. The Group has enhanced the efficiency of water consumption by such measures as strengthening the daily maintenance and management of its water-using equipment, checking for "water dripping, leaking, bubbling", and promptly correcting any faults found, posting water-saving slogans to encourage employees to consciously develop water-saving habits, turn off taps and avoid water dripping; strengthening water-saving awareness and using water-saving equipment, as well as lowering the water level of toilet water tank, to effectively reduce water consumption while meeting the basic needs. In 2023, the Group did not have any issue in sourcing water that is fit for purpose.

2.3 Analysis Related to the Corporate Environment and Natural Resources

2.3.1 Analysis on the Significant Impact of Corporate Business Activities on the Environment and Natural Resources and Related Measures

The Group is well aware that environmental protection is an indispensable social responsibility in corporate development. Therefore, the Group always follows and endeavors to reduce the impact of our operations on the environment and natural resources. The Group has carried out business operations in accordance with applicable national environmental protection policies and emission requirements, and has developed the Jenscare Scientific Energy Saving Measures within the Group, strictly implemented the quarterly notification system, and improved the efficiency of resource utilization, and reduced the impact of energy consumption and business activities on the environment and natural resources, by replacing with energy-saving equipment and reusing equipment scraps.

2.4 Analysis Related to Corporate Response to Climate Change

2.4.1 Significant Climate-related Issues or Policies Affecting the Group, and Actions to Be Taken

It has become a global consensus to actively mitigate climate change and reduce GHG emissions. Jenscare is well aware that climate change will have a profound impact on the Group's development and human health. We continue to strengthen our understanding and action on climate change, and enhance corporate resilience through practical green and low-carbon practices. The Company strives to improve its supply guarantee capability and production continuity under climate change, and to cope with the impact of climate change through the diversification and distribution of suppliers, production capacity and warehouses in multiple places. The Group has also been actively identifying during its operation any risks that may be brought about by climate change to its operation and the possible impact on climate and environment in the course of its own operation, and has continuously strengthened the management capability of climate risks and opportunities, endeavouring to minimize the impact on climate change.

3 CORPORATE SOCIAL RESPONSIBILITY ANALYSIS

3.1 Analysis of Current Employment Situation in Enterprise

3.1.1 Employment Principles

The Group is well aware that safeguarding the rights and interests of employees and creating an inclusive and equal working environment are essential to the long-term development of the Company and the personal growth of employees. In respect of recruitment and employment, the Group has always strictly complied with the laws and regulations of the places where it operates, including but not limited to the *Labor Law of the People's Republic of China* (《中華人民共和國勞動法》), the *Labor Contract Law of the People's Republic of China* (《中華人民共和國勞動合同法》) *and* the *Regulations on Labor Protection for Female Employees* (《女職工勞動保護規定》), etc. In terms of recruitment, the group adheres to principles of openness, fairness, merit-based selection, and avoidance of nepotism. The Group closely aligns recruitment efforts with our strategic business development, precisely understanding the actual talent requirements as our guiding principle. To ensure the standardization and effectiveness of the recruitment process, the Group has elaborately outlined various procedures and details regarding recruitment management, labor contract management, onboarding management, and probationary period management in the Employee Handbook (《員工手冊》). In terms of employment, in order to better protect the rights and interests of employees and clarify the employment standards, the Group revised the *Employee Handbook* (《員工手冊》) in 2023 in accordance with applicable laws and regulations. Through the revision, promotion and implementation of the *Employee Handbook*, the Group is able to ensure our employees have a clear understanding of the Company's management regulations on attendance, rewards and punishments, and enjoy their due rights and benefits. The Human Resources Department has appointed designated personnel to ensure the effective implementation of the employment policy and designated personnel to supervise the implementation of the employment policy, and timely deal with any complaints and disputes of employees, ensuring no infringement upon the rights and interests of employees. The establishment of complaint reporting mechanism also provides a fair and transparent channel for employees to safeguard their rights, whereby they can timely reflect problems and seek solutions. The Group elects the employee representatives and employee supervisors of the Group by way of employee election to fully ensure that the employees exercise their corresponding rights.

The Group, as a firm opponent of any form of discrimination against gender, race, ethnicity, age, religious belief and nationality, upholds equality, integrity, diversity, transparency and inclusiveness, and is committed to creating a fair, just and harmonious working environment. The Group encourages mutual respect and understanding among employees, and advocates the integration and development of diverse cultures, allowing every employee to find their own value and sense of belonging in the Group.

3.1.2 Performance Management

The Group is committed to establishing a fair, transparent and scientific performance management system to ensure that the performance of employees is fully recognized and rewarded, by virtue of which, the Group has set up multi-level assessment for employees, such as monthly assessment, quarterly assessment, semi-annual assessment and annual assessment. At the beginning of each assessment cycle, employees will work with their department heads to set specific and measurable performance targets. It is the responsibility of the department heads to guide and provide timely feedback to their respective employees, helping them achieve personal growth. At the end of the assessment cycle, the Group will evaluate the performance completion status of its employees and set the performance assessment targets together with the employees for the next stage. The Group will take the assessment results as the basis for employee promotion, salary adjustment, annual merit evaluation, bonus payment and dismissal. In addition, the Group has also established a sound talent evaluation system, which covers recruitment, performance assessment, promotion and other aspects, aiming to provide a systematic and comprehensive performance management and evaluation framework for employees to help them maximize their personal value within the Company. At the same time, in order to further ensure the fairness and reasonableness of the performance management mechanism, the Group has set up a sound performance grievance mechanism which allows employees to raise objections where necessary. The Group encourages employees to solve problems through communication with department heads, leaders and the Human Resources Department, and provides timely feedback and support, to ensure the effectiveness and fairness of the grievance mechanism.

3.1.3 Compensation and Welfare

The Group strictly abides by the *Social Insurance Law of the People's Republic of China* (《中華人民共和國社會保險法》), the *Regulations on the Management of Housing Provident Fund* (《住房公積金管理條例》) and other applicable laws and regulations, and has developed the *Compensation Management Policy* (《薪酬管理制度》) to establish a sound compensation guarantee system for employees. The Group fully respects the value of talents, provides employees with competitive compensation levels in the industry, providing protection for the rights and interests of employees as well as realizing the attraction, motivation and retention of high-quality talents. The Group has established a systematic pay-band system, which evaluates and grades the pay of employees according to their job description and contribution levels, and provides clear promotion routes. The Group offers compensation in such forms as basic salary, share options, allowance, project bonus, year-end bonus, etc. Besides, the Group also provides a variety of welfare benefits, including paid holidays, supplementary medical insurance, long-term service incentives, accommodation and transportation subsidies, meal subsidies and high temperature subsidies, to enhance the quality of life and job satisfaction of employees and promote the long-term cooperative relationship between employees and the Company. Through the comprehensive salary guarantee system and welfare allowance, the Group is able to provide stable economic security for its employees, and strong support for their personal growth and career development.

3.1.4 Working Hours and Holidays

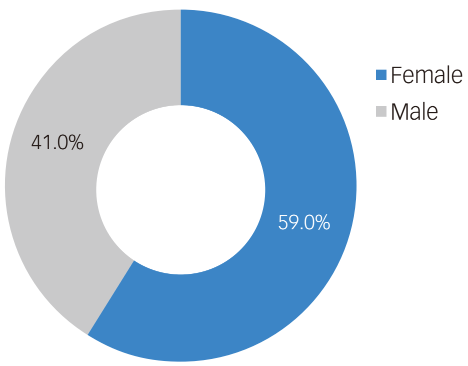
In order to protect the basic rights and interests of employees, we specify the working hours, vacations and other related matters in the Employee Handbook, and adopt a working system of 5 days a week, 8 hours a day, with an average of 40 hours per week, in strict compliance with the relevant provisions of the *Labor Law of the People's Republic of China* (《中華人民共和國勞動法》), to protect the labor rights and interests of employees. The Group advocates work-life balance and requires all departments to reasonably arrange the workload of employees and try to complete the work within office hours. In order to strengthen the protection of employees' rights and interests to rest, the Group implements an overtime application and approval mechanism, whereby any employee who needs to work overtime should first apply for approval and may not work overtime until being approved by his/her supervisor, so as to ensure the reasonableness and necessity of overtime. In order to respond to the health and living needs of employees, the Group has put in place the mechanism of compensatory time off, under which employees can apply for the same length of compensatory time off after working overtime after approval, so that they can maintain work-life balance better.

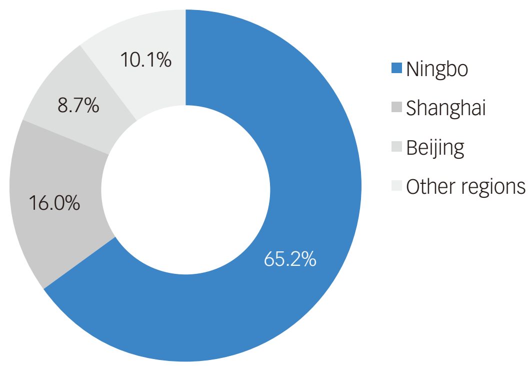
The Group provides statutory holidays for employees in strict accordance with national regulations, including marriage leave, maternity leave, paternity leave, abortion leave, breast-feeding leave and funeral leave, etc., as well as internal holidays including paid annual leave, sick leave and personal leave, etc., to enhance employees' job satisfaction and quality of life.

3.1.5 Employee Employment Status

As of December 31, 2023, the total number of active employees of the Group was 376, of which 245 were based in Ningbo, accounting for 65.2% of the total number of active employees. By gender, the majority of our employees were female, accounting for 59.0% of the total number of active employees of the Group. By age, employees aged 30 and below, 31-40, 41-50 and 51 and above accounted for 42.3%, 48.7%, 7.7% and 1.3% respectively. By education background, 55.6% of our employees held a bachelor degree or above, contributing to the relatively high overall educational level of our employees. In addition, all of the 376 employees were full-time employees.

Proportion of the Group's Active Employees by Key Indicators in 2023

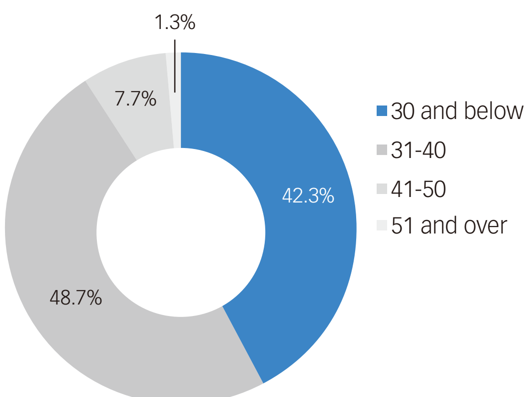


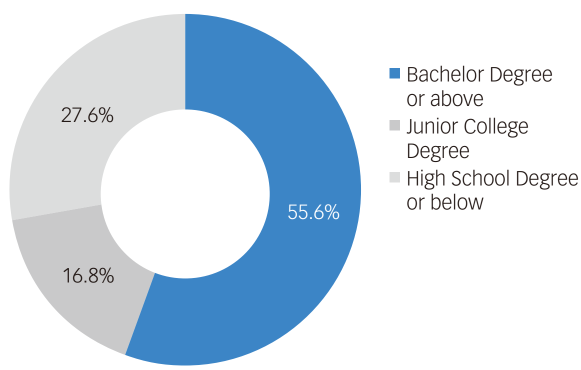


* Note: Other Regions include Hainan, Xi'an, Chongqing, Chengdu, Wuhan, etc.

Gender

Region





Age

Education Background

3.1.6 Employee Turnover

As of December 31, 2023, the total number of employee turnover of the Group during the Reporting Period was 78, and the total employee turnover rate was 17.2%. By gender, the turnover rate of male employees was 15.4% while that of the female employees was 18.4%. By age, the turnover rates of employees aged 30 and below, 31-40, 41-50 and 51 and above were 18.9%, 15.7%, 14.7% and 28.6% respectively. By geographical region, the employee turnover rate in Ningbo was 20.7%, while the employee turnover rates in Shanghai, Beijing and other regions were 11.8%, 10.8% and 5.0%, respectively.

Below please find the employee turnover of the Group in 2023:

Employee turnover rate	**17.2%**
By gender	
Male	15.4%
Female	18.4%
By age	
30 and below	18.9%
31-40	15.7%
41-50	14.7%
51 and above	28.6%
By geographical region	
Ningbo	20.7%
Shanghai	11.8%
Beijing	10.8%
Other regions	5.0%

3.2 Overview of Employee Health and Safety

The Group is well aware of the importance of health and safety to employees and the Company, thus prioritizes the health and safety of employees, and is committed to creating a safe workplace for employees through sound systems and processes. The Group strictly abides by the *Law of the People's Republic of China on Work Safety* (《中華人民共和國安全生產法》), the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases* (《中華人民共和國職業病防治法》), the *Technical Specifications for Occupational Health Surveillance* (《職業健康監護技術規範》), the *Fire Protection Law of the People's Republic of China* (《中華人民共和國消防法》) and other applicable laws and regulations. In order to regulate the conduct of employees, the Group has clearly stipulated the Code of Safe Conduct in the office environment in the Employee Handbook to ensure the health and safety of employees in an all-round way, and to reduce the occurrence of accidents in the workplace by checking the details. The Group has established a sound employee safety management system, and provided employees with three-level safety education, and trainings on safety and protection of hazardous chemicals, microbiological safety and other issues, dependent upon the nature of their respective positions. From 2021 to 2023, there were no work-related fatalities occurred to employees of the Group. In order to provide comprehensive health services, the Group provides annual health check-up for employees, establishes employee health records, and provides occupational disease check-up for employees in high-risk positions, so as to effectively protect the personal health of employees. During the Reporting Period, the Group recorded 425 working days lost due to work injuries. The Group has strengthened the safety education and training for its employees on a daily basis.

3.2.1 Production Safety

The Group has always attached great importance to the health and safety of its employees in its production and operation. As the production process of the Group's products involves chemical products and special equipment, in order to ensure the standardization and systematization of the production process, the Group has established a sound work safety management system and a standardized management system in strict compliance with the *Regulations on Safety Management of Hazardous Chemicals* (《危險化學品安全管理條例》), the *Regulations on Safety Supervision of Special Equipment* (《特殊設備安全監督條例》) and other applicable laws and regulations, to minimize the potential safety hazards in the production process and ensure the health and safety of production personnel. Meanwhile, the Group has established a work safety management team to monitor and manage the whole process of production, and conduct regular hidden perils screening to ensure the orderly operation of the system and the effective implementation of relevant policies. Through regular hidden perils screening and risk assessment, the Group is able to identify and deal with potential safety issues in a timely manner, thereby ensuring the safety and stability of the production environment. In order to enhance the safety awareness and risk identification ability of employees, the Group will also organize regular work safety related trainings on, among others, three-level safety education, safety and protection of hazardous chemicals, safety and protection of animal-derived materials, enabling employees to familiarize themselves with and master the safe operation procedures and enhance their ability to respond to emergencies.

3.2.2 Fire Safety

The Group always strictly abides by the laws and regulations on fire safety to ensure compliance of its fire safety management. In order to effectively reduce the risk of fire accidents, we strictly implement the measures related to fire control, conduct regular risk checks on the Group's fire protection system, set up fire protection devices in all areas of the Group, and organize fire safety knowledge training and fire drills within the Group once a year, so as to enhance the awareness of fire safety of all employees and enable employees to familiarize themselves with and master the correct evacuation and fire-fighting procedures. The Group's safety management team will also regularly monitor the Group's fire safety system, analyze and summarize the Group's fire safety, issue corresponding analysis reports, timely identify any risks in the system, and put forward optimization suggestions to ensure the continuous optimization of the fire safety management system.

3.3 Overview of Employee Development and Training

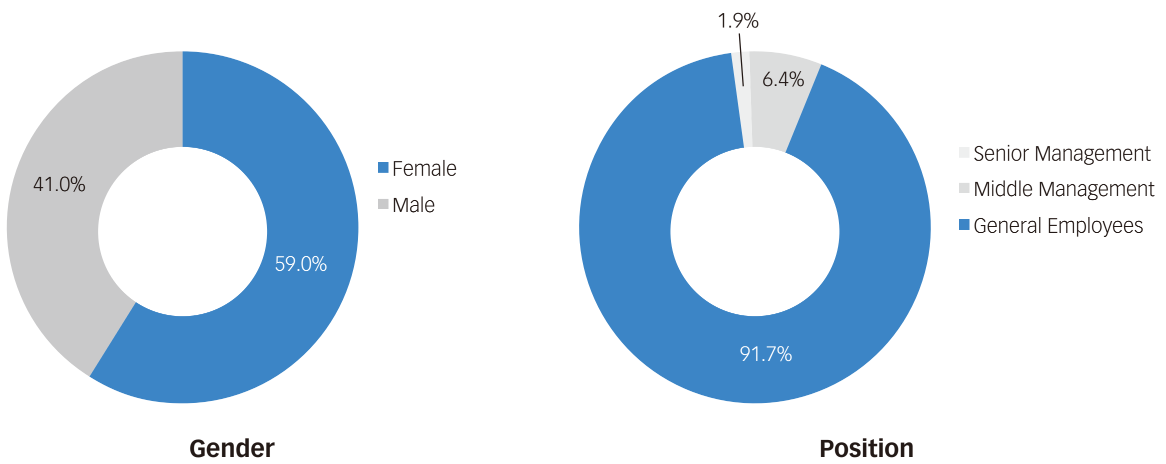
The Group is well aware of the importance of talent cultivation for the long-term development of the Company and regards talent cultivation as an important responsibility, and adheres to the concept of employees growing with the Company, so as to achieve a win-win situation between the career goals of employees and the strategic goals of the Company. In order to continuously improve the knowledge, skills and professional quality of employees, the Group has developed a year-round training plan to help employees expand their knowledge and skills, so that employees can better develop their potential abilities, realize their self-worth and contribute to the sustainable development of the Company. The Group has been actively coordinating internal and external resources and implementing relevant training for employees according to the plan, including induction and on-boarding training, job-related expertise and skills training, general skills training, management skills training, quality regulations training, legal and compliance training. In order to continuously optimize the training effect, the Group will evaluate the training effect through questionnaires, interviews, seminars and sharing, after the training, to continuously optimize the training system of the Group. Meanwhile, the Group will organize regular internal seminars and sharing sessions where experienced employees will be invited to share their knowledge and skills, offering diverse learning opportunities for employees, and promoting communication and cooperation among employees. In order to better help new employees adapt to the working environment and enhance their business capabilities, the Group has established a workplace mentor system within the Company, which provides new employees with one-on-one mentors who will make personal career development plans with and provide regular guidance and feedback to employees, helping them get into their roles faster and achieve growth within the Company. The Company has also set up a learning sharing platform open to all employees to facilitate them to obtain training resources according to their needs.

In 2023, the main training topics of the Group included "Risks and Response to Corporate Copyright Infringement", "Corporate Information Security Training", "Quality Awareness", "Clean Workshop Management Policy", and "Compliance Risk and Response to Commercial Bribery of Pharmaceutical Enterprises", "Publicity and Implementation of the Guidelines for Registration Review of Transcatheter Aortic Valve System" and "Medical Device Advertising Compliance Training", etc. In order to improve the overall management capabilities of the Group's middle level managers, the Group also added leadership training programs for top and middle level managers in 2023, to help them improve their abilities in strategic thinking, teamwork, decision-making and problem solving, so as to better cope with the increasingly complex business challenges. In addition, in order to enhance the professional knowledge of the Company's business personnel and better serve customers, the Group has established "Jenscare Academy" to enhance the basic knowledge of medicine and products for the Group's business personnel, which aims to build a professional and practical product knowledge system, and makes qualification accreditation and issues certificates through training and assessment. The trainings of "Jenscare Academy" in 2023 included (i) 16 theoretical knowledge trainings, covering basic knowledge of tricuspid regurgitation, introduction to interventional therapy of aortic and mitral regurgitation, basic echocardiography, basic radiography, basic electrocardiogram, introduction to LuX-Valve operation through right atrium/vessel, introduction to transcatheter tricuspid valve interventional therapy, and (ii) 2 practical operation trainings of LuX-Valve device demonstration and pig heart anatomy basic cardiac anatomy, all of which added up to 20 hours, with more than 80 trainees receiving the trainings and participating in the practical operational training and certification qualification examination.

3.3.1 Trained Employees

As of December 31, 2023, the total number of employees trained of the Group was 376. By gender, female employees accounted for 59.0% of the total number of employees trained. By position, general employees were the main group receiving training, accounting for 91.7%.

Employees Trained of the Group in 2023 by Key Indicators



3.3.2 Average Training Time for Employees

In 2023, the average training hours for each employee of the Group was 11.5 hours. The average training hours per male employee and per female employee were 14.0 and 9.8 hours, respectively. By position, the average training hours per general employee was 9.9 hours, while the average training hours of middle management and senior management were 33.9 hours and 14.9 hours, respectively.

Below please find the average training hours of the Group's employees in 2023:

Average training hours per employee	**hour**	**11.5**
By gender		
Male	hour	14.0
Female	hour	9.8
By position		
Senior management	hour	14.9
Middle management	hour	33.9
General employees	hour	9.9

3.4 Principles and Measures to Prevent Child or Forced Labour

The Group has always adhered to the bottom line of employment compliance by strictly complying with the *Law on the Protection of Minors* (《未成年人保護法》), the *Regulations on the Prohibition of the Use of Child Labour* (《禁止使用童工規定》), and other applicable legal requirements. The Group firmly opposes to and has zero tolerance for any form of child and forced labour, and ensures that every employee works in a legal, just and fair environment. In the employee onboarding process, the Human Resources Department will strictly check the identity and age documents provided by each employee to ensure their authenticity and legitimacy. In addition, the Group will also conduct background checks through third-party institutions to further verify the legal working age of employees and other relevant information, to ensure the compliance and legality of employment. The Group takes any employment violations very seriously under the principle of zero tolerance, requiring all relevant personnel to report any suspicious situation to the management and the Human Resources Department immediately, so as to take prompt action and handle relevant responsible persons in accordance with the laws and regulations. In 2023, the Group did not employ any child or forced labour.

3.5 Analysis of the Current Situation of Operation Management

3.5.1 Supplier Overview

Below please find the regional distribution of the Group's suppliers in 2023:

Total number of suppliers	**number**	**406**
By geographical region		
PRC	number	390
Outside PRC	number	16

3.5.2 Supplier Management

The Group is committed to establishing a sound supplier management system to ensure the quality of raw materials from our suppliers meet the Company's product manufacturing requirements. The Group has developed the *Supplier Management Policy* (《供應商管理制度》), which defines the key processes for the selection, assessment and annual audit of suppliers. In terms of supplier selection, the Group has adopted a stringent screening process, whereby suppliers are managed and appraised by levels according to the impact of their supplies on our end products. The Quality Department will, together with relevant departments of the Group, conduct a preliminary inspection of a supplier's samples and fill in a sample evaluation report. For the suppliers who have passed the preliminary inspection, the purchasing department will review their qualifications, including certificate/license review and on-site audit with respect to their production conditions, relevant qualification certificates, and operational capabilities according to the level of the supplies. Only those passing the multi-party review can be included in the Group's List of Qualified Suppliers.

The Group adopts dynamic management on suppliers, whereby the purchasing staff will continuously monitor the suppliers and regularly review the latest supplier qualification documents. If there is any change in the content of the qualification documents, the purchasing department will notify the relevant departments promptly to re-evaluate the changed qualification documents. No such suppliers could remain in the List of Qualified Suppliers until passing the review. In order to ensure continuous supply quality, the suppliers will also be subject to annual review, where the Group will assess their performance based on factors such as historical delivery quality. The Group will strengthen cooperation with high-rating suppliers, while requiring unsatisfactory suppliers to cease supplies and make rectification immediately. In 2023, the Group implemented the management practices relating to engaging suppliers to all 406 suppliers cooperated.

The Group regards building a green and sustainable supply chain as an important responsibility and is concerned about the possible impact of its suppliers on the environment and society. In order to strengthen the identification of environmental and social risks throughout the supply chain, the Group will conduct a comprehensive review during supplier selection, including their service qualification, degree of standardization of daily operation, and impact on the environment and society in the course of operation, etc. The Group will categorize partners in upstream supply chain for risk analysis, placing them in such sequence as per their environmental and social impact, product composition, carbon emission intensity and other dimensions. In order to enhance the environmental awareness of suppliers, the Group will prefer qualified and eco-friendly suppliers. Any supplier partner who is found by the Group that may have significant negative impact on society or the environment will be issued a Notice for Feedback on Supplier Issue from the Group, requesting timely rectification, through which the Group manages and controls the environmental and social risks throughout the supply chain and enhances the environmental protection awareness of its supplier partners.

3.5.3 Purchasing Management

The Group has in place a sound purchasing management system and keep strengthening its control over the quality of the Group's products through continuous optimization of the existing system. The Group has developed: (i) the *Purchasing Control Procedure* (《採購控制程序》) in accordance with the industry practices related to tendering and bidding, which sets out the responsibilities of the purchasing department, procurement process, classification of materials, selection and assessment of suppliers, etc., and (ii) purchasing-related policy documents, including the *Document Control Procedure* (《文件控制程序》), the *Marking and Traceability Control Procedure* (《標誌和可追溯性控制程序》), and the *Technical Requirements for Raw Materials* (《原材料技術要求》), etc. The Group categorizes the purchased materials into three classes, namely Class A, Class B and Class C, based on the final impact of the purchased materials on the products and the technical requirements of the services, and divides the relevant suppliers accordingly and establishes the respective supplier assessment criteria. In order to improve purchasing management, the Group is using a digital process management system for its purchasing to strengthen the centralized management of purchasing information and enhance the efficiency and transparency of purchasing management.

3.6 Product Responsibility Overview

3.6.1 Health and Safety of Products and Services

As a leader in innovative solutions for structural heart disease, the Group always adheres to the bottom line of responsibility, puts patient safety first, and provides safe and reliable products to patients around the world, to meet the growing medical needs.

In terms of product quality management, the Group strictly complies with the applicable laws and regulations, including but not limited to the *Administrative Regulations of the People's Republic of China on Medical Devices* (《中華人民共和國醫療器械管理條例》) *and* the *Product Quality Law of the People's Republic of China* (《中華人民共和國產品質量法》), to ensure that all products and processes are in compliance with the requirements of laws and regulations, so as to safeguard the interests of patients and fair competition in the market. The Group has established a complete quality management system, including, among others, the *Quality Management Manual* (《質量管理手冊》) and the *Quality Management Policy* (《質量管理制度》), which specify the requirements and processes of quality management in detail. In addition, the Group will regularly monitor and evaluate the existing policies and system. In order to further enhance the quality management of its products, the Group has obtained the ISO13485 certification in 2024.

3.6.2 Quality Assurance Process

The Group regards the continuous provision of safe and effective treatment solutions for patients as an important responsibility of the Group. The Group has established and constantly and effectively run a complete quality management system (governed by documents such as quality manual, procedure documents, management policies, SOP, and operating rules), to ensure product quality, pursuant to the requirements of the *Medical Devices – Quality Management Systems – Requirements for Regulatory Purposes (GB/T 42061–2022/ISO 13485:2016)*, the *Good Manufacturing Practice for Medical Devices* issued by the National Medical Products Administration, the *Appendix of Sterile Medical Devices of the Good Manufacturing Practice for Medical Devices*, the *Appendix of Implantable Medical Devices of the Good Manufacturing Practice for Medical Devices*, the *Guidelines for On-site Inspection of Sterile Medical Devices of Good Manufacturing Practice for Medical Devices*, the *Guidelines for On-site Inspection of Implantable Medical Devices of Good Manufacturing Practice for Medical Devices,* the *Medical Device Regulation (EU MDR 2017/745)* (《歐盟醫療器械法規》) and other applicable regulations.

The Group has made detailed rules on the whole process of product quality assurance, including incoming inspection, process inspection and outgoing inspection, in an effort to ensure the quality and safety of products. For the incoming process, the Group will conduct a comprehensive incoming inspection of the purchased products to ensure the safety of the raw materials to be used. For the production process, the Group will strictly abide by the requirements of the SOP, and comprehensively monitor and control the production environment and operation procedures of the processed products. For the outgoing inspection process, the Group will implement strict management on the microbial limit test and other aspects to ensure that the outgoing products meet the requirements of the Group's product quality system. In addition, the Group has also formulated the *Product Release Procedure* (《產品放行程序》) and the *Product Recall Management Policy* (《產品召回管理制度》), etc., specifying the release conditions and procedures of raw materials and finished products, the responsibilities of persons in charge of product release and the product recall procedures, so as to control the quality of products from multiple aspects and ensure the quality and safety of the Group's products to the greatest extent.

3.6.3 Product Recall Procedures

In order to fully protect the health and life safety of patients and strengthen the management of product quality, the Group has developed the *Product Recall Management Policy* (《產品召回管理制度》), specifying the requirements and procedures in the process of product recall, to ensure the taking of rapid and effective response measures against any identified potential product safety hazards. The *Product Recall Management Policy* (《產品召回管理制度》) sets out in detail the responsibilities and authorities of the product recall team, including but not limited to the assessment of triggering conditions, the determination of recall level, the control of time limit, the investigation and evaluation of potential safety hazards, the assessment of recall effects and the disposal of recalled products. In 2023, the Group had not commercialized any product and was therefore not involved in the recall of products for safety and health reasons.

3.6.4 Customer Complaints

The Group has always regarded the satisfaction of needs of customers as an important direction in its strategic layout and development path. Therefore, the Group will consider continuous provision of safe and effective solutions to customers as the core of its work, and find the best balance between business development and protection of the rights and interests of customers. In 2023, the Group had not commercialized any product, and therefore received no complaints from customers about the Group's products or services.

3.6.5 Intellectual Property Rights Management

Advanced management level of intellectual property rights can provide important guarantee to enhance the independent R&D and innovation capabilities of enterprises. As a medical device company dedicated to the development of innovative solutions for structural heart disease, the Group gives top priority to its intellectual property landscape and management. The Group strictly abides by the laws and regulations on intellectual property rights management, including but not limited to the *Patent Law of the People's Republic of China* (《中華人民共和國專利法》), the *Copyright Law of the People's Republic of China* (《中華人民共和國版權法》) *and* the *Rules for the Implementation of the Patent Law of the People's Republic of China* (《中華人民共和國專利法實施細則》). In order to regulate the management of intellectual property rights, the Group has developed the *Intellectual Property Management Manual* (《知識產權管理手冊》), which is updated from time to time to ensure the long-term effectiveness of its content. The Group has also: (i) set up the Intellectual Property Department, which is responsible for the planning, application, maintenance, operation, risk identification, system establishment and response to lawsuits of and relating to intellectual property rights; and (ii) carried out patent layout for its core products and plans to promote the protection of intellectual property rights through the patent operation system. In 2023, the Group has taken out the compensation insurance for trade secret infringement and rights protection costs, and applied to Ningbo Market Supervision Administration for the subsidy for "taking out insurance for intellectual property rights (including trade secrets)" under the Special Fund for Intellectual Property Strategy of Qianwan New Area. Also in 2023, the Group took out the compensation insurance for trade secret infringement and rights protection costs, for the intellectual property management for the R&D of medical devices for non-valvular structural heart disease, which passed the certification of *Enterprise Intellectual Property Management (GB/T 29490–2013)* (《企業知識產權管理規範》).

3.6.6 Customer Data Protection and Privacy Policy

The Group attaches great importance to the protection of information security, confidentiality of business data and personal privacy of and for the Group and its customers, and strictly abides by applicable laws and regulations such as the *Personal Information Protection Law of the People's Republic of China* (《中華人民共和國個人信息保護法》), the *Data Security Law of the People's Republic of China* (《中華人民共和國數據安全法》) *and* the *Cybersecurity Law of the People's Republic of China* (《中華人民共和國網絡安全法》). In order to ensure information security, the Group has implemented strict information security control procedures, covering every aspect from collection, storage to transfer of data. In order to regulate the conducts of its employees, the Group has developed confidentiality rules including the *Corporate Confidential Information Management Policy* (《公司保密信息管理制度》), which, together with the Employee Handbook, sets out in detail the duty of confidentiality of employees and the scope of accessible information, classification of confidentiality, determination of confidential information and specific confidentiality measures, controls, reporting and access permissions, as well as external personnel management. In addition, the Group will carry out regular inspection and assessment, grant and impose corresponding incentives and punishments, as well as regular training and publicity on the above matters, to ensure that each employee has a clear understanding of their responsibilities and authorities and regulate their own acts accordingly. In the onboarding process, the Group will require each new employee to sign the *Employee Confidentiality and Non-Compete Agreement* (《員工保密和競業限制協議》) and other relevant documents, which clearly set forth the specific requirements for the scope, use, archival and retention of the Group's data files, so as to ensure the security and integrity of the data files. The Group will give regular confidentiality education and training to employees by means of online training, email publicity, poster publicity or otherwise at least three times a year to clarify the scope of confidentiality, the list of regulated conducts and the consequences of breach of duty of confidentiality, and monitor and maintain the operation of the information security system to detect and deal with potential security risks in a timely manner. When cooperating with external partners in clinical trials and service agreements, the Group will incorporate clear terms on data security and personal privacy protection in the agreements, enter into a Non-disclosure Agreement (《保密協議》) whenever necessary, specifying the duty of confidentiality, and setting forth the liability for breach of contract, to ensure that the information security and personal privacy are fully protected during cooperation. In addition, the Group implements a strict decryption management policy for outgoing documents that need to be decrypted. The Administration Department will regularly review the decryption log to ensure the effective implementation of information confidentiality.

3.6.7 Brief Analysis of Corporate Anti-corruption Measures

Integrity, probity and fairness are the core values that have always been upheld by all members of the Board of Directors and employees of the Group. In its business operations, the Group has always adhered to the bottom line of laws and strictly complied with applicable laws and regulations on anti-corruption, anti-bribery and anti-money laundering, including but not limited to the *Anti-Money Laundering Law of the People's Republic of China* (《中華人民共和國反洗錢法》) and the *Anti-Unfair Competition Law of the People's Republic of China* (《中華人民共和國反不正當競爭法》). In order to enhance employees' understanding and practice of the core values of integrity, probity and fairness, the Group provides regular anti-corruption and anti-commercial bribery related trainings to members of the Board of Directors and employees of the Group, to enhance their legal awareness and ethical standards. In order to detect and deal with possible corruption within the Group in a timely manner, the Group has established a whistleblowing policy and set up complaint reporting channels. Employees within the Group can report any corruption through such channels. The Group has always maintained a zero-tolerance attitude towards corruption, bribery, extortion, fraud and money laundering. The Group will seriously deal with any employee who violates applicable laws and regulations or breaches regulations of the Group according to the circumstances of the incident, and take measures such as termination of employment relationship and investigation for legal liability, where necessary. In 2023, the Group was not involved in any legal case regarding corrupt practices against the Group and its employees.

3.7 Corporate Community Investment Overview

Being well aware that businesses are the bearers of social responsibility, the Group has always been active in public welfare undertakings by virtue of its own advantages and business characteristics. The Group insists on fulfilling its social responsibility, has long been focusing on community investment and academic exchange activities in health, medical and other fields, and is committed to promoting technological progress, and providing safer and more effective treatment solutions for patients around the world through continuous innovation and product quality improvement. The Group has always been adhering to the philosophy of "reverence for life and relentless pursuit of excellence", and regards the benefit of global patients as the key focus area for the Company to give back to society. The following are the major achievements of the Group in community investment in 2023:

LuX-Value Plus has successfully completed a series of compassionate treatment applications in Asia Pacific

After ten years of independent innovation and research and development, the Group has successfully launched the LuX-Valve Plus transcatheter tricuspid valve replacement product, which provides a solution to the global public health problem of severe tricuspid regurgitation, achieving a breakthrough application in compassionate treatment. In order to meet the urgent clinical treatment needs of patients, the Group has actively promoted the use of LuX-Valve Plus in Asia Pacific for compassionate treatment, to patients with severe tricuspid regurgitation. In 2023, the said product has been successfully applied in several hospitals in Asia Pacific, including some cases with rare and complex anatomical structures. The clinical manifestations, cardiac function and quality of life of patients after operation significantly improved, which fully demonstrates the extensive applicability, high reliability and simple operation of such product. Experts from major hospitals highly appraised the selectivity, fault tolerance rate and applicability of the LuX-Valve Plus product to large valve rings, believing that it solved the existing clinical problems and effectively improved the quality of life of patients.

Our products debuted on the Cross-Strait Cardiovascular Interventional Diagnosis and Treatment Seminar and won praise from experts on both sides of the Strait

The Cross-Strait Cardiovascular Interventional Diagnosis and Treatment Seminar co-sponsored by the Cardiovascular Hospital Affiliated to Xiamen University and Cheng Hsin General Hospital focused on the field of interventional treatment of structural heart disease, a current focus of much attention, in June 16 to 17, which invited well-known experts and teams from both sides of the Strait for live demonstration of several difficult and complex operations, exploring the use of cutting-edge treatment programs and innovative medical devices in the field of interventional treatment of aortic valve, mitral valve, tricuspid valve and other heart valve diseases. During the seminar, the structural heart disease team led by Wang Yan, Dean of Cardiovascular Hospital Affiliated to Xiamen University, conducted a high-level demonstration of tricuspid valve replacement procedure where the LuX-Valve Plus transvascular tricuspid valve replacement system independently developed by the Group was used. The interventional tricuspid valve treatment scheme based on our product has been unanimously praised by the attending experts for its remarkable advantages of small trauma, high safety, short operation time and smooth hemodynamic transition of patients during and after operation.

Tricuspid regurgitation is one of the most common heart diseases with a large number of patients. Due to the complexity of tricuspid valve anatomy and the difficulty of interventional valve design, safe and effective treatment options had been lacking. Compared to the existing transcatheter edge-to-edge valve repair for tricuspid regurgitation, LuX-Valve Plus in situ tricuspid valve replacement is less dependent on intraoperative imaging, more convenient to operate, and avoids the occurrence of high atrioventricular block to the greatest extent through unique anchoring and leaflet fixation. In addition, LuX-Valve Plus products have rich specifications, adaptable to patients with different degrees of tricuspid annulus expansion, and of an adaptive leak-proof ring which can effectively prevent the occurrence of perivalvular leakage, further improving the safety and effect of procedure.

This Cross-Strait Cardiovascular Interventional Diagnosis and Treatment Seminar not only provided a high-level communication platform for medical experts from both sides, but also fully demonstrated the rapid development of health care in the mainland. The debut of our products created an opportunity for closer and in-depth cooperation and exchanges across the Strait in the medical field in the future. Through continuous technological innovation and cooperation and exchange, the Group will be able to provide more quality medical solutions to patients around the world.

The Group made the list of "Best-Performing Public Companies of 2023 Future Healthcare VB100"

In May, the 7th Future Healthcare VB100 Conference was held in Zhangjiang Science Hall, Shanghai, at which the 2023 List of Future Healthcare VB100 was presented. By virtue of its outstanding contribution in the field of medical innovation, the Group won the award of "Best-Performing Public Companies of 2023 Future Healthcare VB100". The List of Future Healthcare VB100 focuses on medical innovation, with the theme of technological development and integration, aiming at selecting PRC medical enterprises that truly represent future medical innovation, discovering and promoting the core strength of China's medical industry, and leading the development direction of China's medical innovation. The Group upholds the mission of becoming a global leader in innovative solutions for structural heart disease, and a pioneer in international medical device innovation. This Award is an affirmation of our performance and breakthrough, reflecting the industry's full recognition of our future development potential.

DIRECTORS' REPORT

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

GLOBAL OFFERING

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

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

PRINCIPAL ACTIVITIES

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

An analysis of the Group's operating results for the year ended 31 December 2023 by its principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report and in the consolidated statement of profit or loss and other comprehensive income on page 96 of this annual report.

BUSINESS REVIEW

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

Risks Relating to our Financial Position and Need for Additional Capital

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

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

Risks Relating to the Development of our Product Candidates

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

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

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

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

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

- Our employees, collaborators, service providers, independent contractors, principal investigators, consultants, vendors, contract research organizations and site management organizations may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements, which could result in delay or failure to develop our products.

Risks Relating to the Commercialization of Our Product Candidates

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

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

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

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

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

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

Risks Relating to Extensive Government Regulations

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

Risks Relating to Manufacture and Supply of Our Product Candidates

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

Risks Relating to Our Operations

- We may face intense competition in the medical device business and fail to expand our business successfully.
- Acquisitions or strategic partnerships may increase our capital requirements, dilute our shareholders, cause us to incur debt or assume contingent liabilities, and subject us to other risks.
- If we fail to successfully integrate our recently acquired subsidiary or any future targets into our operations, our post-acquisition performance and business prospects may be adversely affected.

Risks Relating to International Expansion of our Business

We expect to expand further into international markets, and may be subject to the following risks:

- challenges in providing products, services and support, in recruiting personnel in international markets, and in managing sales channels and distribution networks effectively;
- challenges in commercializing our products in new markets where we have limited experience with the local market dynamics and no existing or developed sales, distribution and marketing infrastructure;
- difficulties in dealing with regulatory regimes, regulatory bodies and government policies with which we may be unfamiliar, in order to obtain permits, licenses and approvals necessary to manufacture, market and sell products in or to various jurisdictions;
- inability to effectively enforce contractual or legal rights; and
- changes in laws, regulations and policies, including trade policies, as well as political, economic and market instability or civil unrest in the relevant countries and jurisdictions may adversely affect or result in our inability to sustain our expansion in international and cross-border operations.

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

It is our corporate and social responsibility to promote a sustainable and environmental-friendly corporate environment. The Group is committed to fulfilling social responsibility, promoting employee benefits and development, and strives to minimize our environmental impact and to build our corporation in a sustainable way. The Group is subject to environmental protection and occupational health and safety laws and regulations in China. For the year ended 31 December 2023, the Group has complied with the relevant environmental and occupational health and safety laws and regulations in China and we did not have any incidents or complaints, which had a material and adverse effect on our business, financial condition or results of operations. Further details of the Company's environmental policies and performance, please refer to the section headed "Environmental, Social and Governance Report" of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Directors and senior management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2023, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

FINANCIAL RESULTS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss and other comprehensive income of this annual report.

FINAL DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended 31 December 2023.

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

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on Friday, 31 May 2024. The notice of the AGM and all other relevant documents will be published and despatched to the Shareholders in due course.

In order to determine the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 28 May 2024 to Friday, 31 May 2024, both days inclusive, during which period no transfer of shares will be registered. All transfer documents of the Company accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 27 May 2024. The record date for determining the eligibility to attend the AGM will be on Friday, 31 May 2024.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023, the Group's five largest suppliers accounted for 15.0%, as compared to 15.8% of the Group's total purchases for the year ended 31 December 2022. The Group's single largest supplier accounted for 4.2% of the Group's total purchase for the year ended 31 December 2023, as compared to 4.0% for the year ended 31 December 2022.

During the year ended 31 December 2023, none of the Directors or any of their close associates or any Shareholders (which, to the knowledge of the Directors, own more than 5% of total issued Shares of the Company) had any interest in the Group's five largest suppliers.

During the year ended 31 December 2023, the Group had no commercialized products and therefore had no customers.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 26 to the consolidated financial statements.

RESERVES

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

DISTRIBUTABLE RESERVES

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

DEBENTURES

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

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2023 and the state of the Group's financial position as at that date are set out in the consolidated financial statements on pages 96 to 97 of this annual report.

DIRECTORS AND SUPERVISORS

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

Executive Directors

Mr. LV Shiwen
Mr. PAN Fei

Non-executive Directors

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

Independent non-executive Directors

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

Supervisors

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

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent during the year ended 31 December 2023. The Company considers all of the independent non-executive Directors are independent.

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

No Director or Supervisor of the Company or an entity connected with a Director or Supervisor had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries or fellow subsidiaries was a party during the Reporting Period.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save as disclosed in this annual report, no other contract of significance was entered into among the Company or any of its subsidiaries and the Controlling Shareholders or any of their subsidiaries, whether for the provision of services or otherwise, during the year ended 31 December 2023.

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

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

Long positions in the Shares or underlying Shares of the Company

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

Notes:

(1) The letter "L" denotes the person's long position in the Shares. The calculation is based on the total number of 417,167,290 Shares in issue as at 31 December 2023.

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

Ningbo Linfeng beneficially owns 13,720,590 Domestic Shares and 4,788,010 H Shares of our Company and is owned as to 65.00% by Shanghai Shidi, which in turn is wholly-owned by Ms. Li. As such, under the SFO, each of Ms. Li and Shanghai Shidi is deemed to be interested in the equity interests held by Ningbo Linfeng.

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

Ms. Li beneficially owns 2,600,000 H Shares of our Company.

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

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

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

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

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

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

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

Save as disclosed above, as at 31 December 2023, to the best knowledge of the Directors, Supervisors or chief executive of the Company, none of the Directors, Supervisors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at 31 December 2023, so far as the Directors are aware, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Director/ Chief Executive	Capacity/ Nature of Interest	Class of Shares	Number of Shares[(1)]	Approximate Percentage of Shareholding in the Company[(1)] (%)
Ms. Li Hui[(2)(5)(6)]	Beneficial owner; interest in a controlled corporation; interest held jointly with another person	Domestic Shares H Shares	151,447,626 (L) 59,344,614 (L)	36.30 14.23

Name of Director/ Chief Executive	Capacity/ Nature of Interest	Class of Shares	Number of Shares[1]	Approximate Percentage of Shareholding in the Company[1] (%)
Ningbo Dixiang[3][4]	Interest in a controlled corporation	Domestic Shares H Shares	86,621,436 (L) 24,438,204 (L)	20.76 5.86
Hainan Maidi[3]	Beneficial owner	Domestic Shares	41,236,200 (L)	9.88
Ningbo Sangdi[3]	Beneficial owner	Domestic Shares H Shares	20,107,386 (L) 10,827,054 (L)	4.82 2.60
Ningbo Mukang[4]	Beneficial owner	Domestic Shares H Shares	16,829,046 (L) 9,061,794 (L)	4.03 2.17
Shanghai Shidi[5]	Beneficial owner; interest in a controlled corporation	Domestic Shares H Shares	39,309,894 (L) 18,566,866 (L)	9.42 4.45
Ningbo Linfeng[6]	Beneficial owner	Domestic Shares H Shares	13,720,590 (L) 4,788,010 (L)	3.29 1.15
AUT-VII HK Holdings Limited[7]	Beneficial owner	Unlisted Foreign Shares	21,750,000 (L)	5.21
AUT-VII HOLDINGS Limited[7]	Interest in a controlled corporation	Unlisted Foreign Shares	21,750,000 (L)	5.21
Hillhouse Capital Management, Ltd. ("Hillhouse Capital ")[7]	Interest in a controlled corporation	Unlisted Foreign Shares	21,750,000 (L)	5.21
Hainan Hualing[8]	Beneficial owner	Domestic Shares	32,727,240 (L)	7.85
Hainan Yize Medical Technology Co., Limited (海南一則醫療科技有限公司)[8]	Interest in a controlled corporation	Domestic Shares	32,727,240 (L)	7.85

Notes:

(1) The letter "L" denotes the person's long position in the Shares. The calculation is based on the total number of 417,167,290 Shares in issue as at 31 December 2023.

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

Ningbo Linfeng beneficially owns 13,720,590 Domestic Shares and 4,788,010 H Shares of our Company and is owned as to 65.00% by Shanghai Shidi, which in turn is wholly-owned by Ms. Li. As such, under the SFO, each of Ms. Li and Shanghai Shidi is deemed to be interested in the equity interests held by Ningbo Linfeng.

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

Ms. Li beneficially owns 2,600,000 H Shares of our Company.

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

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

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

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

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

(6) Ningbo Linfeng beneficially owns 13,720,590 Domestic Shares and 4,788,010 H Shares of the Company and is owned as to 65.00% by Shanghai Shidi, which in turn is wholly-owned by Ms. Li. As such, under the SFO, each of Ms. LI and Shanghai Shidi is deemed to be interested in the equity interests held by Ningbo Linfeng.

(7) AUT-VII HK Holdings Limited beneficially owns 21,750,000 Unlisted Foreign Shares of the Company and is a limited company incorporated in Hong Kong and is owned as to 100% by AUT-VII HOLDINGS LIMITED. AUT-VII HK Holdings Limited is an investment vehicle ultimately managed by Hillhouse Capital.

As such, under the SFO, each of AUT-VII HOLDINGS LIMITED and Hillhouse Capital is deemed to be interested in the equity interests held by AUT-VII HK Holdings Limited.

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

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

Save as disclosed above, as at 31 December 2023, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the year ended 31 December 2023 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

NON-COMPETITION UNDERTAKING

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

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

CONNECTED TRANSACTIONS

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

Connected Person	Business Nature	Connected Relationship
Ningbo Trandomed 3D Medical Technology Co., Ltd. (寧波創導三維醫療科技有限公司) ("TrandoMed")	Developing, manufacturing and sales of 3-dimensional printed silicone medical simulators	TrandoMed is a wholly-owned subsidiary of Ningbo Linfeng and is therefore a connected person of our Company under Rule 14A.12(1)(c) of the Listing Rules
Ningbo Shidi Medical Technology Co., Ltd. (寧波仕地醫療科技有限公司) ("Ningbo Shidi")	Sterilization services for medical devices	Ningbo Shidi is a wholly-owned subsidiary of Ningbo Linfeng and is therefore a connected person of our Company under Rule 14A.12(1)(c) of the Listing Rules.
Ningbo Linfeng Biotechnology Co., Ltd. (寧波麟灃生物科技有限公司) ("Ningbo Linfeng")	Investment holding	Ningbo Linfeng is a non-wholly owned subsidiary of Shanghai Shidi, which is in turn wholly-owned by Ms. Li, one of our Controlling Shareholders. Ningbo Linfeng is therefore a connected person of our Company under Rule 14A.12(1)(c) of the Listing Rules.
Ningbo Linstant Polymer Materials Co., Ltd. (寧波琳盛高分子材料有限公司) ("Linstant")	Manufacturing of polymer accessories for medical devices	Linstant is a non-wholly owned subsidiary of Ningbo Linfeng and is therefore a connected person of our Company under Rule 14A.12(1)(c) of the Listing Rules.

During the Reporting Period, details of the Group's continuing connected transactions subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement are set out as follows:

Continuing connected transaction	Date	Connected person	Description and purpose of the transaction	Annual cap for the year ended 31 December 2023 (RMB)	Actual transaction value for the year ended 31 December 2023 (RMB)
3D Printing Services Agreement	16 September 2022	TrandoMed	Purchases of 3D printed silicone medical simulators	860,000	35,000
Sterilization Services Agreement	16 September 2022	Ningbo Shidi	Sterilization services for medical devices	1,010,000	231,000
Master Lease Agreement	16 September 2022	Ningbo Linfeng	Leases of properties	2,520,000	2,091,000
Medical Devices Accessories Purchase Agreement	16 September 2022	Linstant	Provision of certain polymer accessories such as sheaths to the Company	6,576,000	4,335,000

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

3D Printing Services Agreement

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

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

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

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

The transaction above is entered into in the ordinary and usual course of business of our Company, on normal commercial terms where each of the applicable percentage ratios in respect of such transaction will, as our Company currently expects, be less than 5% on an annual basis and the total consideration is less than HK$3.00 million, the transactions under the 3D Printing Services Agreement would, upon the Listing, be exempt from the reporting, announcement, annual review and independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

Sterilization Services Agreement

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

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

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

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

The transaction above is entered into in the ordinary and usual course of business of our Company, on normal commercial terms where each of the applicable percentage ratios in respect of such transaction will, as our Company currently expects, be less than 5% on an annual basis and the total consideration is less than HK$3.00 million, the transactions under the Sterilization Services Agreement would, upon the Listing, be exempt from the reporting, announcement, annual review and independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

Master Lease Agreement

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

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

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

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

According to IFRS 16 Leases which was adopted by our Group effective from 1 January 2019, short-term lease payments under the Master Lease Agreement are recognized as expenses incurred by our Group. Our Company will set the annual caps for the short-term lease payments. For the years ending 31 December 2022, 2023 and 2024, the maximum aggregate annual amount of rentals and other charges under the Master Lease Agreement shall not exceed RMB2.10 million, RMB2.52 million and RMB2.80 million, respectively. For details, please refer to the Prospectus and the announcement of the Company dated 28 March 2023. As each of the applicable percentage ratios in respect of such transaction will, as our Company currently expects, be less than 5% on an annual basis and the total consideration is less than HK$3 million, the transactions under the Master Lease Agreement would, upon the Listing, be exempt from the reporting, announcement, annual review and independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

Medical Devices Accessories Purchase Agreement

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

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

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

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

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

For the years ending 31 December 2022, 2023 and 2024, the maximum aggregate transaction amounts payable to Linstant under the Medical Devices Accessories Purchase Agreement shall not exceed RMB5.12 million, RMB6.58 million and RMB7.04 million, respectively. For further details, please refer to the Prospectus and the announcement of the Company dated 28 March 2023.

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

The transaction above is entered into in the ordinary and usual course of business of our Company, on normal commercial terms where each of the applicable percentage ratios in respect of such transaction will, as our Company currently expects, be less than 5% on an annual basis but the total consideration is more than HK$3.00 million, the transactions under the Medical Devices Accessories Purchase Agreement would, upon the Listing, be subject to the reporting, announcement and annual review but would be exempt from the independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

Confirmation from Independent Non-Executive Directors

Pursuant to Rule 14A.55 of the Listing Rules, all the independent non-executive Directors have reviewed the aforesaid continuing connected transactions conducted by the Group for the year ended 31 December 2023 (the "Agreements"), and confirmed the Agreements have been entered into: (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmation of the auditor

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The Company's auditor has issued an unqualified letter to the Company containing the findings and conclusions in respect of the above mentioned continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules.

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

i. have not been approved by the Board;

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

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

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

Save as disclosed above and disclosed as fully exempt and partially exempt continuing connected transactions in the Prospectus, (i) none of the related party transactions constituted a connected transaction or continuing connected transaction; and (ii) there was no connected transaction nor continuing connected transaction of the Group which has to be disclosed in accordance with the Chapter 14A of the Listing Rules during the Reporting Period. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules (if applicable) in respect of the aforementioned transactions. Details on exempt related party transactions for the year ended 31 December 2023 are set out in note 32 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

CORPORATE GOVERNANCE

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

SUFFICIENCY OF PUBLIC FLOAT

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

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

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2023 are set out in note 1 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

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

EQUITY-LINKED AGREEMENTS

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the year ended 31 December 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The H Shares of the Company were listed on the Main Board of the Stock Exchange on 10 October 2022. During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SIGNIFICANT LEGAL PROCEEDINGS

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

EMPLOYEE INCENTIVE PLANS

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

As of 31 December 2023, all of the restricted partnership interests in the Employee Incentive Platforms have been granted to certain eligible participants of the Company under the Employee Incentive Plans.

GRANT OF REPURCHASE MANDATE AND ADOPTION OF H SHARE SCHEME

On 28 November 2023, the Board proposed to (i) grant the repurchase mandate to the Board; (ii) adopt the H Share Scheme; and (iii) authorise the Board and/or the delegatee(s) authorized by the Board (the "Delegatee(s)") to handle matters pertaining to the H Share Scheme. The grant of repurchase mandate to the Board, the adoption of the H Share Scheme and the authorization to the Board and/or the delegatee(s) were duly approved by the Shareholders at the 2023 second extraordinary general meeting of the Company held on 15 December 2023. For further details, please refer to the announcements of the Company dated 28 November 2023, 29 December 2023 and 25 January 2024 respectively, and the circular of the Company dated 29 November 2023.

THE H SHARE SCHEME

Upon approval by the Shareholders by way of special resolution at the extraordinary general meeting of the Company on 15 December 2023, the Company adopted the H Share Scheme.

The H Share Scheme involves no issue of new shares or granting of options for any new securities of the Company. Thus, it does not constitute a share scheme involving issue of new shares as defined and regulated under Chapter 17 of the Listing Rules. The H Share Scheme constitutes a share scheme funded by existing shares under Chapter 17 of the Listing Rules and shall therefore be subject to the applicable requirements under Rule 17.12 of the Listing Rules. Any grant of an award under the H Share Scheme ("Award") to any connected person of the Company will be subject to compliance with Chapter 14A of the Listing Rules unless otherwise exempted under the Listing Rules.

Pursuant to the requirements under Rule 17.12 of the Listing Rules, the paragraphs below set out certain details of the H Share Scheme.

(a) Purposes of the H Share Scheme

The purposes of the H Share Scheme are:

(i) to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company;

(ii) to deepen the reform on the Company's remuneration system and to develop and constantly improve the interests balance mechanism among the Shareholders, the operational and executive management; and

(iii) to (a) recognize the contributions of the leadership of the Company including the Directors; (b) encourage, motivate and retain the leadership of the Company whose contributions are beneficial to the continual operation, development and long-term growth of the Group; and (c) provide additional incentive for the leadership of the Company and long standing employee by aligning their interests to those of the Shareholders and the Group as a whole.

(b) Duration and remaining life of the H Share Scheme

Subject to any early termination of the H Share Scheme pursuant to the H Share Scheme Rules, the H Share Scheme shall be valid and effective for five years commencing from 15 December 2023, being the date on which the H Share Scheme was approved by the Shareholders at the extraordinary general meeting of the Company on 15 December 2023 (after which no further Awards under the H Share Scheme shall be granted), and thereafter for so long as there are any non-vested Award Shares granted under the H Share Scheme prior to the expiration of the H Share Scheme, in order to give effect to the vesting of such Award Shares or otherwise as may be required in accordance with the rules governing the operation of the H Share Scheme (the "H Share Scheme Rules"). The remaining life of the H Share Scheme is around 4 years and 8 months.

(c) Source of Award Shares and Acquisition of H Shares

The source of the Award Shares under the H Share Scheme shall be H Shares to be acquired by the trustee appointed by the Company through on-market transactions at the prevailing market price in accordance with the instructions of the Company and the relevant provisions of the H Share Scheme Rules. The Board may specify in the instructions given with respect to the acquisition of H Shares any conditions or terms, including without limitation, the specified price or range of prices for the acquisition, the maximum amount of funds to be used for the acquisition, and/or the maximum number of H Shares to be acquired.

The Company shall as soon as reasonably practicable, for the purposes of satisfying the grant of Awards, transfer the necessary funds and give instructions to acquire H Shares through on-market transactions at the prevailing market price, and as soon as reasonably practicable thereafter the acquisition of such number of H Shares as instructed by the Company on-market at the prevailing market price shall proceed.

The Company shall give instructions whether or not to apply any Award Shares that failed to be vested and/or are lapsed ("Returned Shares") to satisfy any grant of Awards made, and if the Returned Shares, as specified by the Company, are not sufficient to satisfy the Awards granted, the Company shall, as soon as reasonably practicable, for purposes of satisfying the Awards granted, transfer the necessary funds and give instructions to acquire further H Shares through on-market transactions at the prevailing market price.

(d) H Share Scheme Limit

Subject to the H Share Scheme Rules, the H Share Scheme Limit shall be the maximum number of H Shares that will be acquired through on-market transactions from time to time at the prevailing market price, and in any case not more than 13,159,063 H Shares.

The maximum number of H Shares that can be purchased for the purpose of the H Share Scheme constitute 10% of the total number of issued H Shares as of the date the proposed special resolution is passed at the extraordinary general meeting of the Company on 15 December 2023 and approximately 3.15% of the Company's total number of issued Shares as of the date of this annual report. The ultimate number of H Shares underlying the H Share Scheme will depend on the actual implementation of the acquisition of H Shares but in any case being not more than 13,159,063 H Shares (the "H Share Scheme Limit"). The total number of Awards granted to each selected participant under the H Share Scheme ("Selected Participant(s)") shall not exceed the H Share Scheme Limit.

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

(e) Selected Participants of the H Share Scheme

Eligible participants who may participate in the H Share Scheme include any full-time PRC or non-PRC employee of any member of the Group, who is a Director, senior management, key operating team member or employee of the Group ("Eligible Participant(s)").

The Board and/or the Delegatee(s) may, from time to time, select any Eligible Participant to be a Selected Participant in accordance with the H Share Scheme Rules.

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

No one should be considered as a Selected Participant of the H Share Scheme if he/she:

(a) has been publicly reprimanded or deemed as an inappropriate candidate for similar award schemes or share incentive plans of a listed company by any securities regulatory bodies with authority in the last 12 months;

(b) has been imposed with penalties or is banned from trading securities by securities regulatory bodies due to material non-compliance with laws or regulations in the last 12 months;

(c) is in breach of relevant national laws and regulations or the Articles of Association; or

(d) has caused losses to the Company during his/her term of service due to soliciting bribes, corruption and theft, disclosure of the operation and technology secrets of the Company, infringement of company interest through connected transactions and any acts which cause damage to the reputation and image of the Company, which can be proven with sufficient evidence by the Company.

The Selected Participant shall undertake that if any of the above provisions occur during the implementation of the H Share Scheme which would prevent him/her from being considered as a Selected Participant, he/she shall give up his/her rights to participate in the H Share Scheme and shall not be given any compensation.

(f) Grant of Awards

The Board and/or the Delegatee(s) may grant Awards to Selected Participants during the Award Period conditional upon fulfillment of terms and conditions of the Awards and performance targets as the Board and/or the Delegatee(s) determines from time to time. Each grant of an Award to any connected person of the Group shall be subject to the Listing Rules and any applicable laws and regulations.

No grant of any Award Shares to any Selected Participant may be made and no directions or recommendations shall be given with respect to a grant of an Award under certain circumstances including:

(i) where the requisite approval from any applicable regulatory authorities or Shareholders has not been granted;

(ii) where any member of the Group will be required under applicable securities laws, rules or regulations to issue a prospectus or other offer documents in respect of such Award or the H Share Scheme;

(iii) where such Award would result in a breach by any member of the Group or its directors of any applicable securities laws, rules or regulations in any jurisdiction;

(iv) where such grant of Award would result in a breach of the H Share Scheme Limit;

(v) after the expiry of the Award Period or after the earlier termination of the H Share Scheme;

(vi) where any Director is in possession of unpublished inside information (as defined under Part XIVA of the SFO) in relation to the Company or where any Director reasonably believes there is inside information which must be disclosed pursuant to Rule 13.09(2)(a) of the Listing Rules and Part XIVA of the SFO or where dealings by Directors are prohibited under any code or requirement of the Listing Rules or any applicable laws, rules or regulations;

(vii) during the period of 60 days immediately preceding the publication date of the annual results of the Group or, if shorter, the period from the end of the relevant financial year up to the publication date of such results; and

(viii) during the period of 30 days immediately preceding the publication date of the quarterly or half-year results of the Group or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of such results.

(g) Vesting of the Awards

The Board and/or the Delegatee(s) may determine the vesting criteria and conditions or periods for the Awards to be vested.

(A) Vesting Schedule

Subject to the vesting criteria and conditions set out in the H Share Scheme Rules, the vesting period for all Awards under the H Share Scheme shall be determined by the Board and/or the Delegatee(s). The specific commencement and duration of each vesting period (the "Vesting Period") and the actual vesting amount of the Award granted to a Selected Participant for the respective Vesting Periods shall be specified in the Award Letter approved by the Board and/or the Delegatee(s).

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

(B) Vesting Conditions

Vesting of the Awards granted under the H Share Scheme is subject to the conditions of the performance indicators of the Company and any other applicable vesting criteria and conditions as set out in the Award Letter.

The details of the performance indicators of the Company shall be determined by the Board and/or the Delegatee(s) from time to time with reference to the business performance and financial condition of the Company and the then market conditions and shall be set out in the Award Letter.

If the Selected Participant fails to fulfill the vesting criteria and conditions applicable to the relevant Awards, all the Award Shares underlying the relevant Awards which may otherwise be vested during the respective Vesting Periods shall not be vested and become immediately lapsed or forfeited with respect to such Selected Participant.

(h) Transfer and Sale of Award Shares

For the purpose of vesting of the Award, the Board and/or the Delegatee(s) may either:

(a) direct and procure the Award Shares to be released to the Selected Participants by transferring the number of Award Shares to the Selected Participants in such manner as determined by them from time to time; or

(b) to the extent that, at the determination of the Board and/or the Delegatee(s), it is not practicable for the Selected Participant to receive the Award in H Shares solely due to legal or regulatory restrictions with respect to the ability to give effect to any such transfer to the Selected Participant or the Selected Participant's ability to receive the Award in H Shares, the Board and/or the Delegatee(s) will direct and procure the sale, on-market at the prevailing market price, of the number of Award Shares so vested in respect of the Selected Participant and pay the Selected Participant the proceeds in cash arising from such sale based on the actual selling price of such Award Shares as set out in the vesting notice.

In accordance with the H Share Scheme Rules, barring any unforeseen circumstances, within a reasonable time period prior to any Vesting Date, the Board and/or the Delegatee(s) shall send to the relevant Selected Participant the vesting notice. The Board and/or the Delegatee(s) shall give instructions as to the extent to which the Award Shares shall be transferred and released to the Selected Participant in the manner as determined by the Board and/or the Delegatee(s), or be sold as soon as practicable from the Vesting Date.

Subject to the receipt of the vesting notice and the instructions from the Board and/or the Delegatee(s) and payment of the exercise price by the Selected Participant, the relevant Award Shares shall be transferred and released to the relevant Selected Participant in the manner as determined by the Board and/or the Delegatee(s) or sell the relevant Award Shares as soon as practicable from the date or dates on which the Award (or part thereof) is to vest in the relevant Selected Participant as set out in the relevant Award Letter (the "Vesting Date") and pay the actual selling price to the Selected Participant within a reasonable time period in satisfaction of the Award.

Since the adoption of the H Share Award Scheme, an aggregate of 250,000 H Shares representing approximately 0.06% of the total share capital of the Company as at the end of the Reporting Period has been purchased for use as Award Shares for Selected Participants of the H Share Award Scheme at a total consideration of HK$5,449,000 (equivalent to approximately RMB5,038,000).

Since the adoption of the Scheme and up to the end of the Reporting Period, no Awards had been granted, and as a result there was no unvested, cancelled or lapsed Award as at the date on which the Scheme was approved (the "**Adoption Date**") and up to the end of the Reporting Period. As no Award was granted since the Adoption Date up to the end of the Reporting Period, therefore the fair value of Awards granted during the financial year is not applicable.

USE OF NET PROCEEDS FROM LISTING

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

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

Use of proceeds	Percentage of total net proceeds	Allocation of net proceeds (HK$ million)	Unutilized net proceeds as of 31 December 2022 (HK$ million)	Utilized net proceeds during the Reporting Period (HK$ million)	Unutilized net proceeds as of 31 December 2023 (HK$ million)	Expected timeline for utilization of unutilized proceeds
To fund the research and development, manufacturing and commercialization of our Core Products, namely, LuX-Valve and Ken-Valve	65.0%	134.1	134.1	8.4	125.7	31 December 2026
To fund the research and development, clinical trials and product registration of other product candidates in our pipeline, including LuX-Valve Plus, KenFlex and mitral valve products	25.0%	51.6	51.6	18.7	32.9	31 December 2026
Working capital and general corporate purposes	10.0%	20.7	20.7	10.3	10.4	31 December 2024
Total		206.4	206.4	37.4	169.0	

The expected timeline for utilizing the net proceeds from the Global Offering is based on the best estimation of future market conditions made by the Company and subject to changes in accordance with our actual business operation.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

The Company completed the conversion of 178,715,577 Unlisted Shares into H Shares and the listing thereof on 25 March 2024 (the "**Conversion and Listing**"). The Company received the Notice of the Full Circulation Registration of the Domestic Unlisted Shares of Jenscare Scientific Co., Ltd. (關於寧波健世科技股份有限公司境內未上市股份「全流通」備案通知書) from the CSRC on 7 March 2024 and the Listing Approval from the Stock Exchange on 15 March 2024 in respect of the Conversion and Listing. The listing of the converted H Shares on the Stock Exchange has commenced at 9:00 a.m. on 25 March 2024 as scheduled. For details, please refer to the announcements of the Company dated 11 March 2024 and 25 March 2024.

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

EMPLOYEES AND REMUNERATION POLICIES

As of 31 December 2023, we had 376 employees (as of 31 December 2022, 292 employees) in total. In compliance with the relevant PRC labor laws, we enter into individual employment contracts with our employees covering matters such as terms, wages, bonuses, employee benefits, workplace safety, confidentiality obligations and grounds for termination. In addition, we are required under PRC law to make contributions to statutory employee benefit plans (including pension plans, medical insurance and housing funds) at a certain percentage of our employees' salaries, including bonus and allowances, up to a maximum amount specified by the local government.

We recruit our employees based on a number of factors, including work experience, educational background and the requirements of a relevant position. To remain competitive in the labor market, we provide competitive salaries, opportunity to participate in various incentive plans and other benefits to our employees. We invest in continuing education and training programs, including internal and external training, for our management staff and other employees to upgrade their skills and knowledge. We provide our employees with regular feedback as well as internal and external training in various areas, such as product knowledge, project development and team building. We also assess our employees based on their performance to determine their salaries, promotion and career development. We believe our benefits, working environment and development opportunities for our employees have contributed to good employee relations and employee retention.

Our Company has adopted Employee Incentive Plans on 30 October 2020 and 27 April 2021 (details of which are set forth in the section headed "Employee Incentive Plans" in this annual report, in the Company's circular dated 6 December 2022, and in our Prospectus). The Company has also adopted the H Share Scheme on 15 December 2023 (details of which are set forth in the section headed "The H Share Scheme" in this annual report).

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

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

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

Except as disclosed above, no other payments have been made or are payable, for the year ended 31 December 2023, by the Group to or on behalf of any of the Directors or Supervisors.

AUDIT COMMITTEE

The Board has established the Audit Committee which comprises three independent non-executive Directors, namely Ms. DU Jiliu, Dr. LIN Shoukang and Dr. MEI Lehe. Ms. DU Jiliu serves as the chairman of the Audit Committee, who has the professional qualification and experience in financial matters in compliance with the requirements of the Listing Rules. The primary duties of the Audit Committee are to provide an independent view of the Company's financial reporting process, internal control and risk management systems, oversee the audit process and perform other duties and responsibilities as assigned by the Board.

The Audit Committee, together with the management and external auditor of the Company of the Company, has reviewed the annual results and the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the consolidated financial statements of the Group for the year ended 31 December 2023) of the Group, and is of the view that the annual results of the Group is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

CHARITABLE DONATIONS

During the year ended 31 December 2023, the Group did not make any charitable or other donations.

AUDITOR

The financial statement has been audited by Ernst & Young. The Company has not changed its auditors in the year ended 31 December 2023 or any of the preceding three years.

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

On behalf of the Board
Mr. LV Shiwen
Chairman

Hong Kong, 27 March 2024

SUPERVISORS' REPORT

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

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

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

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

The Board of Supervisors is satisfied with the achievement and cost-effectiveness of the Company in 2023 and has great confident in the future prospect of the Company.

On behalf of the Board of Supervisors
Ms. XU Jing
Chairperson of the Board of Supervisors
Hong Kong, 27 March 2024

INDEPENDENT AUDITOR'S REPORT

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

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

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

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

OPINION

We have audited the consolidated financial statements of Jenscare Scientific Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 96 to 146, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS *(cont'd)*

Key audit matter

Measurement of research and development costs

The Group incurred significant research and development ("R&D") costs of RMB288,151,000 as disclosed in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023, mainly consisting of staff costs, costs of materials and consumables, and service fees paid to contract research organisations, clinical site management operators and clinical trial centres (collectively referred to as the "Outsourced Service Providers").

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

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

How our audit addressed the key audit matter

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

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

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

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

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

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

6. We obtained external confirmation from major Outsourced Service Providers, to check the amount of the R&D service fees incurred for the year ended 31 December 2023 and the amounts payable under the CRO/SMO agreements as of 31 December 2023; and

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

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lai Chee Kong.

Ernst & Young
Certified Public Accountants
Hong Kong
27 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Other income and gains	5	**43,828**	54,424
Research and development expenses		**(288,151)**	(291,580)
Administrative expenses		**(150,309)**	(219,697)
Other expenses		**(592)**	(117)
Finance costs	7	**(142)**	(113)
Share of profit of an associate		**18,952**	16,169
Loss on disposal of an associate	16	**(2,682)**	–
LOSS BEFORE TAX	6	**(379,096)**	(440,914)
Income tax expenses	10	**–**	–
LOSS FOR THE YEAR		**(379,096)**	(440,914)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**8,082**	8,285
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**8,082**	8,285
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(371,014)**	(432,629)
Loss attributable to:			
Owners of the parent		**(371,736)**	(439,311)
Non-controlling interests		**(7,360)**	(1,603)
		(379,096)	(440,914)
Total comprehensive loss attributable to:			
Owners of the parent		**(363,654)**	(431,026)
Non-controlling interests		**(7,360)**	(1,603)
		(371,014)	(432,629)
LOSS per share ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted			
– For loss for the year (in RMB per share)		**(0.89)**	(1.20)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**110,178**	42,681
Other intangible assets	14	**4,140**	4,194
Right-of-use assets	15	**28,371**	29,204
Investment in an associate	16	**–**	483,730
Other non-current assets	17	**29,490**	16,161
Total non-current assets		**172,179**	575,970
CURRENT ASSETS			
Inventories	18	**28,126**	9,893
Prepayments, other receivables and other assets	19	**32,523**	20,356
Financial assets at fair value through profit or loss	20	**166,438**	97,746
Cash and cash equivalents	21	**927,826**	727,364
Total current assets		**1,154,913**	855,359
CURRENT LIABILITIES			
Trade payables	22	**16,332**	10,950
Other payables and accruals	23	**40,431**	43,481
Lease liabilities	15	**1,918**	2,305
Total current liabilities		**58,681**	56,736
NET CURRENT ASSETS		**1,096,232**	798,623
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,268,411**	1,374,593
NON-CURRENT LIABILITIES			
Lease liabilities	15	**1,411**	1,566
Interest-bearing bank and other borrowings	25	**40,746**	–
Total non-current liabilities		**42,157**	1,566
Net assets		**1,226,254**	1,373,027
EQUITY			
Equity attributable to owners of the parent			
Share capital	26	**417,167**	417,167
Treasury shares	26	**(5,038)**	–
Reserves	27	**820,744**	956,119
		1,232,873	1,373,286
Non-controlling interests		**(6,619)**	(259)
Total equity		**1,226,254**	1,373,027

Mr. LV Shiwen
Director

Mr. PAN Fei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent								
	Share capital (note 26) RMB'000	Share premium* (note 27) RMB'000	Share-based arrangement* (note 27) RMB'000	Exchange fluctuation reserve* (note 27) RMB'000	Accumulated losses* (note 27) RMB'000	Shares held for share compensation plan* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022	409,091	1,033,501	349,364	–	(494,864)	(6,345)	1,290,747	(156)	1,290,591
Loss for the year	–	–	–	–	(439,311)	–	(439,311)	(1,603)	(440,914)
Other comprehensive loss for the year:									
Exchange differences on translation of foreign operations	–	–	–	8,285	–	–	8,285	–	8,285
Total comprehensive loss for the year	–	–	–	8,285	(439,311)	–	(431,026)	(1,603)	(432,629)
Issue of H Shares from initial public offering ("IPO") (note 26)	8,076	181,269	–	–	–	–	189,345	–	189,345
Share-based arrangement	–	–	317,875	–	–	–	317,875	–	317,875
Deconsolidation of shareholding platforms	–	–	–	–	–	6,345	6,345	–	6,345
Contribution by non-controlling shareholders	–	–	–	–	–	–	–	1,500	1,500
At 31 December 2022	417,167	1,214,770	667,239	8,285	(934,175)	–	1,373,286	(259)	1,373,027

	Attributable to owners of the parent									
	Share capital (note 26) RMB'000	Treasury shares (note 26) RMB'000	Share premium* (note 27) RMB'000	Other reserve* (note 27) RMB'000	Share-based arrangement* (note 27) RMB'000	Exchange fluctuation reserve* (note 27) RMB'000	Accumulated losses* (note 27) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2023	417,167	–	1,214,770	–	667,239	8,285	(934,175)	1,373,286	(259)	1,373,027
Loss for the year	–	–	–	–	–	–	(371,736)	(371,736)	(7,360)	(379,096)
Other comprehensive loss for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	8,082	–	8,082	–	8,082
Total comprehensive loss for the year	–	–	–	–	–	8,082	(371,736)	(363,654)	(7,360)	(371,014)
Capital contribution from shareholders	–	–	22,891	–	–	–	–	22,891	–	22,891
Contribution by non-controlling shareholders	–	–	–	–	–	–	–	–	1,000	1,000
Share-based arrangement	–	–	–	–	205,388	–	–	205,388	–	205,388
Shares repurchased	–	(5,038)	–	–	–	–	–	(5,038)	–	(5,038)
Share of an associate's other reserve	–	–	–	5,361	–	–	–	5,361	–	5,361
Disposal of an associate	–	–	–	(5,361)	–	–	–	(5,361)	–	(5,361)
At 31 December 2023	417,167	(5,038)	1,237,661	–	872,627	16,367	(1,305,911)	1,232,873	(6,619)	1,226,254

* These reserve accounts comprise the consolidated reserves of RMB820,744,000 (2022: RMB956,119,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(379,096)**	(440,914)
Adjustments for:			
Finance costs	7	**142**	113
Share of profit of an associate		**(18,952)**	(16,169)
Loss on disposal of an associate	16	**2,682**	–
Gains on financial assets at fair value through profit or loss	5	**(2,514)**	(719)
Depreciation of property, plant and equipment	13	**8,783**	6,457
Amortisation of other intangible assets	14	**488**	342
Depreciation of right-of-use assets	15	**2,789**	2,400
Impairment of other receivables	19	**534**	106
Loss on disposal of items of property, plant and equipment	6	**11**	9
Foreign exchange differences, net		**(3,169)**	(34,622)
Share-based arrangement		**205,388**	317,875
Increase in inventories		**(18,233)**	(5,221)
Increase in prepayments, other receivables and other assets		**(23,627)**	(552)
Increase in trade payables		**5,382**	2,505
Decrease in shares held for a share compensation plan		**–**	6,345
(Decrease)/increase in other payables and accruals		**(3,050)**	3,568
Net cash flows used in operating activities		**(222,442)**	(158,477)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(78,196)**	(21,664)
Additions to other intangible assets	14	**(434)**	(2,142)
Proceeds from disposal of items of property, plant and equipment		**15**	–
Acquisition of leasehold land		**–**	(25,750)
Purchase of financial assets at fair value through profit or loss		**(969,481)**	(1,581,194)
Disposal of financial assets at fair value through profit or loss		**902,730**	1,480,500
Proceeds from disposal of financial assets at fair value through profit or loss		**3,498**	3,667
Proceeds on disposal of an associate	16	**500,000**	–
Net cash flows from/(used in)investing activities		**358,132**	(146,583)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares		**–**	189,345
New bank loans	25	**40,746**	–
Contribution by shareholders		**22,891**	–
Contribution by non-controlling shareholders		**1,000**	1,500
Principal portion of lease liabilities	15	**(3,157)**	(1,919)
Repurchase of shares		**(5,038)**	–
Net cash flows from financing activities		**56,442**	188,926
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**192,132**	(116,134)
Cash and cash equivalents at beginning of year		**727,364**	800,590
Effect of foreign exchange rate changes, net		**8,330**	42,908
CASH AND CASH EQUIVALENTS AT END OF YEAR		**927,826**	727,364

1. CORPORATE AND GROUP INFORMATION

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

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

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

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Ningbo Diochange Medical Technology Co., Ltd. ("Diochange") (寧波迪創醫療科技有限公司)	PRC/Chinese Mainland	RMB30,000,000	100%	–	Research and development
Jenscare (Hainan) Venture Capital Co. Ltd. (健世(海南)創業投資有限公司)	PRC/Chinese Mainland	RMB10,000,000	100%	–	Consulting and investment
Shanghai Xuanmai Medical Technology Co., Ltd. ("Shanghai Xuanmai") (上海炫脈醫療科技有限公司)	PRC/Chinese Mainland	RMB10,000,000	55%	–	Research and development
Jenscare Scientific (Netherlands) B.V.	Netherlands	EUR17,500,000	100%	–	Research and development
Jenscare International Co. Ltd	Hong Kong	HKD109,830,000	100%	–	Research and development
Jenscare Scientific (Wuhan) Co., Ltd. (健世科技(武漢)有限責任公司)	PRC/Chinese Mainland	RMB10,000,000	100%	–	Research and development

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

2 ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which have been reflected in the reconciliation disclosed in note 24 to the financial statements. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under IAS 12.

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

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES

Investment in an associate

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(cont'd)*

Investment in an associate *(cont'd)*

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

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

Fair value measurement

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

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

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(cont'd)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

2.4 MATERIAL ACCOUNTING POLICIES *(cont'd)*

Related parties *(cont'd)*

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(cont'd)*

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

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

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

Intangible assets (other than goodwill)

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

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

Software	5 to 10 years

Research and development expenses

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

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

Leases

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

2.4 MATERIAL ACCOUNTING POLICIES *(cont'd)*

Leases *(cont'd)*

Group as a lessee

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

(a) *Right-of-use assets*

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

Office premises and buildings	2 to 7 years
Leasehold land	50 years

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

(b) *Lease liabilities*

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(cont'd)*

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through profit or loss

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

2.4 MATERIAL ACCOUNTING POLICIES *(cont'd)*

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

Impairment of financial assets

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

General approach

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(cont'd)*

Impairment of financial assets *(cont'd)*

General approach (cont'd)

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

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(cont'd)*

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks.

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

Income tax

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

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(cont'd)*

Income tax *(cont'd)*

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

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

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

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

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

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

Government grants

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

Other income

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

2.4 MATERIAL ACCOUNTING POLICIES *(cont'd)*

Share-based payments

The Group operates a share option scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees for share grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 29 to the financial statements.

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

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

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

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

Other employee benefits

Pension scheme

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

2.4 MATERIAL ACCOUNTING POLICIES *(cont'd)*

Borrowing costs

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

Dividends

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

Foreign currencies

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Research and development expenses

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

Estimation uncertainty

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognised tax losses at 31 December 2023 was RMB896,336,000 (2022: RMB606,458,000). Further details are contained in note 10 and 24 to the financial statements.

Share-based payments

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

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

For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses a binomial model. The assumptions and models used for estimating the fair value of share-based payment transactions are disclosed in note 29.

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

Estimation uncertainty *(cont'd)*

Impairment of non-financial assets

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

4. OPERATING SEGMENT INFORMATION

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

Geographical information

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

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	2023 RMB'000	2022 RMB'000
Other income		
Government grants	**17,177**	10,702
Bank interest income	**19,326**	8,360
Others	**1,642**	21
Total other income	**38,145**	19,083
Gains		
Foreign exchange differences, net	**3,169**	34,622
Gain on financial assets at fair value through profit or loss	**2,514**	719
Total gains	**5,683**	35,341
Total other income and gains	**43,828**	54,424

6. LOSS BEFORE TAX

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

	Notes	2023 RMB'000	2022 RMB'000
Depreciation of items of property, plant and equipment	13	**8,783**	6,457
Amortisation of intangible assets	14	**488**	342
Depreciation of right-of-use assets	15	**2,789**	2,400
Research and development expenses		**288,151**	291,580
Loss on disposal of items of property, plant and equipment	13	**11**	9
Impairment of other receivables	19	**534**	106
Auditor's remuneration		**2,300**	2,000
Government grants	5	**(17,177)**	(10,702)
Bank interest income	5	**(19,326)**	(8,360)
Lease payments not included in the measurement of lease liabilities	15	**1,661**	1,372
Fair value gains, net:			
Financial assets at fair value through profit or loss	5	**(2,514)**	(719)
Foreign exchange differences, net		**(3,169)**	(34,622)
Loss on disposal of an associate	16	**2,682**	–
Staff cost (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**65,967**	50,716
Pension scheme contributions		**16,254**	11,474
Staff welfare expenses		**2,564**	2,447
Share-based arrangement		**154,121**	79,236
Total		**238,906**	143,873

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 RMB'000	2022 RMB'000
Interest on bank loans	**411**	–
Interest on lease liabilities (note 15)	**142**	113
Total interest expense	**553**	113
Less: Interest capitalised	**411**	–
Total	**142**	113

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

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

	Group	
	2023 **RMB'000**	2022 RMB'000
Fees	**500**	225
Other emoluments:		
Salaries, allowances and benefits in kind	**3,749**	3,740
Performance related bonuses	**2,316**	922
Share-based arrangements	**51,267**	238,639
Pension scheme contributions	**300**	230
Total fees and other emoluments	**58,132**	243,756

During the year, restricted shares were granted to Mr. LV Shiwen and Mr. PAN Fei in respect of their services to the Group, further details of which are set out in note 29 to the financial statements. The fair value of such awarded shares, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is set out in the above directors' and supervisors' remuneration disclosures.

(a) Independent non-executive directors

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

	2023 **RMB'000**	2022 RMB'000
Ms. DU Jiliu	**150**	75
Dr. LIN Shoukang	**200**	75
Dr. MEI Lehe	**150**	75
Total	**500**	225

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

(b) Executive directors, non-executive directors and the supervisors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share compensation expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2023						
Executive directors:						
Mr. LV Shiwen*	–	1,928	800	35,953	133	38,814
Mr. PAN Fei	–	1,702	1,506	15,314	133	18,655
Subtotal	–	3,630	2,306	51,267	266	57,469
Non-executive directors:						
Mr. TAN Ching	–	–	–	–	–	–
Mr. ZHENG Jiaqi	–	–	–	–	–	–
Ms. XIE Youpei	–	–	–	–	–	–
Mr. CHEN Xinxing	–	–	–	–	–	–
Subtotal	–	–	–	–	–	–
Supervisors:						
Mr. TANG Hao	–	–	–	–	–	–
Ms. XU Jing	–	–	–	–	–	–
Mr. HU Bo	–	119	10	–	34	163
Subtotal	–	119	10	–	34	163
Total	–	3,749	2,316	51,267	300	57,632

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

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share compensation expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2022						
Executive directors:						
Mr. LV Shiwen*	–	1,926	480	219,367	99	221,872
Mr. PAN Fei	–	1,700	424	19,272	99	21,495
Subtotal	–	3,626	904	238,639	198	243,367
Non-executive directors:						
Mr. TAN Ching	–	–	–	–	–	–
Mr. ZHENG Jiaqi	–	–	–	–	–	–
Ms. XIE Youpei	–	–	–	–	–	–
Mr. CHEN Xinxing	–	–	–	–	–	–
Subtotal	–	–	–	–	–	–
Supervisors:						
Mr. TANG Hao	–	–	–	–	–	–
Ms. XU Jing	–	–	–	–	–	–
Mr. HU Bo	–	114	18	–	32	164
Subtotal	–	114	18	–	32	164
Total	–	3,740	922	238,639	230	243,531

* Mr. LV Shiwen was appointed as the chief executive of the Company.

There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2022: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2022: three) highest paid employees, who are neither a director nor chief executive of the Company are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances, and benefits in kind	**4,227**	2,322
Performance related bonuses	**355**	442
Equity-settled share compensation expense	**42,211**	14,088
Pension scheme contributions	**419**	371
Total	**47,212**	17,223

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

	Number of employees	
	2023	2022
HKD4,500,001 to HKD5,000,000	**–**	2
HKD5,500,001 to HKD6,000,000	**–**	1
HKD13,000,001 to HKD14,000,000	**2**	–
HKD24,000,001 to HKD25,000,000	**1**	–
Total	**3**	3

During the year and in prior years, restricted shares were granted to three non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 29 to the financial statements. The fair value of such restricted shares, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

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

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

(b) No provision for Hong Kong income tax was made at a rate of 16.5% (2022: 16.5%) as the Group's entity in Hong Kong had no estimated assessable profits during the year.

(c) No provision for Netherlands income tax was made at a rate of 25.8% (2022: 25.8%) as the Group's entity in the Netherlands had no estimated assessable profits during the year.

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

	2023 RMB'000	2022 RMB'000
Loss before tax	(379,096)	(440,914)
Tax at the statutory tax rate (25%)	(94,774)	(110,229)
Effect of different tax rate of a subsidiary operating in other jurisdictions and tax concession	(153)	82
Profits attributable to an associate	–	(4,042)
Gain on disposal of an associate	4,378	–
Additional deductible allowance for qualified research and development expenses	(36,355)	(28,875)
Expenses not deductible for tax	53,857	81,421
Deductible temporary difference and tax losses not recognised	73,121	61,646
Utilisation of deductible temporary differences previously not recognised	(74)	(3)
Tax charge at the Group's effective rate	–	–

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

	2023 RMB'000	2022 RMB'000
Unused tax losses	896,336	606,458
Deductible temporary differences	767	232
Total	897,103	606,690

The Group has tax losses of RMB896,336,000 as at 31 December 2023 (2022: RMB606,458,000). Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

11. DIVIDENDS

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

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

The calculation of the basic loss per share amount is based on the loss attributable to owners of the parent, and the weighted average number of ordinary shares of 417,166,000 (2022: 365,375,000) in issue during the year.

Under the share-based payment schemes, certain share options were granted to eligible employees. Except for the shares without vesting condition and already vested, the vesting requirements of the remaining shares have not been satisfied. The effect of such shares held for share-based payment schemes has not been taken into account in the calculation of basic loss per share until the related employee incentive platforms were deconsolidated on 23 December 2022, as further detailed in note 29. Since 23 December 2022, such shares had been included in the calculation of basic loss per share by weighted average number.

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

In December 2023, the Company started to purchase its shares on the Hong Kong Stock Exchange, as further detailed in note 26. Since then, the weighted average number of such shares considered as treasury shares has been included in the calculation of basic loss per share.

The calculations of basic and diluted loss per share are based on:

	2023 **RMB'000**	2022 RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculations	**(371,736)**	(439,311)

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculations	**417,166,000**	365,375,000

13. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2023						
At 1 January 2023:						
Cost	29,665	564	4,713	12,921	12,420	60,283
Accumulated depreciation	(8,069)	(310)	(1,465)	(7,758)	–	(17,602)
Net carrying amount	21,596	254	3,248	5,163	12,420	42,681
At 1 January 2023, net of accumulated depreciation	21,596	254	3,248	5,163	12,420	42,681
Additions	6,312	–	677	28	69,289	76,306
Depreciation provided during the year	(6,050)	(104)	(905)	(1,724)	–	(8,783)
Transfer	–	–	–	848	(848)	–
Disposals	(7)	–	(19)	–	–	(26)
At 31 December 2023, net of accumulated depreciation	21,851	150	3,001	4,315	80,861	110,178
At 31 December 2023:						
Cost	35,917	564	5,362	13,797	80,861	136,501
Accumulated depreciation	(14,066)	(414)	(2,361)	(9,482)	–	(26,323)
Net carrying amount	21,851	150	3,001	4,315	80,861	110,178
31 December 2022						
At 1 January 2022:						
Cost	12,753	565	3,501	11,081	1,012	28,912
Accumulated depreciation	(4,050)	(189)	(775)	(6,199)	–	(11,213)
Net carrying amount	8,703	376	2,726	4,882	1,012	17,699
At 1 January 2022, net of accumulated depreciation	8,703	376	2,726	4,882	1,012	17,699
Additions	16,956	–	769	–	13,723	31,448
Depreciation provided during the year	(4,057)	(122)	(718)	(1,560)	–	(6,457)
Transfer	–	–	474	1,841	(2,315)	–
Disposals	(6)	–	(3)	–	–	(9)
At 31 December 2022, net of accumulated depreciation	21,596	254	3,248	5,163	12,420	42,681
At 31 December 2022:						
Cost	29,665	564	4,713	12,921	12,420	60,283
Accumulated depreciation	(8,069)	(310)	(1,465)	(7,758)	–	(17,602)
Net carrying amount	21,596	254	3,248	5,163	12,420	42,681

At 31 December 2023 and 2022, there were no pledged property, plant and equipment.

14. OTHER INTANGIBLE ASSETS

	Software RMB'000
31 December 2023	
Cost at 1 January 2023:	
net of accumulated amortisation	**4,194**
Additions	**434**
Amortisation provided during the year	**(488)**
At 31 December 2023	**4,140**
At 31 December 2023:	
Cost	**5,134**
Accumulated amortisation	**(994)**
Net carrying amount	**4,140**
31 December 2022	
At 1 January 2022:	
Cost	2,557
Accumulated amortisation	(163)
Net carrying amount	2,394
Cost at 1 January 2022:	
net of accumulated amortisation	2,394
Additions	2,142
Amortisation provided during the year	(342)
At 31 December 2022	4,194
At 31 December 2022 and at 1 January 2023:	
Cost	4,700
Accumulated amortisation	(506)
Net carrying amount	4,194

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of leasehold land, office premises and buildings used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with a lease period of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of office premises and buildings generally have lease terms between 2 and 7 years. Other rental agreements generally have lease terms of 12 months or less and are individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

15. LEASES *(cont'd)*

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

(a) Right-of-use assets

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

	Leasehold land RMB'000	Office premises and buildings RMB'000	Total RMB'000
As at 1 January 2022	–	2,758	2,758
Additions	25,750	3,267	29,017
Depreciation charge	(386)	(2,185)	(2,571)
As at 31 December 2022 and 1 January 2023	25,364	3,840	29,204
Additions	**–**	**2,473**	**2,473**
Depreciation charge	**(515)**	**(2,789)**	**(3,304)**
Exchange differences on translation of foreign operations	**–**	**(2)**	**(2)**
As at 31 December 2023	**24,849**	**3,522**	**28,371**

As at December 31, 2023, leasehold land with a carrying amount of approximately RMB24,849,000 (2022: Nil) was pledged to secure general banking loans of the Group (note 25).

(b) Lease liabilities

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

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	**3,871**	2,410
New leases	**2,473**	3,267
Accretion of interest recognised during the year	**142**	113
Payments	**(3,157)**	(1,919)
Carrying amount at 31 December	**3,329**	3,871
Analysed into:		
Current portion	**1,918**	2,305
Non-current portion	**1,411**	1,566

The maturity analysis of lease liabilities is disclosed in note 35 to the financial statements.

15. LEASES *(cont'd)*

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

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

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities	**142**	113
Depreciation charge of right-of-use assets	**2,789**	2,400
Expense relating to short-term leases and leases of low-value assets	**1,661**	1,372
Total amount recognised in profit or loss	**4,592**	3,885

16. INVESTMENT IN AN ASSOCIATE

	2023 RMB'000	2022 RMB'000
Share of net assets	**–**	179,764
Goodwill on acquisition	**–**	303,966
Net carrying amount	**–**	483,730

Particulars of the Group's material associate are as follows:

Name	Paid-in capital	Place of registration and business	Percentage of ownership interest attributable to the Group		Principal activities
	RMB '000		2023	2022	
Starway Medical Technology, Inc. (北京華醫聖杰科技有限公司) ("Starway")	100,000	Beijing	**0.00%**	24.98%	Manufacturing and sale of interventional medical devices for congenital heart diseases

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

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

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

	2023 RMB'000	2022 RMB'000
Current assets	–	361,780
Non-current assets, excluding goodwill	–	496,189
Goodwill on acquisition of the associate	–	1,217,037
Current liabilities	–	(69,572)
Non-current liabilities	–	(68,646)
Net assets	–	1,936,788
Net assets, excluding goodwill	–	719,751
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	–	24.98%
Group's share of net assets of the associate, excluding goodwill	–	179,764
Goodwill on acquisition	–	303,966
Carrying amount of the investment	–	483,730

	Period from 1 January 2023 to 21 December 2023 RMB'000	2022 RMB'000
Revenue	**296,294**	278,285
Profit and total comprehensive income for the period/year	**75,879**	64,739

On 21 December 2023, the Group disposed of the entire interest in Starway to the other existing shareholder of the associate for a cash of RMB500,000,000, which was fully settled by cash received in December 2023, resulting in a loss of RMB2,682,000.

17. OTHER NON-CURRENT ASSETS

	2023 RMB'000	2022 RMB'000
Other deposits	–	5,000
Advance payment for property, plant and equipment	**4,952**	2,547
Deductible input value-added tax	**24,538**	8,614
Total	**29,490**	16,161

18. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	**28,126**	9,893

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023 RMB'000	2022 RMB'000
Due from related parties (note 32)	**–**	681
Deposits and other receivables	**9,851**	1,944
Prepayment to suppliers	**22,958**	17,511
Others	**481**	453
	33,290	20,589
Impairment allowance	**(767)**	(233)
Total	**32,523**	20,356

In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data.

As at 31 December 2023, the Group estimated the expected credit losses for other receivables to be RMB767,000 (31 December 2022: RMB233,000).

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

	2023 RMB'000	2022 RMB'000
At beginning of year	**233**	127
Impairment losses	**534**	106
At end of year	**767**	233

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
Other unlisted investments, at fair value	**166,438**	97,746

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

21. CASH AND CASH EQUIVALENTS

	2023 RMB'000	2022 RMB'000
Cash and bank balances	**914,669**	727,364
Deposit for repurchase of shares	**13,157**	–
	927,826	727,364
Denominated in:		
RMB	**658,165**	261,200
USD	**179,626**	459,994
HKD	**86,610**	5,786
EUR	**3,425**	384
	927,826	727,364

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

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

22. TRADE PAYABLES

The trade payables are non-interest-bearing and are normally settled within two months.

	2023 RMB'000	2022 RMB'000
Trade payables		
Within 1 year	**16,303**	10,928
Over 1 year	**29**	22
Total	**16,332**	10,950

Included in the trade payables were an amount due to related parties of RMB2,711,000 as at 31 December 2023 (2022: RMB52,000), which was repayable within 60 days, representing credit terms similar to those offered by the related party to its major customers.

23. OTHER PAYABLES AND ACCRUALS

	2023 RMB'000	2022 RMB'000
Amount due to related parties (note 32)	**607**	802
Payroll and welfare payable	**18,726**	15,943
Government grants	**11,880**	11,680
Other payables	**9,218**	15,056
Total	**40,431**	43,481

Other payables and accruals are unsecured, non-interest-bearing and repayable on demand. The carrying amounts of financial liabilities included in other payables and accruals as at the end of the year approximated to their fair values due to their short-term maturities.

24. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Right-of-use assets RMB'000
At 1 January 2023	**968**
Deferred tax charged to profit or loss during the year	**(136)**
Gross deferred tax liabilities at 31 December 2023	**832**
At 1 January 2022	603
Deferred tax charged to profit or loss during the year	365
Gross deferred tax liabilities at 31 December 2022	968

Deferred tax assets

	Lease liabilities RMB'000
As at 1 January 2023	**968**
Deferred tax charged to profit or loss during the year	**(136)**
Gross deferred tax assets at 31 December 2023	**832**
As at 1 January 2022	603
Deferred tax charged to profit or loss during the year	365
Gross deferred tax liabilities at 31 December 2022	968

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes.

Net deferred tax recognised in the consolidated statement of financial position

	2023 RMB'000	2022 RMB'000
Net deferred tax assets/liabilities in respect of continuing operations	**–**	–

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	As at 31 December 2023 RMB'000
Non-current			
Bank loans-unsecured	1-year LPR-0.8	2025 to 2026	**24,984**
Bank loans-secured*	1-year LPR-0.9	2028	**15,762**
			40,746
Analysed into:			
Repayable			
In the second year			**1,190**
In the third to fifth years, inclusive			**39,556**
Total			**40,746**

Note: LPR represents the Loan Prime Rate published by the People's Bank of China.

* The bank loans amounting to RMB15,762,000 were secured by the pledge of the Group's leasehold land with a carrying amount of RMB24,849,000 (2022: Nil).

26. SHARE CAPITAL/TREASURY SHARES

A summary of movements in the Company's share capital is as follows:

	Share Capital Total RMB'000	Treasury Shares Total RMB'000
Issued and fully paid as at 1 January 2022	409,091	–
Issue of shares from initial public offering (a)	8,076	–
As at 31 December 2022	417,167	–
Issued and fully paid as at 1 January 2023	**417,167**	**–**
Shares repurchased (b)	**–**	**(5,038)**
As at 31 December 2023	**417,167**	**(5,038)**

(a) On 10 October 2022, the Company successfully completed the IPO on Hong Kong Stock Exchange. The Company issued 8,076,400 ordinary shares at the offering price of HKD 27.80 per share.

(b) In December 2023, the Company started to purchase its shares on the Hong Kong Stock Exchange at a total consideration of HK$5,449,000 (equivalent to approximately RMB5,038,000). The purchased shares will be used as award shares for the selected participants of a share award scheme.

27. RESERVES

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity on page 98 of the financial statements.

28. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that have material non-controlling interests are set out below:

	2023 RMB'000	2022 RMB'000
Percentage of equity interest held by non-controlling interests:		
Shanghai Xuanmai	**45%**	45%
Loss for the year allocated to non-controlling interests:		
Shanghai Xuanmai	**(7,360)**	(1,603)
Accumulated balances of non-controlling interests at the reporting date:		
Shanghai Xuanmai	**(6,619)**	(259)

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	2023 RMB'000	2022 RMB'000
Total expenses	**(16,363)**	(3,568)
Loss for the year	**(16,354)**	(3,564)
Total comprehensive loss for the year	**(16,354)**	(3,564)
Current assets	**5,054**	3,312
Non-current assets	**6,867**	486
Current liabilities	**(19,260)**	(707)
Non-current liabilities	**(1,101)**	–
Net cash flows used in operating activities	**(15,256)**	(3,607)
Net cash flows used in investing activities	**(3,557)**	(346)
Net cash flows from financing activities	**16,625**	4,250
Net (decrease)/increase in cash and cash equivalents	**(2,188)**	297

29. SHARE-BASED PAYMENTS

The Group operates a share-based payment scheme (the Scheme) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors and Group's employees. During the year, the Group granted equity interests of the Company under the share-based payment scheme through the employee incentive platforms, Hainan Maidi Enterprise Management L.P. (Limited Partnership) ("Hainan Maidi") and Hainan Hualing Investment Management LLP ("Hainan Hualing").

The Company had power to govern the relevant activities of Hainan Maidi and Hainan Hualing and could derive benefits from the contributions of the eligible employees who are awarded with the shares under the share-based payment scheme. Therefore Hainan Maidi and Hainan Hualing were consolidated until partner agreements were further revised on 23 December 2022, from which, these two entities have been deconsolidated as the control power ceased.

Pursuant to the general meeting of shareholders on 23 December 2022, an amendment was made to the share-based payment schemes under Hainan Maidi and Hainan Hualing, in which all the options granted previously were transferred into restricted shares.

As of 31 December 2023, the Company has received all the exercise price of the restricted shares.

29. SHARE-BASED PAYMENTS *(cont'd)*

The following restricted shares were outstanding under the share-based payment scheme during the year.

	Number of options/ restricted shares
At 1 January 2022	28,079,187
Granted during the year	17,790,090
At 31 December 2022 and 1 January 2023	45,869,277
At 1 January 2023	**45,869,277**
Granted during the year	**4,183,555**
Forfeited during the year	**(1,358,555)**
Vested during the year	**(21,756,222)**
At 31 December 2023	**26,938,055**

The fair values of the equity-settled share options granted during the year ended 31 December 2022 were estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used:

	31 December 2022
Expected volatility (%)	61.98%-64.47%
Risk-free interest rate (%)	1.11%-2.83%
Exercise multiple	2.2-2.8

The fair values of the restricted shares granted during the year ended 31 December 2023 were determined using the closing price of each share as stated in the daily quotation sheet issued by The Stock Exchange of Hong Kong Limited on the grant date.

The fair values of the restricted shares granted during the year ended 31 December 2023 were RMB124,266,000 (2022: RMB511,191,000). The Group recognised an equity-settled share compensation expense of RMB205,388,000 during the year (2022: RMB317,875,000).

30. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2023, the Group had non-cash additions to right-of-use and lease liabilities of RMB2,473,000 (2022: RMB3,267,000), in respect of lease arrangements for buildings.

(b) Changes in liabilities arising from financing activities

2023

	Bank Loans RMB'000	Lease liabilities RMB'000
At 1 January 2023	–	3,871
Changes from financing cash flow	40,746	(3,157)
New leases	–	2,473
Interest expense	–	142
At 31 December 2023	40,746	3,329

2022

	Lease liabilities RMB'000
At 1 January 2022	2,410
Changes from financing cash flow	(1,919)
New leases	3,267
Interest expense	113
At 31 December 2022	3,871

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023 RMB'000	2022 RMB'000
Within operating activities	1,661	1,372
Within financing activities	3,157	1,919
Total	4,818	3,291

31. COMMITMENTS

The Group had the following contractual commitments at the end of the reporting period:

	2023 RMB'000	2022 RMB'000
Property, plant and equipment	66,976	108,092

32. RELATED PARTY TRANSACTIONS

(a) Related parties for the years ended 31 December 2022 and 2023 were as follows:

Name	Relationship with the Company
Ms. LI Hui	Shareholder of the Company
Ningbo Linfeng Biotechnology Co., Ltd.	Controlled by Ms. LI Hui
Ningbo Linstant Polymer Materials Co., Ltd	Controlled by Ms. LI Hui
Ningbo Shouquanzhai Chinese Traditional Medicine Service Ltd.	Controlled by Ms. LI Hui
Ningbo Trandomed 3D Medical Technology Co., Ltd	Controlled by Ms. LI Hui
Ningbo Lide Medical Technology Co., Ltd	Controlled by Mr. LV Shiwen
Ningbo Hangzhou Bay New District Muhe Property Co., Ltd	Controlled by Ms. LI Hui
Ningbo Chinese Herbal Pieces Co., Ltd.	Controlled by Ms. LI Hui
Ningbo Shidi Medical Technology Co., Ltd	Controlled by Ms. LI Hui
Ningbo Muhe Catering Management Co., Ltd.	Controlled by Ms. LI Hui

(b) The Group had the following transactions with related parties during the year:

	Notes	2023 RMB'000	2022 RMB'000
Rental expense			
Ningbo Linfeng Biotechnology Co., Ltd.	(i)	**3,370**	3,022
Purchase of materials	(ii)		
Ningbo Linstant Polymer Materials Co., Ltd.		**4,335**	2,327
Ningbo Trandomed 3D Medical Technology Co., Ltd.		**35**	229
Ningbo Shouquanzhai Chinese Traditional Medicine Service Ltd.		**15**	109
		4,385	2,665
Purchase of services	(ii)		
Ningbo Hangzhou Bay New District Muhe Property Co., Ltd.		**90**	691
Ningbo Chinese Herbal Pieces Co., Ltd.		**272**	209
Ningbo Shidi Medical Technology Co., Ltd.		**231**	158
Ningbo Muhe Catering Management Co., Ltd.		**773**	67
		1,366	1,125

Notes:

(i) Rental expense related to the leases of the offices and employee dormitories from the related party and utility expense actual charged pursuant to the terms of the agreements signed between the Group and the related party.

(ii) The purchases from the related parties were made according to the prices and terms mutually agreed between the parties.

32. RELATED PARTY TRANSACTIONS *(cont'd)*

(c) Outstanding balances with related parties:

	Note	2023 RMB'000	2022 RMB'000
Prepayments, other receivables and other assets:			
Ningbo Linstant Polymer Materials Co., Ltd	(i)	–	561
Ningbo Lide Medical Technology Co., Ltd.	(i)	–	114
Ningbo Shidi Medical Technology Co., Ltd	(i)	–	6
		–	681
Other payables and accruals:			
Ningbo Linfeng Biotechnology Co., Ltd.	(i)	501	651
Ningbo Muhe Catering Management Co., Ltd.	(i)	1	67
Ningbo Shouquanzhai Chinese Traditional Medicine Service Ltd.	(i)	–	40
Ningbo Chinese Herbal Pieces Co., Ltd.	(i)	25	24
Ningbo Hangzhou Bay New District Muhe Property Co., Ltd.	(i)	80	20
		607	802
Trade payables:			
Ningbo Shidi Medical Technology Co., Ltd.	(i)	147	45
Ningbo Linstant Polymer Materials Co., Ltd.	(i)	2,564	–
Ningbo Trandomed 3D Medical Technology Co., Ltd.	(i)	–	7
		2,711	52

(i) The Group's balances due from and due to the related parties were trade in nature, unsecured, non-interest-bearing and repayable on demand.

(d) Compensation of key management personnel of the Group:

	2023 RMB'000	2022 RMB'000
Salaries, allowances, and benefits in kind	7,038	9,383
Performance related bonuses	2,815	2,392
Pension scheme contributions	836	1,143
Equity-settled share compensation expense	74,931	258,736
Total compensation paid to key management personnel	85,620	271,654

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

As at 31 December 2023

Financial assets

	Financial assets at fair value through profit or loss		
	Mandatorily designated as such RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	166,438	–	166,438
Financial assets included in prepayments, other receivables and other assets	–	9,565	9,565
Cash and cash equivalents	–	927,826	927,826
Total	166,438	937,391	1,103,829

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	16,332
Financial liabilities included in other payables and accruals	8,261
Interest-bearing bank and other borrowings	40,746
Total	65,339

33. FINANCIAL INSTRUMENTS BY CATEGORY *(cont'd)*

As at 31 December 2022

Financial assets

	Financial assets at fair value through profit or loss		
	Mandatorily designated as such RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	97,746	–	97,746
Financial assets included in prepayments, other receivables and other assets	–	2,847	2,847
Cash and cash equivalents	–	727,364	727,364
Total	97,746	730,211	827,957

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	10,950
Financial liabilities included in other payables and accruals	15,858
Total	26,808

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments approximate to fair values.

Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments, other receivables and other assets, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The Directors review the results of the fair value measurement of financial instruments periodically for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The Group invests in wealth management products issued by portfolio companies and banks in Chinese Mainland. The Group has estimated the fair values of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(cont'd)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	–	–	166,438	166,438

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	–	–	97,746	97,746

The movements in fair value measurements within Level 3 during the year are as follows:

Financial assets at fair value through profit or loss	**2023 RMB'000**	2022 RMB'000
At beginning of year	97,746	–
Additions, net	66,178	97,027
Total gains recognised in other income and gains	2,514	719
At end of year	166,438	97,746

For financial assets in Level 3, the Group adopts the valuation technique to determine the fair value. The valuation technique is the Income Method. The fair value measurement of the financial instrument may involve one unobservable input, which is the expected rate of return. The Group periodically reviews this significant unobservable input and valuation adjustments used to measure the fair value of the financial asset in Level 3.

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(cont'd)*

A summary of the significant unobservable input used in the fair value measurement categorised with Level 3 of the fair value hierarchy, together with a quantitative analysis as at 31 December 2023 is shown below:

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to the fair value
Financial assets at fair value through profit or loss (FVTPL)	Present Earning Value Method	Expected rate of return	31 December 2023: 1.72% (2022: 1.5%)	1% (2022: 1%) increase/(decrease) in the expected rate of return would result in an increase/(decrease) in fair value by RMB118,562.46/(RMB118,562.46) (2022: RMB158,765.41/(RMB158,765.41))

The Group did not have any financial liabilities measured at fair value as at 31 December 2023 and 2022.

During the years, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2022: Nil).

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents and financial assets at fair value through profit or loss. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as other receivables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. The Group has currency exposures mainly arising from cash at banks denominated in USD. At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. However, management constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in foreign currency exchange rate, with all other variables held constant, of the Group's loss before tax (due to retranslation of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in rate of foreign currency %	Increase/ (decrease) in loss before tax RMB'000	Increase/ (decrease) in equity RMB'000
31 December 2023			
If RMB weakens against USD	**5**	**(8,974)**	**8,974**
If RMB strengthens against USD	**(5)**	**8,974**	**(8,974)**
31 December 2022			
If RMB weakens against USD	5	(17,053)	17,053
If RMB strengthens against USD	(5)	17,053	(17,053)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(cont'd)*

Credit risk

The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

31 December 2023

	12-month ECLs	Lifetime ECLs		
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets				
– Normal*	9,565	–	–	9,565
– Doubtful**	–	767	–	767
Cash and cash equivalents				
– Not yet past due	927,826	–	–	927,826
Total	937,391	767	–	938,158

31 December 2022

	12-month ECLs	Lifetime ECLs		
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets				
– Normal*	2,847	–	–	2,847
– Doubtful**	–	233	–	233
Cash and cash equivalents				
– Not yet past due	727,364	–	–	727,364
Total	730,211	233	–	730,444

* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(cont'd)*

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of each of the reporting period, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2023				
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade payables	16,332	–	–	–	16,332
Financial liabilities in other payables and accruals	8,261	–	–	–	8,261
Lease liabilities	–	831	1,154	1,474	3,459
Interest-bearing bank and other borrowings	–	228	891	43,141	44,260
Total	24,593	1,059	2,045	44,615	72,312

	As at 31 December 2022				
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade payables	10,950	–	–	–	10,950
Financial liabilities in other payables and accruals	15,858	–	–	–	15,858
Lease liabilities	–	578	1,863	1,596	4,037
Total	26,808	578	1,863	1,596	30,845

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 31 December 2022.

36. EVENT AFTER THE REPORTING PERIOD

No significant events that require additional disclosure or adjustments occurred after the reporting period.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**104,672**	40,708
Other intangible assets	**4,127**	4,178
Right-of-use assets	**25,906**	29,204
Investments in subsidiaries	**458,463**	415,955
Investment in an associate	**–**	483,730
Other non-current assets	**23,589**	15,115
Total non-current assets	**616,757**	988,890
CURRENT ASSETS		
Inventories	**23,092**	7,897
Prepayments, other receivables and other assets	**72,307**	39,250
Cash and cash equivalents	**858,356**	594,527
Total current assets	**953,755**	641,674
CURRENT LIABILITIES		
Trade payables	**11,355**	10,122
Other payables and accruals	**32,828**	37,249
Lease liabilities	**839**	2,305
Total current liabilities	**45,022**	49,676
NET CURRENT ASSETS	**908,733**	591,998
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,525,490**	1,580,888
NON-CURRENT LIABILITIES		
Lease liabilities	**–**	1,566
Interest-bearing bank and other borrowings	**40,746**	–
Total non-current liabilities	**40,746**	1,566
Net assets	**1,484,744**	1,579,322
EQUITY		
Share capital	**417,167**	417,167
Reserves (note)	**1,067,577**	1,162,155
Total equity	**1,484,744**	1,579,322

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(cont'd)*

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Share-based arrangement RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2022	1,176,091	346,446	(457,551)	1,064,986
Total comprehensive loss for the year	–	–	(401,975)	(401,975)
Issue of H shares from initial public offering	181,269	–	–	181,269
Share-based arrangement	–	317,875	–	317,875
At 31 December 2022 and 1 January 2023	**1,357,360**	**664,321**	**(859,526)**	**1,162,155**
Total comprehensive loss for the year	**–**	**–**	**(322,722)**	**(322,722)**
Capital contribution from shareholders	**22,891**	**–**	**–**	**22,891**
Share-based arrangement	**–**	**205,253**	**–**	**205,253**
At 31 December 2023	**1,380,251**	**869,574**	**(1,182,248)**	**1,067,577**

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 March 2024.