MicroPort CardioFlow Medtech Corporation
微创心通医疗科技有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2160)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

The Board of the Company is pleased to announce the audited consolidated results of the Group for the year ended December 31, 2022, together with comparative audited figures for the year ended December 31, 2021. The results have been reviewed by Audit Committee.

In this announcement, "we", "us", and "our" refer to the Company and where the context otherwise requires, the Group. Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any tables, charts or elsewhere between totals and sums of amounts listed therein are due to rounding.

FINANCIAL SUMMARY

	For the year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Revenue	**251,026**	200,813
Gross profit	**162,130**	118,701
Loss before taxation	**(451,299)**	(182,651)
Loss for the year and attributable to equity shareholders of the Company	**(454,395)**	(183,264)
Loss per share — Basic and diluted (in RMB)	**(0.19)**	(0.08)

For the year ended December 31, 2022, the Group's revenue increased by 25.0% from RMB200.8 million for the year ended December 31, 2021 to RMB251.0 million, primarily attributable to the continued hospital penetration of our TAVI products that contributed to the increase in our market share.

Our gross profit increased by 36.6% from RMB118.7 million for the year ended December 31, 2021 to RMB162.1 million for the year ended December 31, 2022, and the gross profit margin increased by 5.5 percentage points from 59.1% for the year ended December 31, 2021 to 64.6% for the year ended December 31, 2022, primarily due to our continued efforts in lowering the product cost.

The Group recorded loss for the year of RMB454.4 million for the year ended December 31, 2022 as compared to RMB183.3 million for the year ended December 31, 2021. Such increase was primarily due to (i) the increase in non-cash and/or one-off losses incurred during the Reporting Period, including impairment loss of intangible assets related to our first-generation TAVI product due to accelerated product iteration, share of losses of our equity-accounted investees and fair value losses in financial instruments (accumulatively contributed to RMB154.0 million in net loss); and (ii) our continued investment in research and development and further commercialization efforts.

BUSINESS REVIEW

Overview

We are a medical device company focusing on the R&D and commercialization of innovative transcatheter and surgical solutions for structural heart diseases. Our mission is to provide trustworthy and universal access to state-of-the-art total solutions to treat structural heart diseases through continuous innovation. Deeply rooted in the vast, rapid-growing and substantially underpenetrated structural heart diseases medical device market, we develop a comprehensive product pipeline for treatment of structural heart diseases and proactively explore external cooperation, with an aim to speed up in enhancing our global visibility and reputation in the field of structural heart diseases. Our vision is to build a people-centric medical group ranking as a global leader of evolving and emerging medical technologies.

In 2022, under the unremitting efforts of global practitioners in the field of structural heart diseases, TAVI was further popularized among both physicians and patients, with rising number of qualified physicians and hospitals, improving proficiency of physicians, and enhanced patients' awareness of related diseases and treatment, resulting in the sustained and rapid growth in the volume of TAVI procedures and the industry scale at large. Going forward, with the accelerated population aging, growing health awareness of people, increasing promotion of innovative treatments, expanding reimbursement coverage of government medical insurance and enhanced affordability of patients, the demand for treatment of structural heart diseases is expected to further unleash.

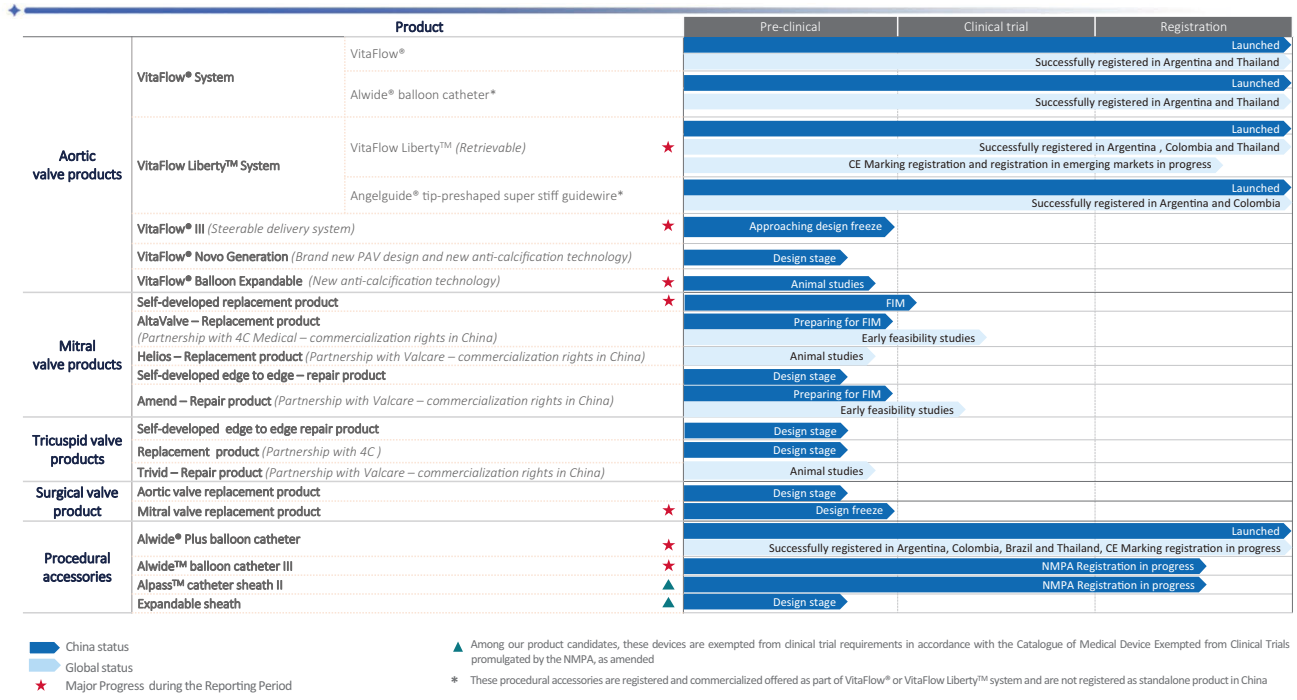
During the Reporting Period, despite the adverse impact of the COVID-19 pandemic, the Group still achieved steady growth in revenue, mainly benefiting from the continued hospital penetration of VitaFlow Liberty™ that contributed to our market share increase, deepened coverage of qualified centers and physicians, and routine patient screening and referral. During the Reporting Period, our product registration and business expansion in multiple emerging markets overseas advanced steadily — as of the date of this announcement, our products have entered the markets in Argentina, Colombia, Brazil and Thailand, and have been used in nearly 100 commercial cases. The excellent ease-of-use, accuracy, PVL prevention and hemodynamic performance of VitaFlow Liberty™ has been widely praised by overseas physicians. The CE Mark registration of the system has also made good progress during the Reporting Period and is currently under review. With the advancement of overseas clinical application and registration of the Group's products and leveraging on the global visibility of the "MicroPort®" brand and the existing sales network of the MicroPort® Group, we will continue to expand our overseas business to lay a solid foundation for global business development.

While accelerating the pace of commercialization, we have also made key achievements in our R&D pipeline. During the Reporting Period, our third-generation TAVI product made key technology breakthroughs and successfully developed a highly innovative steerable retrievable delivery system that suits challenging anatomy and underpins improved patient outcomes, which is approaching design freeze. As of the date of this announcement, the TMVR system independently developed by the Group completed its first-in-man application and 6-month follow-up with positive outcomes, marking the world's first dry-tissue TMVR system with clinical application. In addition, during the Reporting Period, the TMVR product AltaValve™ and TMVr product Amend™ we developed in collaboration with our international partners made continued progress in their early feasibility studies overseas and are preparing for compassionate use in China. With the continuous growth of our team and our further R&D in the field of structural heart diseases, we will continue to carry out the strategic R&D roadmap to provide trustworthy and universal access to state-of-the-art total solutions to treat structural heart diseases in an orderly and efficient manner to provide continuous momentums for the Group's rapid and healthy development.

Our Pipeline

Our in-house developed product portfolio consists of two commercialized TAVI products — VitaFlow® (including Alwide® as supporting supply), VitaFlow Liberty™ (including Angelguide® as supporting supply) and one commercialized procedural accessory Alwide® Plus, and various TAVI products, TMV products, TTV products, surgical valve products and procedural accessories at different development stages. In addition to our in-house developed product portfolio, we also collaborated with our international partners, namely 4C Medical and Valcare, with respect to certain TMV and TTV products, for which we own the exclusive commercial rights in China.

The following chart summarizes our product portfolio comprises of the products that we developed independently and in collaboration with our international partners as of the date of this announcement:



VitaFlow®

Our self-developed first-generation TAVI product VitaFlow®, was approved by the NMPA in July 2019. VitaFlow® consists of a PAV, a motorized delivery system and Alwide® Plus. The PAV is a self-expanding bio-prosthesis valve that is manufactured by suturing bovine pericardial valve leaflets and a double-layer PET skirt onto a self-expanding nitinol frame. The motorized delivery system consists of a catheter and a motorized handle. The procedural accessory is our first-generation Alwide® balloon catheter, which is designed to help physicians overcome the challenges in performing TAVI procedures.

We conducted a prospective, multi-center and single-arm pivotal clinical trial in China with VitaFlow®, which enrolled 110 patients with mean 30-day expected risk of death after surgery (STS Score) of 8.8%. During the Reporting Period, the 5-year follow-up results of the pre-launch clinical trial of VitaFlow® were released, in which the all-cause mortality rate at 5-year follow-up was 18.2%, and the incidence of major stroke cases was only 2.1%. Compared with other TAVI products currently commercialised in China, VitaFlow® performed better in terms of all-cause mortality rate and postoperative complications (including moderate/severe PVL, major stroke and vascular complications). Excellent clinical data provides strong support for the safety and efficacy of VitaFlow®, as well as a solid clinical basis for the global expansion of the product.

We started to commercialize VitaFlow® in China in August 2019. In July 2020 and November 2020, VitaFlow® was registered in Argentina and Thailand, respectively. In August 2021, VitaFlow® started to have commercial implantations in Argentina and continued to contribute overseas revenue to the Group.

VitaFlow Liberty™

VitaFlow Liberty™ is our self-developed second-generation TAVI product, which consists of a PAV, a motorized delivery system and a tip-preshaped super stiff guidewire Angelguide®, where the PAV adopts the same design with VitaFlow®. Compared with VitaFlow®, the key upgrade for VitaFlow Liberty™ lies in the unique and innovative structure of the delivery system that enables retrieval of the PAV while providing optimized pass performance, which helps to pass anatomical abnormalities. The system is equipped with the only commercialized motorized handle worldwide, enabling deployment and retrieval of the PAV being conducted in a stable, accurate and fast manner. A physician may retrieve the PAV up to three times if it is not placed accurately at the designated position during deployment of the PAV, provided that the deployment does not exceed 75% of the maximal deployment range. The retrieval function helps increase the accuracy of positioning the PAV, thereby further improving the overall success rate of the TAVI procedure. In addition, Angelguide® features high guidewire rail support and smooth transition to reduce the risk of vascular damage and enhance the accuracy of deployment.

VitaFlow Liberty™ obtained the NMPA approval for registration in August 2021 and started to commercialize in China in September 2021, with rising market share year by year. In terms of overseas progress, VitaFlow Liberty™ was registered in Argentina, Colombia and Thailand in December 2021, August 2022 and February 2023, respectively. Its CE Mark registration application was filed in December 2021 and is currently under review. We are also in the process of registering VitaFlow Liberty™ in other emerging markets, such as Mexico, South Korea, and Brazil, etc. In addition, we plan to apply for its registration in other regions and countries that recognize the CE Mark after obtaining the same.

During the Reporting Period, VitaFlow Liberty™ completed the enrollment of 163 patients for its pre-launch clinical study, achieving 100% successful retrieval of devices and no associated stroke cases. The system won the German Red Dot Award: Product Design 2022 and the Italy 2021–2022 A' Design Award for its innovative design concept and outstanding product performance, further strengthening the international recognition of the "CardioFlow" brand and our innovative product design.

Third-Generation TAVI Product

Our third-generation TAVI product inherits all the advantages of VitaFlow Liberty™ while achieving key technology breakthroughs featuring a highly innovative steerable retrievable delivery system, which significantly improves the co-axiality during valve release, suits challenging anatomy and underpins improved patient outcomes. It will further reduce the profile of the product for decreased vascular complication, provide physicians with excellent ease-of-use and improve procedure efficiency and release accuracy. We are now approaching design freeze of this product.

We may not be able to successfully develop and commercialize the third-generation TAVI product.

Novo Generation TAVI Product

We are designing the novo generation TAVI product that is completely different from the current VitaFlow® series products. This product adopts a short stent and a large mesh outflow tract and equips with technical features such as strong support, dry tissue, equal diameter release, steerable catheter, low profile and full retrieval. It focuses on safety, efficacy and ease-of-use upgrade, providing physicians and patients with an unprecedented revolutionary product. The product is designed for patients with aortic regurgitation. We have now completed the preliminary concept design of this product.

We may not be able to successfully develop and commercialize the novo generation TAVI product.

TAVI Balloon Expandable Product

We are designing a TAVI product for the treatment of aortic stenosis with balloon dilatation that adopts a short stent and a large mesh outflow tract, and equips with technical features such as dry tissue and steerable catheter. We have completed in vivo validation in animal studies of this product.

We may not be able to successfully develop and commercialize TAVI balloon expandable product.

TMVR Products

We are designing and developing a TMVR product for the treatment of patients with mitral regurgitation, which is featured with large effective oriface area, excellent anchoring performance, low subvalvular height and dry tissue technology, and offers both transseptal and transapical access. We have now completed the first-in-man application of the TMVR product and 6-month follow-up with positive outcomes and are advancing the human application of the product in multiple centers.

We may not be able to successfully develop and commercialize TMVR products.

TMVr Products

We are designing a TMVr product for the treatment of patients with mitral regurgitation. We are currently advancing the design optimization of the product.

We may not be able to successfully develop and commercialize TMVr products.

Surgical Valve

We are designing surgical biological valve products for prosthetic mitral and aortic valve replacements, among which, the surgical biological valve product for mitral valve replacement has achieved design freeze.

We may not be able to successfully develop and commercialize surgical valve products.

Research and Development

R&D is crucial to our growth. We have been practicing our mission "to provide trustworthy and universal access to state-of-the-art total solutions to treat structural heart diseases" by deep rooting ourselves in the field of structural heart disease with higher standards and better practices and committing ourselves to innovatively developing world-leading heart valve technologies, to create a technological innovation system integrating production, education and research, bring high-quality products and services to the global market, and provide the most powerful driving force for the Company's sustainable development.

We have a core R&D team with key technology expertise in areas including, among others, biological material, structure design and processing technique. The team, currently comprising of over 120 staff, focuses on the R&D of new technologies and materials that have the potential to be applied to our product portfolio. We have established several cross-functional project teams encompassing project management, R&D, process, procurement, quality, registration, clinical trial and medical technology, to work toward the whole process of developing new products through professional work of each function and cooperation of all parties. We also have an international scientific advisory board, consisting of global leading scientists and physicians in the cardiovascular field, namely Dr. Nicolo Piazza, Dr. Thomas Modine and Dr. Darren Mylotte, who share their abundant experiences and insights on the latest technology breakthroughs and the latest trends in the treatment of valvular heart diseases worldwide.

Intellectual Properties

Intellectual properties are important intangible assets of the Group and a key factor to maintain and enhance our core competitiveness. Thus, we attach great importance to intellectual properties protection such as patent application, trademark registration, business secret control, etc., while devoting ourselves to technological innovation.

During the Reporting Period, we added 38 patents and 66 pending patent applications in China. Meanwhile, we added two patents approved in Europe, which are also valid in Germany, Spain and Italy.

As of the end of the Reporting Period, we owned 136 patents in China, including 25 invention patents, 104 utility models and seven industry designs. As of the same date, we also had 143 pending patent applications in China, including 135 invention patents, seven utility models and one industry design. To facilitate our strategy to enter overseas markets, we also owned 84 patents in Japan, Switzerland, Portugal, the United Kingdom, Italy, Germany, France, Spain, America, South Korea, Australia and Brazil, among others, and 70 trademarks worldwide as of the end of the Reporting Period.

Supply Chain

During the Reporting Period, our new production plant with a total GFA of approximately 13,000 sq.m. in Shanghai has commenced operation, which is able to provide an annual production capacity of 25,000 sets of products, laying a solid supply foundation for the continuous improvement of our sales and supporting the Group's rapid development in the future. Our production facilities and equipment follow U.S., European and Chinese GMP regulations and adhere to strict production quality control standards. The commissioning of the new production plant will also accelerate the pace of our automated production and the execution of our smart manufacturing strategy. In addition, during the Reporting Period, we further accelerated the local sourcing of raw materials, increased the domestic proportion of raw materials and significantly optimized product costs.

Through close communication and collaboration with suppliers and diversified supplier development initiatives, we have been able to reduce our purchase price while maintaining a stable supply of raw materials. At the same time, by focusing on building an excellent supply chain operation system, we have established an advanced quality control system, and continuously strengthened our lean manufacturing system building by improving our capabilities from the four dimensions of quality, personnel, customers and costs, thereby achieving cost reduction and consumption control, which has played a positive role in substantially improving the gross profit margin of our products.

Commercialization

As of the end of the Reporting Period, we had commercialized VitaFlow® and VitaFlow Liberty™ in China, Argentina and Colombia. We focused on the cultivation of qualified TAVI hospitals and independent practitioners and took it as a key link in the implementation of our market strategy. As of the end of the Reporting Period, there were nearly 440 hospitals in total in China that have performed TAVI procedures with VitaFlow® and VitaFlow Liberty™, and we had leading share in over 260 such hospitals. At the same time, our products have been used in approximately 40 overseas centers with seven Independent Physicians.

We have established a dedicated in-house team (the "**Total Solutions Team**") with professional medical background to promote our medical solutions. The Total Solutions Team aims to promote the Group's innovative transcatheter and surgical solutions for structural heart diseases. Leveraging on the resources and advantages of MicroPort® Group in the field of cardiac and cardiovascular disease treatment, which brings the synergies in the aspects of market access, operation support, first-line promotion, market expansion, medical education and international business, amongst others, into full play, we are committed to providing structural heart diseases patients and physicians with comprehensive medical solutions including disease diagnosis and evaluation, procedure and product education, treatment counsel, training on procedures and use of devices, recommendation on procedural accessories, assistance before and during the procedure and postoperative follow-up. As of the end of the Reporting Period, our Total Solutions Team had more than 180 full-time employees.

We carry out logistics, dispatch, warehousing and other works through platform providers, and then sell our products to hospitals through distributors and ultimately use them to treat our patients. We select distributors with extensive experience and resources in selling medical devices across China for cooperation, who will be provided with professional training and assessed strictly to build all-round capabilities in market development, solution promotion, device sales and perioperative support, making them a powerful complement to our Total Solutions Team.

We also have a medical training team which is comprised entirely of licensed physicians, the size of which is constantly expanding. Through organizing seminars and training courses in hospitals qualified to perform TAVI procedures in China to popularize the differentiated characteristics of the Group's TAVI products, the team helps cultivate Independent Physicians and improve related procedural skills. We invite experienced TAVI practitioners, especially leading physicians in this area to participate in the training process, aiming to help popularize the procedure and accelerate the growth of the Chinese market.

During the Reporting Period, we continued to enhance the screening and referral of lower-tier city patients, and promoted the popularization and penetration of innovative transcatheter treatment solutions in the field of structural heart disease through medical education and marketing activities, which effectively broke the geographical restrictions and tapped into the vast blank market of primary medical care. We also strengthened synergies with MicroPort® Group in multiple areas, made full use of its extensive channel network and clinical resources in the "Total Cardio (大心臟)" field to rapidly penetrate into medical centers, and enhanced the Group's visibility and reputation at home and abroad through extensive marketing activities and academic brand building. Besides, we jointly developed comprehensive supporting solutions with MicroPort® Group throughout the course of patients' disease, including medical planning consulting services, preoperative and postoperative health management consulting services, green channel services for medical treatment and affordability solutions, which accelerated our penetration in high-quality market and helped more TAVI patients complete their diagnosis and treatment conveniently.

In order to strengthen the marketing of our products and our brand building, we actively participated in medical conferences and industry exhibitions in the global cardiac and cardiovascular field, and continued to enhance the Group's global visibility and reputation. During the Reporting Period, we continued to jointly organize the second "VitaFlow® Classics Competition" with the Youth Club of Asia Pacific Structural Heart Diseases, which has become the most influential young-and-middle-aged physician competition in the TAVI field and continued to help us cultivate Independent Physicians that form a good foundation for the rapid penetration of the TAVI procedure. In terms of overseas marketing activities, we participated in well-known international academic conferences such as PCR London Valves, TCT Conference, CSI Frankfurt Conference and SBHCI 2022, shared the latest clinical data of our TAVI products, as well as related device features and procedure skills via introduction of international senior experts in the field of interventional therapy for valvular heart disease, held discussions on typical cases and conducted live case broadcasting, which further increased the influence of the "CardioFlow" brand in the international academic community.

Events after the Reporting Period

VitaFlow Liberty™ and Alwide® Plus were registered in Thailand successively in February 2023. Please refer to the announcement of the Company dated February 21, 2023.

Save as disclosed above, no material events affecting the Group have occurred after the end of the Reporting Period and up to the date of this announcement.

Employees and Remuneration

As of December 31, 2022, the Group had a total of 558 full time employees (2021: 451), of which 21% were R&D staff and 33% were marketing and sales staff. We enter into employment contracts with employees in accordance with applicable laws and regulations, and provide them with competitive remuneration package, including wage, allowance, bonus, benefits and long-term incentives.

The Company has adopted the Share Option Scheme and the Share Award Scheme to provide incentives for the eligible participants.

Future Development

We intend to capitalize our strengths to pursue a business strategy in the following aspects:

Continue to strengthen our presence in China TAVI market

The China TAVI market is significantly under penetrated. We intend to further increase the sales of our TAVI products in China through the following measures:

- **Expand and deepen hospital penetration.** We believe that with the positive clinical trial results of VitaFlow® and VitaFlow Liberty™ and positive feedback from physicians and patients in real-world applications, we have an advantage in the qualified TAVI hospitals in China and expect continued growth in implantation volume. We will also recruit more sales and marketing personnel with experience in and knowledge of structural heart diseases and expand our distributor network to increase our share in covered hospitals and further expand to other hospitals that have either existing TAVI capabilities or the potential to perform TAVI procedures to further increase our hospital penetration.

- **Enhance patient identification and referral.** We believe that with the deepening of the clinical application of TAVI products, the improvement of practitioners' familiarity with devices and their procedure skills, and the expansion of the accessibility of TAVI treatment, there is still mass unmet diagnosis and treatment needs of patients in China (especially in low-tier cities). We will continue to carry out routine patient screening, diagnosis and referral, and carry out the whole-process health management of patients from the very beginning, so as to help more TAVI patients receive timely and reliable treatment.

- **Strengthen academic promotion.** In addition to maintaining our KOLs and physician network in the medical specialty of cardiology, we also expanded our physician network in cardiac surgery, who we believe potentially also have strong demand on our products. We maintain frequent communications with several leading medical associations and conferences in these medical specialty fields, such as the Asia Valvular Heart Disease Conference, to design customized training programs for cardiac surgeons. We believe our KOLs and physician coverage in the medical specialty of cardiac surgery will enable us to gain advantages to promote our products in the cardiac surgery department.

- **Advance the development of next-generation products.** We believe that there is still room for the improvement of TAVI products in co-axiality, durability and other aspects to increase the coverage of disease groups and improve the long-term efficacy of the procedure. To this end, we will rapidly advance the development of the third generation self-expanding TAVI product, the novo generation TAVI product and the balloon expandable TAVI product, in order to provide full solutions to all suitable patients, especially young patients and patients with lower surgical risks.

- **Conduct long-term postoperative follow-ups and market surveillance.** We will continue to conduct postoperative follow-up evaluations for up to five years after a TAVI procedure, to further monitor the long-term safety and efficacy of VitaFlow® and VitaFlow Liberty™. We believe that we are well-positioned to further enhance our relationship with physicians and boost our brand recognition through these valuable long-term clinical data.

Continue to advance our international strategy

We will continue to collaborate with global enablers, including medical device companies, research institutes, hospitals and distributors, to advance our international strategy. The registration of VitaFlow Liberty™ has been approved in Argentina, Colombia and Thailand, and its CE registration application made good progress during the Reporting Period. We have selected European and other emerging markets, especially countries that recognize CE mark or the NMPA approval (such as Argentina, Colombia, Mexico, Thailand, South Korea and Russia), as key overseas markets to promote the registration and commercialization of VitaFlow Liberty™, and leverage on the global recognition of the "MicroPort®" brand and the existing sales network of the MicroPort® Group to advance the overseas coverage of our products.

As part of our international strategy, we will steadily expand our academic coverage into overseas markets. Leveraging on the extensive experience and the expertise of our international scientific advisory board, we intend to participate in more internationally renowned cardiovascular disease conferences, and to introduce our products by organizing presentations, publishing case studies and demonstrating live surgeries, so as to enhance our brand awareness globally.

Rapidly advance our TMV pipeline and other product candidates

Capitalizing our market position and extensive know-how in valvular heart diseases, we will continue our focus on the development of other pipeline products to expand our product portfolio, including TMV, TTV, surgical valve products and next-generation procedural accessories designated to strengthen our market position in medical devices for transcatheter heart valve diseases.

We will continue to recruit and train additional talented R&D personnel to expand our in-house R&D team, work closely with our international scientific advisory board and KOLs to understand the market trends and technology breakthroughs, which will in turn enable us to better understand the clinical demands.

We will search for products and technologies with great clinical potential based on our deep and unique understanding and investigation of valvular heart diseases, explore opportunities for cooperation with third parties and conduct prudent evaluation, in order to expand product portfolios through acquisitions, cooperation or licensing.

Improve operational efficiency and achieve economies of scale to support our long-term growth

Going forward, we will continue to strengthen the construction of the talent system and implement full life cycle management of interventional devices in the planning and pre-research stage of new products by preposition of supply chain to accelerate the development process of new products through close cooperation with the R&D team, to give more outputs in design for assembly (DFA) and design for manufacturability (DFM) during product design, to ensure the smooth transition between new product R&D and mass production, further improve our product quality and production efficiency, and continuously lower our manufacturing costs, so as to cope with increasingly fierce market competition and support the long-term growth of the Company.

FINANCIAL REVIEW

Overview

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

Revenue

During the Reporting Period, our revenue was generated from the sales of our commercialized products, VitaFlow® and VitaFlow Liberty™.

For the year ended December 31, 2022, the Group's revenue increased by 25.0% from RMB200.8 million for the year ended December 31, 2021 to RMB251.0 million, primarily attributable to the continued hospital penetration of the TAVI products that contributed to the increase in the Group's market share.

Cost of Sales

During the Reporting Period, our cost of sales was related to the manufacturing of VitaFlow® and VitaFlow Liberty™. Our cost of sales increased by 8.3% from RMB82.1 million for the year ended December 31, 2021 to RMB88.9 million for the year ended December 31, 2022, primarily because of the increase of raw materials costs, staff costs and overhead expenses as a result of the increase in sales volumes of VitaFlow® and VitaFlow Liberty™.

Gross Profit and Gross Profit Margin

Our gross profit increased by 36.6% from RMB118.7 million for the year ended December 31, 2021 to RMB162.1 million for the year ended December 31, 2022, and the gross profit margin increased by 5.5 percentage points from 59.1% for the year ended December 31, 2021 to 64.6% for the year ended December 31, 2022, primarily due to our continued efforts on reducing the product cost as a result of supplier diversification and increased local sourcing of raw materials, etc.

Other Net Income

For the year ended December 31, 2022, we recorded RMB50.3 million in other net income, compared to RMB23.9 million for the year ended December 31, 2021, primarily due to the increase on interest income arose from the bank deposits and government grant received.

Research and Development Costs

Our R&D costs increased by 48.1% from RMB151.1 million for the year ended December 31, 2021 to RMB223.8 million for the year ended December 31, 2022, primarily due to continued investment on the R&D projects. The following table provides information regarding the breakdown of the R&D costs for the years indicated:

	For the year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Cost of materials and consumables used	**72,305**	38,936
Staff costs	**56,912**	33,509
Third-party contracting costs	**45,880**	36,357
Depreciation and amortization	**40,711**	26,216
Share-based compensation expenses	**3,384**	11,495
Others	**4,592**	4,619
Total	**223,784**	151,132

Distribution Costs

Our distribution costs increased by 38.1% from RMB116.4 million for the year ended December 31, 2021 to RMB160.8 million for the year ended December 31, 2022, primarily due to increased staff cost and marketing activities for VitaFlow® and VitaFlow Liberty™.

Administrative Expenses

Our administrative expenses increased by 103.6% from RMB35.4 million for the year ended December 31, 2021 to RMB72.0 million for the year ended December 31, 2022, primarily due to increased depreciation charged on the right-of-use assets of our new lease.

Fair Value Changes in Financial Instruments

The loss on fair value changes in financial instruments was RMB35.6 million for the year ended December 31, 2022, compared to the gain of RMB23.4 million on fair value changes in financial instruments for the year ended December 31, 2021, which mainly arose from fair value change from convertible instruments issued by Valcare and Witney Put Option.

Impairment Losses on Intangible Assets

The impairment losses on intangible assets was RMB49.1 million for the year ended December 31, 2022, which mainly arose from impairment losses on capitalized development costs related to the first generation TAVI product due to accelerated product iteration.

Other Operating Costs

Our other operating costs increased from RMB22.3 million for the year ended December 31, 2021 to RMB47.8 million for the year ended December 31, 2022. This increase was primarily attributable to the increased donations during the year.

Finance Costs

Our finance costs decreased from RMB19.9 million for the year ended December 31, 2021 to RMB5.4 million for the year ended December 31, 2022. This decrease was primarily attributable to the decrease of interest expenses on other financial liabilities due to the conversion of series C preferred shares and series D preferred shares into Ordinary Shares of the Company upon the completion of the Global Offering.

Share of Losses of Associates

Our share of losses of associates increased from RMB3.5 million for the year ended December 31, 2021 to RMB48.2 million for the year ended December 31, 2022, which was primarily attributable to losses incurred by 4C Medical and Shanghai Shield in the Reporting Period.

Share of Losses of a Joint Venture

Our share of losses of a joint venture increased from RMB0.01 million for the year ended December 31, 2021 to RMB21.1 million for the year ended December 31, 2022, which was primarily attributable to fair value changes from the financial assets measured at fair value through profit or loss recorded by Rose Emblem.

Inventories

Our inventories increased from RMB82.7 million as of December 31, 2021 to RMB114.1 million as of December 31, 2022, reflecting our anticipation of the increasing market demands on our products.

Trade and Other Receivables

Our trade and other receivables primarily consist of (i) trade receivables; (ii) value-added tax recoverable, representing value-added taxes paid with respect to our procurement that can be credited against future value-added tax payables; and (iii) deposits and prepayments to suppliers and service providers.

Our trade and other receivables decreased from RMB113.5 million as of December 31, 2021 to RMB82.1 million as of December 31, 2022. This decrease was primarily due to the decrease on trade receivables and value-added tax recoverable.

Interests in Associates

Our interest in associates increased from RMB176.7 million as of December 31, 2021 to RMB271.2 million as of December 31, 2022, mainly due to additional investment on 4C Medical.

Trade and Other Payables

Our trade and other payables primarily consist of (i) trade payables due to third party suppliers and related parties; (ii) accrued payroll; and (iii) other payables and accrued charges.

Our trade and other payables decreased from RMB126.8 million as of December 31, 2021 to RMB115.6 million as of December 31, 2022, mainly due to the decrease on trade payables, other payables and accrued charges.

Derivative Financial Instruments

Our derivative financial instruments increased from RMB7.9 million as of December 31, 2021 to RMB22.7 million as of December 31, 2022, primarily due to the fair value changes on the Witney Put Option.

Capital Expenditure

Our capital expenditure amounted to RMB28.3 million during the Reporting Period, represented the addition of property, plant and equipment and intangible assets.

Foreign Exchange Exposure

During the year ended December 31, 2022, the Group mainly operated in China and a majority of its transactions were settled in RMB, the functional currency of the Company's primary subsidiaries. As of December 31, 2022, a portion of the Group's bank balances was denominated in US dollars. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. Except for certain bank balances, trade and other receivables, trade and other payables, and other denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations as of December 31, 2022.

Contingent Liabilities

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

Capital Management

The Group's objectives in the aspect of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for Shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher Shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Liquidity and Financial Resources

Our cash and cash equivalents decreased from RMB2,211.6 million as of December 31, 2021 to RMB1,866.3 million as of December 31, 2022, primarily attributable to continuous expansion of the business scale of the Group. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserve of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Borrowings and Gearing Ratio

We did not have any borrowings as of December 31, 2022 and 2021. As of December 31, 2022, the gearing ratio of the Group (calculated as total lease liabilities divided by total equity as of the same date) decreased to 3.5%, compared to 4.1% as of December 31, 2021, which was mainly due to the decrease of lease liabilities recognized during the Reporting Period.

Net Current Assets

The Group's net current assets as of December 31, 2022 were RMB2,094.5 million, as compared to the net current assets of RMB2,435.4 million as of December 31, 2021. This decrease was mainly attributable to the decrease of cash and cash equivalents.

Charge on Asset

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Note	For the year ended December 31, 2022 RMB'000	2021 RMB'000
Revenue	4	**251,026**	200,813
Cost of sales		**(88,896)**	(82,112)
Gross profit		**162,130**	118,701
Other net income	5	**50,329**	23,857
Research and development costs		**(223,784)**	(151,132)
Distribution costs		**(160,775)**	(116,415)
Administrative expenses		**(71,992)**	(35,354)
Fair value changes in financial instruments		**(35,605)**	23,419
Impairment losses on intangible assets		**(49,103)**	—
Other operating costs	6(c)	**(47,779)**	(22,314)
Loss from operations		**(376,579)**	(159,238)
Finance costs	6(a)	**(5,411)**	(19,901)
Share of losses of associates		**(48,190)**	(3,502)
Share of losses of a joint venture		**(21,119)**	(10)
Loss before taxation	6	**(451,299)**	(182,651)
Income tax	7(a)	**(3,096)**	(613)
Loss for the year and attributable to equity shareholders of the Company		**(454,395)**	(183,264)
Loss per share	8		
Basic and diluted (RMB)		**(0.19)**	(0.08)

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Loss for the year	**(454,395)**	(183,264)
Other comprehensive income for the year, net of nil tax		
Item that will not be reclassified to profit or loss:		
Exchange differences on translation of financial statements of the Company	**303,219**	(42,055)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**(102,895)**	21,976
Other comprehensive income for the year	**200,324**	(20,079)
Total comprehensive income for the year and attributable to equity shareholders of the Company	**(254,071)**	(203,343)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	For the year ended December 31, 2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment		**241,715**	267,166
Intangible assets		**163,119**	238,752
Interest in a joint venture		**14,520**	33,219
Interests in associates	9	**271,161**	176,738
Other financial assets		**12,490**	21,052
Other non-current assets	11	**26,488**	25,266
		729,493	762,193
Current assets			
Inventories		**114,115**	82,732
Trade and other receivables	10	**82,071**	113,480
Pledged and time deposits		**209,263**	192,027
Cash and cash equivalents		**1,866,319**	2,211,560
		2,271,768	2,599,799
Current liabilities			
Trade and other payables	12	**115,609**	126,778
Contract liabilities		**6,087**	2,957
Lease liabilities		**31,041**	34,699
Income tax payable		**1,773**	–
Derivative financial instruments		**22,719**	–
		177,229	164,434
Net current assets		**2,094,539**	2,435,365
Total assets less current liabilities		**2,824,032**	3,197,558
Non-current liabilities			
Lease liabilities		**64,427**	90,936
Deferred income		**5,890**	2,250
Derivative financial instruments		**–**	7,898
		70,317	101,084
NET ASSETS		**2,753,715**	3,096,474
CAPITAL AND RESERVES			
Share capital	14	**83**	83
Reserves		**2,753,632**	3,096,391
TOTAL EQUITY		**2,753,715**	3,096,474

NOTES TO THE FINANCIAL STATEMENTS

1 Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Listing Rules.

The HKICPA has issued certain amendments to HKFRS that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

2 Basis of preparation of the financial statements

The consolidated financial statements for the year ended December 31, 2022 comprise the Company and its subsidiaries and the Group's interest in a joint venture and associates.

As the Group's operation are primarily located in China and most of the Group's transactions are conducted and denominated in RMB, which is the functional currency of MP CardioFlow, the consolidated financial statements are presented in RMB, rounded to the nearest thousand, unless otherwise stated. The functional currency of the Company is US$ other than RMB.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— investments in debt and equity securities; and

— derivative financial instruments

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

3 Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 Revenue

(a) Revenue

The Group derives revenue principally from the sales of medical devices through appointed distributors.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products and the timing of revenue recognition is as follows:

	For the year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of medical devices — point in time	**251,026**	200,813

Revenue from each major customer which accounted for 10% or more of the Group's revenue is set out below:

	For the year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Customer A	**87,875**	N/A*
Customer B	**66,902**	55,463
Customer C	**63,527**	48,666

* Less than 10% of the Group's revenue in the respective year

(ii) Revenue expected to be recognized in the future arising from contracts with customers in existence at the reporting date

The Group has applied the practical expedient in paragraph 121(a) of HKFRS 15 to its sales contracts for medical devices such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of medical devices that had an original expected duration of one year or less.

(b) Segment reporting

(i) Segment information

For the purpose of resource allocation and performance assessment, the Group's chief executive officer, being the chief operating decision maker, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment and no further analysis of this single segment is presented.

(ii) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets and interest in a joint venture and associates ("**specified non-current assets**"). The geographical location of customers is based on the location at which the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment, the location of the operations to which they are allocated, in the case of intangible assets, and the location of operations, in the case of interest in a joint venture and an associate.

Revenue from external customers

	For the year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
The PRC	**243,901**	199,831
Other countries	**7,125**	982
	251,026	200,813

Specified non-current assets

	For the year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
PRC (place of domicile)	**410,440**	523,066
North America	**265,555**	159,590
Asia (excluding the PRC)	**14,520**	33,219
	690,515	715,875

5 Other net income

	For the year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Government grants (Note)	**10,322**	3,311
Interest income on bank deposits	**37,217**	24,219
Interest income on other financial assets measured at amortised cost	**1,425**	492
Net loss on disposal of property, plant and equipment	**(31)**	(569)
Net foreign exchange loss	**(250)**	(3,565)
Others	**1,646**	(31)
	50,329	23,857

Note: Majority of the government grants are subsidies from government for encouragement of research and development projects.

6 Loss before taxation

Loss before taxation is arrived at after charging/(crediting):

(a) Finance costs

	For the year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Interest on other financial liabilities	**–**	16,609
Interest on lease liabilities	**5,188**	3,030
Total interest expense on financial liabilities not at fair value through profit or loss	**5,188**	19,639
Others	**223**	262
	5,411	19,901

(b) Staff costs

	For the year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Total equity-settled share-based payment cost	**13,244**	25,191
Less: capitalised into cost of inventories	**(286)**	(143)
Equity-settled share-based payment expenses recognised in consolidated statement of profit or loss	**12,958**	25,048
Defined contribution retirement plans *(Note)*	**12,836**	7,101
Salaries, wages and other benefits	**133,852**	80,461
	159,646	112,610

Note: As stipulated by the labour regulations of the PRC, the Group also participates in various defined contribution retirement plans organised by local governments for its employees. The Group is required to make contributions to the retirement plans at the specified proportion of the eligible employees' salaries. The Group's contributions made to the plans are non-refundable and cannot be used to reduce the future or existing level of contribution of the Group should any forfeiture be resulted from the plans.

(c) Other operating costs

	For the year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Listing expenses	**–**	5,887
Donation *(Note)*	**47,778**	15,008
Others	**1**	1,419
	47,779	22,314

Note: During the year ended December 31, 2022, the Group made charitable and other donations to the third-party charitable organizations amounted to RMB47,778,000 (2021: RMB15,008,000).

(d) Other items

	For the year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Amortisation of intangible assets	**28,811**	20,880
Depreciation charge[#]		
— owned property, plant and equipment	**17,926**	6,475
— right-of-use assets	**31,478**	17,718
Less: Capitalised into development costs	**–**	(650)
	49,404	23,543
	78,215	44,423
Research and development expenditure	**223,784**	176,317
Less: Amortisation of capitalised development costs	**(28,200)**	(20,631)
Costs capitalised into development costs	**–**	(25,185)
	195,584	130,501
Cost of inventories[#]	**185,953**	149,349
Auditors' remuneration		
— audit services	**2,226**	1,535
— non-audit services	**24**	7

[#] Cost of inventories includes RMB31,409,000 (2021: RMB18,659,000) relating to staff costs and depreciation charges, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses for the year ended December 31, 2022.

7 Income tax in the consolidated statements of profit or loss

(a) Taxation in the consolidated statement of profit or loss represents:

	For the year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Current tax — PRC Corporate Income Tax ("CIT")		
Provision for the year	**3,096**	613

Pursuant to the CIT Law of the PRC, all of the Company's PRC subsidiaries are liable to PRC CIT at a rate of 25%, except for MP CardioFlow, which is entitled to a preferential income tax rate of 15% as it is certified as "High and New Technology Enterprise" ("**HNTE**") in 2020. According to Guoshuihan 2009 No. 203, if an entity is certified as an HNTE, it is entitled to a preferential income tax rate during the certified period.

The current tax expenses during the year ended December 31, 2022 arose from the interest income on cash deposits in non-resident accounts of the subsidiaries of the Group that were domiciled outside the PRC, which is subject to a PRC withholding tax at a rate of 10%.

Taxation for other entities of the Group is charged at their respective applicable income tax rates ruling in the relevant jurisdictions.

(b) Reconciliation between income tax expense and accounting loss at applicable tax rates:

	For the year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Loss before taxation	**(451,299)**	(182,651)
Notional tax on loss before taxation, calculated at the rates applicable to profit in the countries and districts concerned	**(57,274)**	(44,271)
Effect of other non-deductible expenses	**5,998**	5,565
Effect of deductible temporary differences not recognised, net of utilisation of deductible temporary differences not recognised in prior years	**(12,392)**	1,328
Effect of additional deduction on research and development expenses	**(18,248)**	(16,806)
Effect of deduction on share-based payment transactions upon the exercise	**(1,105)**	(16,962)
Effect of tax losses not recognised	**85,251**	73,274
Effect of non-taxable revenue	**(457)**	(2,128)
PRC withholding tax paid	**1,323**	613
Actual tax expenses	**3,096**	613

8 Loss per share

The calculation of the basic loss per share during the year ended December 31, 2022 is based on the loss attributable to equity shareholders of the Company of RMB454,395,000 (2021: RMB183,264,000) and the weighted average number of ordinary shares of 2,365,637,000 shares (2021: 2,331,301,000 shares) in issue during the year.

The basic loss per share is calculated as follows:

(i) Loss for the year attributable to equity shareholders of the Company

	For the year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Loss for the year attributable to equity shareholders of the Company	**(454,395)**	(183,264)

(ii) Weighted average number of shares

	For the year ended December 31,	
	2022	2021
	'000	*'000*
Issued shares at the beginning of the year for the purposes of basic loss per share:		
Number of ordinary shares for the purposes of basic loss per share	**2,403,564**	1,211,889
Number of series B preferred shares for the purposes of basic loss per share	**–**	484,248
	2,403,564	1,696,137
Effect of shares issued upon the completion of initial public offering	**–**	185,903
Effect of shares issued upon exercise of the over-allotment options	**–**	27,378
Effect of conversion of preferred shares into ordinary shares	**–**	419,878
Effect of share options exercised	**2,238**	3,907
Effect of treasury shares held	**(40,165)**	(1,902)
Weighted average number of shares at the end of the year for the purposes of basic loss per share	**2,365,637**	2,331,301

The calculation of diluted loss per share amount for the year ended December 31, 2022 has not included the potential effects of share options granted by the Company during the year.

9 Interests in associates

The following list contains only the particulars of a material associate, which is unlisted corporate entity whose quoted market price is not available:

				Proportion of ownership interest			
Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
4C Medical	Incorporated	United States	4,703,672 ordinary shares and 35,171,147 preferred shares	29.6%	21.3%	8.3%	Research and development of medical devices treating mitral valve diseases

4C Medical

During 2018, 2019 and 2021, the Group entered into subscription and shareholders agreements with 4C Medical, purchasing series A preferred shares, series B preferred shares and series C preferred shares of 4C Medical. As at December 31, 2021, these investments in 4C Medical were recognised as the investment in associates.

In March 2022, the Group purchased additional series C preferred shares newly issued by 4C Medical (the "**Deferred Purchase**") at the consideration of US$5,000,000 (equivalent to RMB31,741,000).

In April 2022, the Group entered into a share purchase agreement with Witney, pursuant to which, the Group acquired all investments in 4C Medical held by Witney ("**Additional Purchase**") at a consideration of US$14,000,000 ((equivalent to RMB93,250,000). Meanwhile, the Witney Put Option in relation to the investment in 4C Medical lapsed.

Upon the completion of Deferred Purchase and Additional Purchase, the Group's effective interest in 4C Medical, calculated on an as-converted basis increased from 19.1% as at December 31, 2021 to 29.6%. The directors of the Group determined the Group retained its significant influence over 4C Medical and 4C Medical continued to be an associate of the Group, which was accounted for under using the equity method. The aggregated consideration of US$19,000,000 the Company paid, net off the fair value of the Witney Put Option in relation to the investment in 4C Medical of US$3,208,000 at the date of the completion of Additional Purchase, was recognised as additional cost of "interest in associates" in the consolidated financial position of the Group.

The associates of the Group are accounted for using the equity method in the consolidated financial statements.

Summarized financial information of the material associate, adjusted by any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	For the year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Gross amounts of 4C Medical		
Non-current assets	**12,434**	14,132
Current assets	**91,807**	152,376
Non-current liabilities	**(5,167)**	–
Current liabilities	**(20,625)**	(19,559)
Equity	**78,449**	146,949
Loss for the year ended December 31, 2022 and total comprehensive income	**(137,156)**	(14,426)
Reconciled to the Group's interests in 4C Medical		
Gross amounts of 4C Medical's net assets	**78,449**	146,949
Group's effective interest	**30%**	19%
Group's share of 4C Medical's net assets	**23,194**	28,048
Goodwill	**242,361**	131,908
Carrying amount of the Group's interest in 4C Medical	**265,555**	159,956

Information of an associate that is not individually material:

	For the year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Carrying amount of an immaterial associate in the consolidated financial statements	**5,606**	16,782
Amounts of the Group's share of the immaterial associate		
Loss for the year and total comprehensive income	**(11,177)**	718

10 Trade and other receivables

	For the year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**49,775**	74,707
Value-added tax recoverable	**2,961**	23,932
Other debtors	**5,476**	137
Deposits and prepayments	**23,859**	14,704
	82,071	113,480

All of the current trade and other receivables are expected to be recovered or recognized as expense within one year.

Aging analysis

As of the end of the reporting period, the aging analysis of trade debtors based on the invoice date (or date of revenue recognition, if earlier) and net of loss allowance, is as follows:

	For the year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Within 1 month	**10,276**	74,165
1 to 3 months	**39,499**	542
	49,775	74,707

Trade receivables are generally due within 60 to 90 days from the date of billing.

11 Other non-current assets

	For the year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Lease deposits *(Note)*	**26,488**	25,266

Note: Lease deposits are typically paid for leased properties, which are refundable after the expiry of the leases and carried at amortised cost. During the year ended December 31, 2021, the Group entered into a 5-year lease agreement (the "**Lease Agreement**") with Shanghai Huiqingcheng Investment Management Co., Ltd. ("**Huiqingcheng**") in respect of certain leasehold properties for use of manufacturing facilities, warehouses and office buildings. As at December 31, 2022, the carrying amount of lease deposits paid to Huiqingcheng is RMB26,165,000 (2021: RMB24,943,000).

12 Trade and other payables

	For the year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Trade payables due to		
— third party suppliers	**43,809**	51,895
— related parties	**3,881**	3,027
	47,690	54,922
Accrued payroll	**28,431**	20,118
Other payables and accrued charges	**39,488**	51,738
	115,609	126,778

All of the above balances classified as current liabilities are expected to be settled within one year.

As of the end of the reporting period, the aging analysis of the trade payables based on the invoice date is as follows:

	For the year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Within 1 month	**14,523**	51,964
Over 1 month but within 3 months	**6,553**	1,403
Over 3 months but within 6 months	**4,766**	715
Over 6 months but within 1 year	**17,397**	446
Over 1 year	**4,451**	394
	47,690	54,922

13 Dividends

The directors of the Company did not propose the payment of any dividend during the year ended December 31, 2022 (2021: nil).

14 Share capital

Authorized

As of January 1, 2021, the authorized share capital of the Company was US$50,000 divided into 500,000,000 shares with par value of US$0.0001 each.

On January 15, 2021, a share subdivision was approved by the shareholders of the Company, pursuant to which, each issued and unissued share capital was subdivided to twenty shares of the corresponding class with par value of US$0.000005 each.

Issued and fully paid

	Ordinary share		Series B preferred share	
	No. of share '000	*RMB'000*	*No. of share '000*	*RMB'000*
Balance at January 1, 2021	60,595	43	24,212	17
Effect of the share subdivision	1,151,293	–	460,036	–
Share issued upon the completion of initial public offering, net of transaction costs	205,620	7	–	–
Share issued upon exercise of the over-allotment option, net of transaction costs	30,843	1	–	–
Conversion of preferred shares into ordinary shares	948,659	32	(484,248)	(17)
Share issued under the share option scheme	6,554	–	–	–
Balance at December 31, 2021 and January 1, 2022	2,403,564	83	–	–
Share issued under the share option scheme	5,821	–	–	–
Balance at December 31, 2022	**2,409,385**	**83**	**–**	**–**

(i) On February 4, 2021, the Company was listed on the Stock Exchange. The Company issued 205,620,000 ordinary shares at the price of HK$12.2 per share and received the net proceeds of HK$2,420 million (equivalent to RMB2,008,580,000), after deducting all capitalized listing expenses. Out of the net proceeds from the listing, RMB7,000 and RMB2,008,573,000 were credited to the Company's share capital and share premium account, respectively.

(ii) On February 5, 2021, the over-allotment options in connection with the Listing were exercised by the underwriters of the Company, pursuant to which, an aggregate of 30,843,000 additional ordinary shares of the Company were issued at HK$12.2 per share on February 10, 2021 and the Company received the net proceeds of HK$365 million (equivalent to RMB303,156,000), after deducting all capitalized listing expenses. Out of the net proceeds from the exercise of the over-allotment options, RMB1,000 and RMB303,155,000 were credited to the Company's share capital and share premium account, respectively.

(iii) Upon the completion of the Listing, 484,248,000 series B preferred shares were converted into 484,248,000 ordinary shares of the Company. Accordingly, the carrying amount of preferred share capital of RMB17,000 were all transferred into ordinary share capital.

Meanwhile, 225,000,000 series C preferred shares and 239,411,000 series D preferred shares were converted into 464,411,000 ordinary shares of the Company in aggregate, resulting in an transfer of the carrying amount of other financial liabilities of RMB1,343,061,000 to ordinary share capital of RMB15,000 and share premium of RMB1,343,046,000, respectively.

(iv) Purchase of own shares

During the year ended December 31, 2022 and 2021, the Company purchased its own ordinary shares through the designated trustee under the share award scheme as follows:

Month/year	Number of shares repurchased	Highest price paid per share *HK$*	Lowest price paid per share *HK$*	Aggregated consideration paid *RMB'000*
January 2022	13,410,000	3.95	3.38	40,616
April 2022	26,904,000	2.92	2.48	61,741
May 2022	3,784,000	2.60	2.18	7,461
Total	44,098,000			109,818

Month/year	Number of shares repurchased	Highest price paid per share *HK$*	Lowest price paid per share *HK$*	Aggregated consideration paid *RMB'000*
September 2021	6,342,000	8.22	7.53	41,561

Repurchased shares held at the end of reporting period are classified as treasury shares and are presented as a decrease in the capital reserve.

(v) Shares issued under share option scheme

During the year ended December 31, 2022, options were exercised to subscribed for 5,821,000 ordinary shares (2021: 6,554,000) in the Company at a total consideration of RMB6,280,000 (2021: RMB6,574,000), of which nil and RMB6,280,000 was credited to share capital and share premium (2021: nil and RMB6,574,000), respectively. RMB6,933,000 (2021: RMB7,756,000) was transferred from the capital reserve to the share premium account.

OTHER INFORMATION

Corporate Governance Practices

The Company strives to maintain high standards of corporate governance to safeguard the interests of its Shareholders and to enhance corporate value and accountability.

The Company has adopted the Code Provisions of the CG Code as the basis of the Company's corporate governance practices and has complied with all applicable Code Provisions as set out in the CG Code during the Reporting Period.

Full details of the Company's corporate governance practices will be set out in the forthcoming Company's annual report for the year ended December 31, 2022.

Directors' Securities Transactions

The Company has adopted the Model Code as the basis of its code of conduct regarding Directors' securities transactions.

Specific enquiry has been made of all the Directors and all Directors confirmed that they have complied with the Model Code for transactions in the Company's securities during the Reporting Period.

Company's Compliance with relevant Laws and Regulations

During the Reporting Period and up to the date of this announcement, the Group had complied with the applicable laws, regulations and regulatory requirements of the places where the Group operates in all material respects, including the requirements under the Companies Act of the Cayman Islands, the Hong Kong Companies Ordinance, the Listing Rules, the SFO and the CG Code for, among other things, the disclosure of information and corporate governance.

Use of Proceeds from the Global Offering

The Company's Shares were listed on the Stock Exchange on February 4, 2021. The net proceeds from the Global Offering amounted to approximately HK$2,717.2 million (including the full exercise of the over-allotment option). As of December 31, 2022, the Company had used the net proceeds from the Global Offering for the following purposes:

	Amount of net proceeds for the relevant use *HK$ million*	Percentage of total net proceeds *Percentage*	Actual amount of proceeds utilized as of December 31, 2022 *HK$ million*	Amount of proceeds unutilized as of December 31, 2022 *HK$ million*	Percentage of proceeds from the Global Offering expected to be used by December 31, 2023 *Percentage*
VitaFlow Liberty™					
— the ongoing R&D activities, clinical trial and product registration of VitaFlow Liberty™	423.9	15.6%	151.0	272.9	
— the ongoing sales and marketing activities of VitaFlow Liberty™ in China and overseas	391.3	14.4%	131.2	260.1	
Subtotal	**815.2**	**30.0%**	**282.2**	**533.0**	**15.0%–15.6%**
VitaFlow®	**92.4**	**3.4%**	**42.3**	**50.1**	**2.3%–2.8%**
The remaining products					
— fund the research, preclinical, clinical trial and commercialization of VitaFlow™ III, and VitaFlow™ Balloon Expandable	190.2	7.0%	59.9	130.3	
— the ongoing and planned R&D of our TMV product candidates	312.5	11.5%	60.3	252.2	
— the ongoing and planned R&D of our TTVR product candidates, surgical valves and procedural accessories	163.0	6.0%	25.8	137.2	
— fund the planned commercialization activities after receiving the relevant regulatory approvals	67.9	2.5%	—	67.9	
Subtotal	**733.6**	**27.0%**	**146.0**	**587.6**	**10.0%–10.2%**
Fund the expansion of our product portfolio through collaboration with global enabler	**407.6**	**15.0%**	**314.1**	**93.5**	**11.6%–12.0%**
Expand our production capacity and strengthen our manufacturing capabilities for VitaFlow® and VitaFlow Liberty™	**396.7**	**14.6%**	**70.9**	**325.8**	**8.0%–8.9%**
Working capital and general corporate purposes	**271.7**	**10.0%**	**90.9**	**180.8**	**4.0%–4.5%**
Total	**2,717.2**	**100.0%**	**946.4**	**1,770.8**	**50.9%–54.0%**

Going forward, the net proceeds will be applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus. As of the date of this announcement, the Company does not anticipate any change to its plan on the use of proceeds as stated in the Prospectus. The Company expects that approximately HK$1,383.1 million to HK$1,467.3 million, accounting for approximately 50.9% to 54.0% of the net proceeds of the Global Offering, will be utilized by December 31, 2023 and plans to utilize the balance of net proceeds of the Global Offering by the end of 2025. 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.

Final Dividends

The Directors do not recommend a final dividend for the Reporting Period (2021: nil).

Purchase, Sale or Redemption of the Listed Securities of the Company

Save for the 44,098,000 Shares of the Company purchased through the trustee of the Share Award Scheme at cash consideration of HK$131.4 million on the Stock Exchange for the Share Award Scheme, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the Reporting Period.

Scope of Work of KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2022 as set out herein have been compared by Group's auditor, KPMG, Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. Jonathan H. Chou, Dr. Ding Jiandong and Ms. Sun Zhixiang. Mr. Jonathan H. Chou, being the chairman of the Audit Committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Company and oversee the audit process.

The Audit Committee has reviewed together with the management and external auditor of the Company, KPMG, the accounting principles and policies adopted by the Company and the annual results and the audited consolidated financial statements for the year ended December 31, 2022.

Annual General Meeting (the "AGM")

The AGM of the Company will be held on Tuesday, June 27, 2023. The circular (including notice of the AGM) will be sent to the Shareholders at least 21 days before the AGM.

Closure of Register of Members

For the purpose of determining the Shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, June 21, 2023 to Tuesday, June 27, 2023, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates should be lodged for registration with Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, June 20, 2023.

Publication of Annual Results Announcement and Annual Report

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.cardioflowmedtech.com). The annual report for the year ended December 31, 2022 containing all the information in accordance with the requirements under the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

"4C Medical"	4C Medical Technologies, Inc., a company incorporated under the laws of the State of Delaware and mainly engaged in the R&D of mitral and tricuspid valve devices
"AltaValve™"	AltaValve™ human mitral valve replacement medical device product
"Alwide®"	Alwide® balloon catheter
"Alwide® Plus"	Alwide® Plus balloon catheter
"Angelguide®"	our first-generation tip-preshaped super stiff guidewire
"aortic valve"	the valve that prevents blood flowing back from aorta to left ventricle
"Audit Committee"	the audit committee of the Board
"Board"	the board of directors of our Company
"CE Mark"	a certification mark that indicates conformity with health, safety and environmental protection standards for products sold within the European Economic Area
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules, as amended from time to time
"China" or "PRC"	People's Republic of China, but for the purpose of this announcement and for geographical reference only and except where the context requires otherwise, references in this announcement do not apply to Hong Kong, Macau and Taiwan
"Code Provision(s)"	the principles and code provisions set out in the CG Code
"Company" or "our Company"	MicroPort CardioFlow Medtech Corporation (微创心通医疗科技有限公司), a company with limited liability incorporated under the laws of the Cayman Islands on January 10, 2019
"Director(s)" or "our Director(s)"	the director(s) of our Company, including all executive, non-executive and independent non-executive directors
"GFA"	gross floor area

"Global Offering"	the Hong Kong Public Offering and the International Offering (including the Preferential Offering)
"GMP"	good manufacturing practices, the aspect of quality assurance that ensures that medicinal products are consistently produced and controlled to the quality standards appropriate to their intended use and as required by the product specification
"Group", "our Group", "we", "us", or "our"	our Company and all of our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company and the businesses operated by such subsidiaries or their predecessors (as the case may be)
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Independent Physicians"	physicians who can perform TAVI with our products independently
"KOL(s)"	doctors that influence their peers' medical practice, including but not limited to prescribing behavior
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the GEM of the Stock Exchange
"MicroPort®"	MicroPort® Scientific Corporation (微創醫療科學有限公司), an exempted company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 00853)

"MicroPort® Group"	MicroPort® and all of its subsidiaries
"mitral valve"	the valve that prevents the blood in left ventricle from flowing back to left atrium
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"MP CardioFlow"	Shanghai MicroPort CardioFlow Medtech Co., Ltd. (上海微創心通醫療科技有限公司), a limited liability company established in the PRC on May 21, 2015 and a wholly-owned subsidiary of the Company
"NMPA"	National Medical Products Administration (國家藥品監督管理局) and its predecessor the China Food and Drug Administration (國家食品藥品監督管理總局), including its sub-division, such as the Center for Medical Device Evaluation (國家藥品監督管理局醫療器械技術審評中心)
"PAV"	prosthetic aortic valve, the artificial valve of our TAVI products
"PET"	polyethylene terephthalate
"Prospectus"	the prospectus issued by the Company on January 26, 2021
"PVL"	paravalvular leakage, a complication associated with the implantation of a prosthetic heart valve through TAVI or surgical aortic valve replacement
"Rose Emblem"	Rose Emblem Limited, a joint venture which is owned as to 51.0% of the Group
"R&D"	research and development
"RMB"	the lawful currency of the PRC
"Reporting Period"	the year ended December 31, 2022
"SBHCI"	the Brazilian Society of Hemodynamics and Interventional Cardiology
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Shanghai Shield"	Shanghai MicroPort Shield Medtech Co., Ltd. (上海微盾醫療科技有限公司), a associate which is owned as to 35% of the Group
"Share(s)"	ordinary share(s) in the share capital of our Company of US$0.000005 each
"Shareholder(s)"	holder(s) of our Share(s)
"Share Award Scheme"	the share award scheme adopted by our Company on March 30, 2021, as amended from time to time
"Share Option Scheme"	the share option scheme adopted by our Company on March 13, 2020 and amended on March 17, 2022, as amended from time to time
"sq.m"	square meter, a unit of area
"Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"STS Score"	Society of Thoracic Surgery risk score or percentage point, a validated risk-prediction model for open surgery, the higher value of which indicates the higher risk of patients to conduct a surgery
"TAVI"	transcatheter aortic heart valve implantation, a catheter-based technique to implant a new aortic valve in a minimally invasive procedure that does not involve open-chest surgery to correct severe aortic stenosis
"TCT conference"	Transcatheter Cardiovascular Therapeutics conference
"TMV"	transcatheter mitral valve, which refers to treatment methods for mitral valve diseases through transcatheter approach
"TMVr"	transcatheter mitral valve repair
"TMVR"	transcatheter mitral valve replacement
"TTV"	transcatheter tricuspid valve, which refers to treatment methods for tricuspid valve diseases through transcatheter approach

"TTVR"	transcatheter tricuspid valve repair, a catheter-based technique to implant a new tricuspid valve in an interventional procedure that does not involve open-chest surgery
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollar(s)" or "US$"	United States dollars, the lawful currency of the United States
"Valcare"	Valcare, Inc., a company incorporated under the laws of the State of Delaware and mainly engaged in the R&D of mitral valve and tricuspid valve medical devices
"VitaFlow®"	unless the context indicates otherwise, "VitaFlow®" refers to the VitaFlow® transcatheter aortic valve implantation system, which comprises of a PAV, a motorized delivery system and certain procedural accessories
"VitaFlow Liberty™"	unless the context indicates otherwise, "VitaFlow Liberty™" refers to the VitaFlow Liberty™ transcatheter aortic valve implantation system, which comprises of a PAV, a motorized delivery system and the tip-preshaped super stiff guidewire Angelguide®
"Witney Put Option"	the put option granted to Witney Global Limited
"%"	per cent

By Order of the Board
MicroPort CardioFlow Medtech Corporation
Luo Qiyi
Chairman

Hong Kong, March 29, 2023

As of the date of this announcement, the executive Directors are Mr. Chen Guoming, Mr. Zhao Liang and Ms. Yan Luying, the non-executive Directors are Dr. Luo Qiyi, Mr. Zhang Junjie and Ms. Wu Xia, and the independent non-executive Directors are Mr. Jonathan H. Chou, Dr. Ding Jiandong and Ms. Sun Zhixiang.