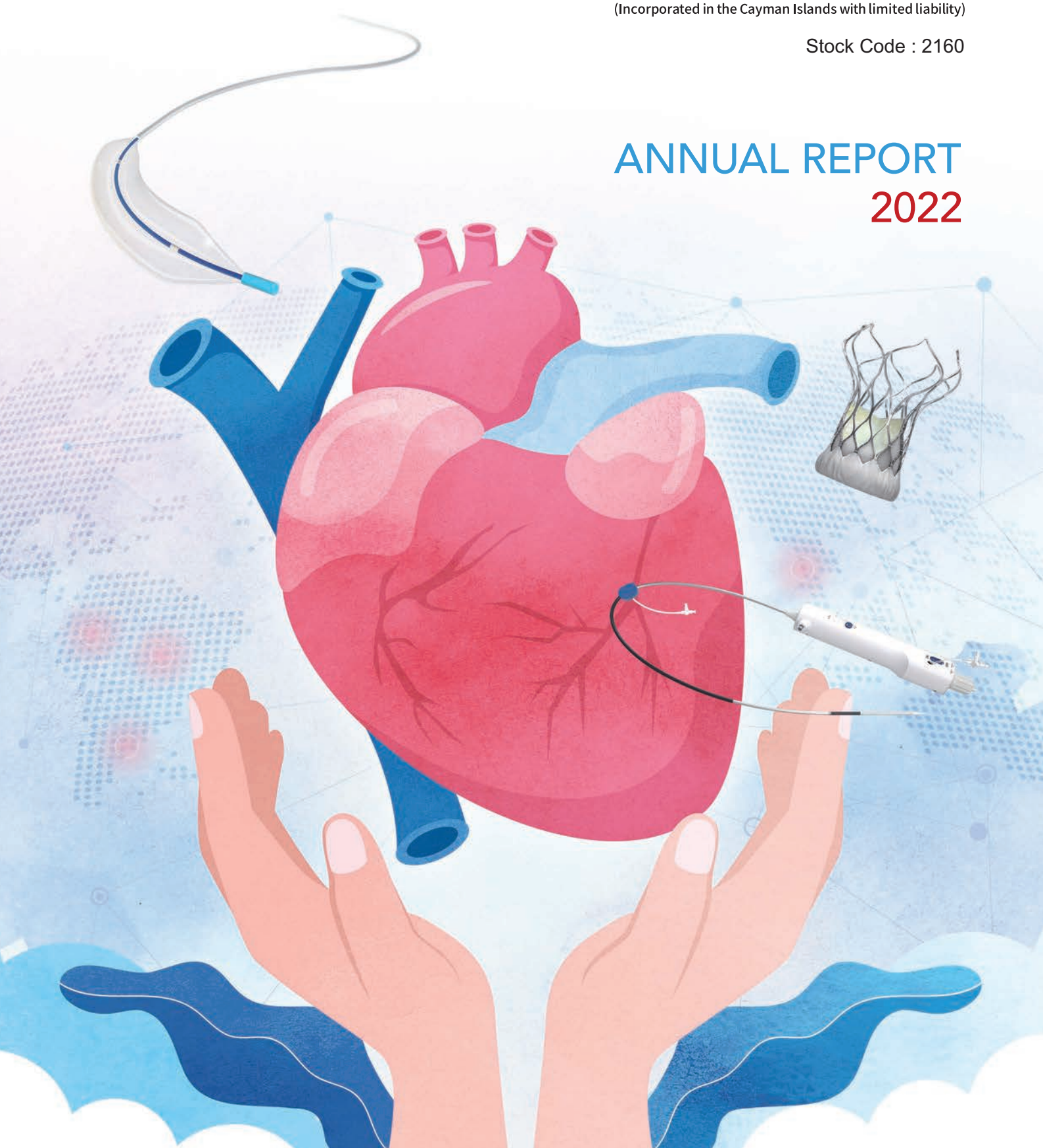
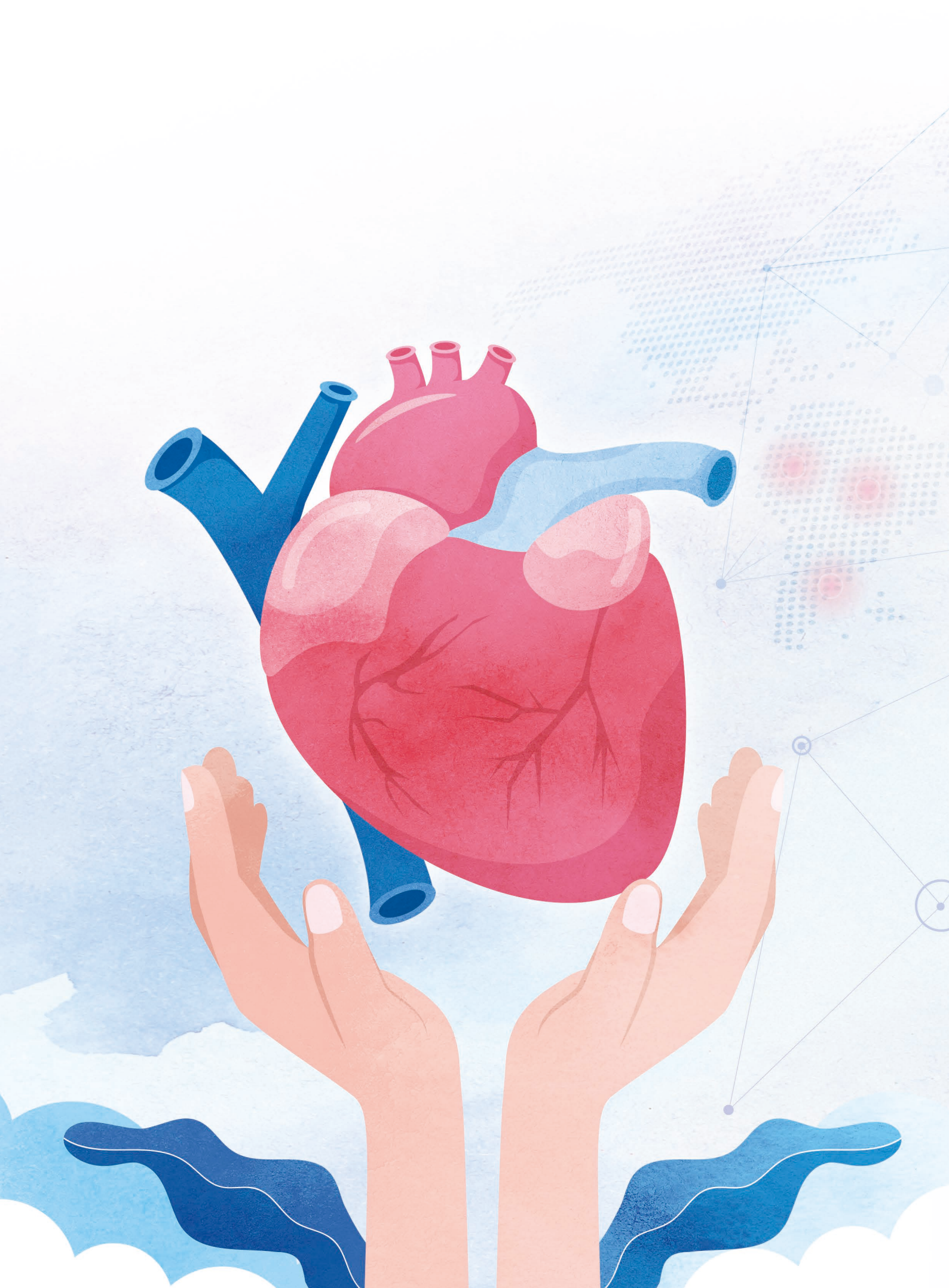
MicroPort™
心通医疗

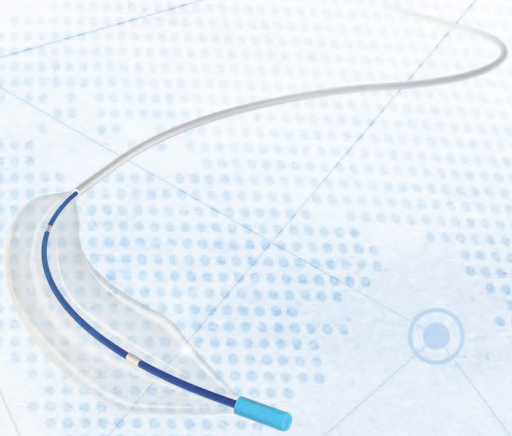
MicroPort CardioFlow Medtech Corporation
微创心通医疗科技有限公司
(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2160

ANNUAL REPORT 2022







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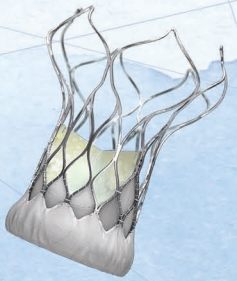


DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"2022 Equipment Procurement Framework Agreement"	the 2022 Equipment Procurement Framework Agreement dated June 23, 2022 between MP CardioFlow and Medical Product Innovation, pursuant to which MP CardioFlow agreed to procure relevant equipment in relation to the R&D and manufacturing of our products from Medical Product Innovation
"2022 Service Procurement Framework Agreement"	the 2022 Service Procurement Framework Agreement dated June 7, 2022 between MP CardioFlow (for itself and on behalf of its subsidiaries) and MicroPort® (for itself and on behalf of its subsidiaries other than the Group), pursuant to which we agreed to, among others, procure (i) promotion services; and (ii) patient health management services from MicroPort® 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
"AGM"	the annual general meeting to be held on Tuesday, June 27, 2023 at 10:00 a.m. at No. 1601 Zhangdong Road, Zhangjiang Hi-Tech Park, Pudong New District, Shanghai, China or any adjournment thereof
"Alwide® Plus"	Alwide® Plus balloon catheter
"aortic valve"	the valve that prevents blood flowing back from aorta to left ventricle
"Articles of Association" or "Articles"	Memorandum and Articles of Association of our Company conditionally adopted on January 15, 2021 and with effect from the Listing Date
"Audit Committee"	the audit committee of the Board
"Auditor's Report"	the auditor's report prepared by KPMG
"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" or "Corporate Governance Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules (as amended from time to time)
"China", "mainland China", or "PRC"	People's Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires otherwise, references in this annual report do not apply to Hong Kong, Macau and Taiwan
"CICC Kangrui"	CICC Kangrui I (Ningbo) Equity Investment Limited Partners (Limited Partnership) (中金康瑞壹期(寧波)股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC and our pre-IPO investor

"CMO(s)"	contract manufacturing organizations, which provide support to the pharmaceutical, biotechnology and medical device industries in the form of manufacturing services outsourced on a contract basis
"Code Provision(s)"	the principles and code provisions set out in the CG Code
"Companies Act"	the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"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
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to MicroPort® and/or Shanghai MicroPort
"Director(s)" or "our Director(s)"	the director(s) of our Company, including all executive, non-executive and independent non-executive directors
"FIM"	first-in-man, a stage of clinical trial
"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 conduct TAVI procedures independently with VitaFlow® or VitaFlow Liberty™
"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 Date"	February 4, 2021, on which the Shares were listed on the Stock Exchange and from which dealings in our Shares first commenced on the Main Board
"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
"Medical Product Innovation"	Medical Product Innovation, Inc, a company incorporated in California, the United States on June 28, 2011 and a wholly-owned subsidiary of MicroPort®
"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 EP"	Shanghai MicroPort EP MedTech Co., Ltd. (上海微創電生理醫療科技股份有限公司), a 32.71% owned associated corporation of MicroPort®
"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 our Company
"nitinol"	nickel titanium, a metal alloy of nickel and titanium, where the two elements are present in roughly equal atomic percentages

"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)
"Nomination Committee"	the nomination committee of our Company
"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
"R&D"	research and development
"Remuneration Committee"	the remuneration committee of our Company
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"Reporting Period"	the year ended December 31, 2022
"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 Huahao"	Shanghai Huahao Enterprise Management Limited Partners (Limited Partnership) (上海鏵浩企業管理合夥企業(有限合夥)), a limited partnership established in the PRC and our pre-IPO investor
"Shanghai MicroPort"	Shanghai MicroPort Limited, a company incorporated in the BVI with limited liability on January 8, 2019, a wholly-owned subsidiary of MicroPort® and one of our Controlling Shareholders
"Shanghai MicroPort Medical"	Shanghai MicroPort Medical (Group) Co., Ltd. (上海微創醫療器械(集團)有限公司), a limited liability company established in the PRC on May 15, 1998 and a wholly-owned subsidiary of MicroPort®
"Shanghai Shield"	Shanghai MicroPort Shield Medtech Co., Ltd. (上海微盾醫療科技有限公司)
"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, as amended from time to time
"SMOs"	site management organizations, which provide clinical trial related services to medical device companies having adequate infrastructure and staff to meet the requirements of the clinical trial protocol
"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
"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, a catheter-based technique to implant a new mitral valve in an interventional procedure that does not involve open-chest surgery
"TTV"	transcatheter tricuspid valve, which refers to treatment methods for tricuspid valve diseases through transcatheter approach
"TTVR"	transcatheter tricuspid valve replacement, a catheter-based technique to implant a new tricuspid valve in an interventional procedure that does not involve open-chest surgery
"TTVr"	transcatheter tricuspid valve repair
"TVT"	transcatheter valve therapy, the treatment of valvular heart diseases (such as aortic valve disease, mitral valve disease and tricuspid valve disease) through transcatheter approach, which includes TAVI, TMV and TTV

"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

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Chen Guoming
Mr. Zhao Liang *(appointed on May 26, 2022)*
Ms. Yan Luying
Mr. Wu Guojia *(resigned on April 30, 2022)*

Non-Executive Directors

Dr. Luo Qiyi *(Chairman of the Board)*
Mr. Zhang Junjie
Ms. Wu Xia

Independent Non-Executive Directors

Mr. Jonathan H. Chou
Ms. Sun Zhixiang
Dr. Ding Jiandong

JOINT COMPANY SECRETARIES

Ms. Li Xiangmei *(ACG HKACG)*
Ms. Chan Lok Yee *(ACG HKACG)*

AUTHORIZED REPRESENTATIVES

Dr. Luo Qiyi
Ms. Chan Lok Yee *(ACG HKACG)*

AUDIT COMMITTEE

Mr. Jonathan H. Chou *(Chairman)*
Ms. Sun Zhixiang
Dr. Ding Jiandong

REMUNERATION COMMITTEE

Ms. Sun Zhixiang *(Chairwoman)*
Dr. Luo Qiyi
Mr. Jonathan H. Chou

NOMINATION COMMITTEE

Dr. Luo Qiyi *(Chairman)*
Ms. Sun Zhixiang
Dr. Ding Jiandong

REGISTERED OFFICE

Tricor Services (Cayman Islands) Limited
Third Floor, Century Yard
Cricket Square, P.O. Box 902
Grand Cayman, KY1-1103
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 1661 Zhangdong Road
Zhangjiang Hi-Tech Park
Pudong New District
Shanghai, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1901, 19/F, Lee Garden One
33 Hysan Avenue, Causeway Bay
Hong Kong

COMPANY'S WEBSITE

www.cardioflowmedtech.com

COMPLIANCE ADVISER

Somerley Capital Limited
20/F, China Building
29 Queen's Road Central
Hong Kong

PRINCIPAL BANKS

Shanghai Pudong Development Bank
Zhangjiang Innovation Sub-branch
56 Boyun Road
Pudong New District
Shanghai, PRC

LEGAL CONSULTANT

Kirkland & Ellis
26/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

AUDITOR

KPMG
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
8th Floor, Prince's Building
10 Chater Road, Central
Hong Kong

OVERVIEW

We are a medical device company focusing on the R&D and commercialization of innovative transcatheter and surgical solutions for structural heart diseases. 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 MISSION

Our mission is to provide trustworthy and universal access to state-of-the-art total solutions to treat structural heart diseases.

Our VISION

Our vision is to build a people centric enterprise ranking as a global leader of evolving and emerging medical technologies.

OUR PIPELINE

We have established a comprehensive and innovative product pipeline covering TAVI products, TMV products, TTV products, surgical valve products and procedural accessories, and are dedicated to providing universal access to state-of-the-art total solutions to physicians and patients for the treatment of structural heart diseases.

CHAIRMAN'S STATEMENT

Dr. Luo Qiyi
Chairman

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. Meanwhile, the world has made important progress in numerous technical aspects in the interventional treatment of other structural heart diseases such as mitral valve and tricuspid valve diseases, accompanied with the emergence of more innovative procedure and products as well as the increasing attention on the industry on interventional therapies for structural heart diseases. In China, due to the recurring COVID-19 outbreaks, the TAVI patient visits and physician proctoring have been affected to varying degrees across the country, and the growth in the implantation of TAVI products has been limited to a certain extent in areas where the pandemic situation were more severe. According to the 2022 Structural Heart Disease Annual Report by the Chinese Society of Cardiology, during the Reporting Period, the volume of TAVI procedures across China increased by 18.7% as compared to that in 2021, which is lower than the industry's anticipation. In addition, the temporary closure control of certain regions brought some challenges to the supply chain and logistics, and accordingly, the sales of our products was affected to some extent. However, as the prevention and control of COVID-19 pandemic stepped into a new stage at the end of the year, the production activities and daily life recovered rapidly, facilitating the resumption of the number of outpatients and procedures of medical institutions. In the long run, with the accelerating aging of the population, growing health awareness of people, deepening education of physicians and patients, enlarging reimbursement coverage of government medical insurance and increasing affordability of patients, the demand for treatment of structural heart diseases will be further released and the scope of clinical applications will be further expanded.

We adhere to the vision of building a people-centric medical group ranking as a global leader of evolving and emerging medical technologies to provide trustworthy and universal access to state-of-the-art total solutions to treat structural heart diseases. As for the Chinese market, facing the challenges of COVID-19 pandemic and the increasingly fierce market competition environment, we actively expanded our market coverage through leveraging on the excellent performance and outstanding using experience of the launched TAVI products (being VitaFlow® and VitaFlow Liberty™) as well as balloon catheters and guidewire as supporting supply and relying on our wide layout in various regions across the country, we also carried out the routine patient screening and referral by virtue of resources of the MicroPort® Group to promote the rapid and deep hospital penetration of our products, and achieved steady year-on-year growth in implantation numbers and sales revenue of 34% and 25% respectively during the Reporting Period, the market share had also further increased. As at December 31, 2022, our products had been applied in 437 hospitals in China, representing a year-on-year increase of 43%, and we had leading share in over 260 such hospitals. Our dedicated total solutions promotion team has increased to 184 representatives, and the respective functions, including market promoting, products sales, medical technology and patient support, cooperate closely while performing their own duties, striving to facilitate the penetration of products and provide the opportunity of minimally invasive interventional therapy for more patients of aortic valve diseases, to save their lives or improve their living quality.

In 2022, our progress in globalization had further developed, and the business expansion and the product registration advanced steadily. As of the date of this report, our products have entered the markets in Argentina, Colombia, Brazil and Thailand, and have been used in nearly 100 commercial cases among around 40 hospitals during the Reporting Period, as a result of which our overseas sales revenue recorded a year-on-year increase of 600%. The CE registration of VitaFlow Liberty™ and Alwide® Plus as well as the registration in emerging markets such as India, Brazil, South Korea and Mexico are all under orderly progress. The excellent ease-of-use, accuracy, PVL prevention and hemodynamic performance of VitaFlow Liberty™ has been widely praised by overseas physicians, which has laid a solid foundation for the Company's brand promotion in overseas markets.

In terms of R&D, we adhere to the original intention, continue to improve and optimise our pipeline layouts, make fully efforts for all products including TAVI, TMV, TTV, surgical valve products and procedural accessory products, focus on the treatment for younger patients and patients with lower surgical risks as well as the user-friendly experience for physicians. Meanwhile, we continue to strengthen our relations with global strategic partners and work together to develop, collaborate and license new TMV and TTV products. We have been profoundly involved in the field of structural heart diseases with higher standards and better practice, continue to be committed to innovation and R&D of world-leading technologies, to create a technological innovation system integrating production, education and research, and to provide high-quality products and services to the global market, which will give the strongest driving force for the sustainable development of the Company.

Facing the global supply chain challenges arising from the COVID-19 pandemic, we further accelerated the local sourcing of raw materials, increased the domestic proportion of raw materials, and reduced our purchase price while maintaining a stable supply of raw materials through close communication and collaboration with suppliers and diversified supplier development initiatives, and therefore, significantly optimized product costs and recorded an increase of 5.5 percentage points to 64.6% in the gross profit margin of our products. Our new production plant with a total GFA of approximately 13,000 sq.m. in Shanghai has commenced operation, which provides 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.

In 2022, various honors came in abundance. We were successively awarded the title of Shanghai Science and Technology Little Giant (上海市科技小巨人), the First Prize of Beijing Science and Technology Progress Award (北京市科學技術進步獎一等獎), the German Red Dot Award: Product Design 2022 and the Italy 2021–2022 A' Design Award, among others. Beside, our several fund projects were supported by the government, proving that the Group's innovation capability, advanced technology and industry position has been widely recognised by the society.

In the new year, we will, as always, continue to expand our business coverage, accelerate R&D and innovation, promote international strategy, focus on reducing costs and increasing efficiency, and consolidate corporate governance, with the aim of becoming the world's leading provider for total solutions to treat structural heart diseases, bringing the world's cutting edge structural heart diseases treatment products and technologies to more countries, and benefiting more patients.

Our Directors, senior management and employees continue to pursue excellence with integrity and diligence. On behalf of all our colleagues, I would like to express gratitude to all our Shareholders, suppliers, distributors, physicians and partners for their support over the years.

Dr. Luo Qiyi
Chairman

FINANCIAL HIGHLIGHTS

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial information and financial statements is set out below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	For the year ended December 31,				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**251,026**	200,813	103,934	21,502	—
Gross profit	**162,130**	118,701	45,380	6,302	—
Loss before taxation	**(451,299)**	(182,651)	(398,087)	(144,522)	(60,263)
Loss for the year and attributable to equity shareholders of the Company	**(454,395)**	(183,264)	(398,087)	(144,522)	(60,263)
Loss per share — Basic and diluted (in RMB)	**(0.19)**	(0.08)	(0.23)	(0.08)	(0.04)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at December 31,				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**729,493**	762,193	392,213	362,171	324,784
Current assets	**2,271,768**	2,599,799	719,968	183,729	77,346
Total assets	**3,001,261**	3,361,992	1,112,181	545,900	402,130
Non-current liabilities	**70,317**	101,084	25,671	26,315	13,539
Current liabilities	**177,229**	164,434	1,431,694	387,741	115,212
Total liabilities	**247,546**	265,518	1,457,365	414,056	128,751
Total equity/(deficit)	**2,753,715**	3,096,474	(345,184)	131,844	273,379

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Dr. Luo Qiyi (羅七一), aged 60, is the chairman and a non-executive Director of our Company. He was appointed as a non-executive Director on August 5, 2019 and the chairman of our Board of Directors on January 16, 2020. Dr. Luo is mainly responsible for participating in decision-making of important matters and the high-level oversight of the management and operations of our Group. Dr. Luo also serves as the chairman of MP CardioFlow since he joined our Group in May 2015.

Dr. Luo has over 30 years of experience in the medical device industry. He joined the MicroPort® Group in January 2003 and is currently serving as the chief technology officer and a member of the Intercontinental Cardiac Rhythm Management Committee and Greater China Executive Committee of MicroPort®. Prior to joining the MicroPort® Group, from February 1991 to May 1995, he worked as a supervisor and an engineer of the angioplasty research and development team at Vas-Cath Inc., a subsidiary of C.R. Bard, Inc. which is a medical device manufacturing company listed on the New York Stock Exchange (ticker symbol: BCR). Dr. Luo worked as the principal research and development engineer and a senior manufacturing/development engineer at Medtronic AVE Inc. from May 1995 to December 2002.

Dr. Luo received his bachelor's degree in applied science from Yunnan University of Technology (雲南理工大學) in China in July 1983, his master's degree in applied science from Queen's University in Canada in December 1990 and his doctor's degree in biomedical engineering from University of Shanghai for Science and Technology (上海理工大學) in China in March 2015. Dr. Luo is the inventor or a co-inventor of over 300 patents in China, the United States, Japan and the European Union as of the date of this annual report.

EXECUTIVE DIRECTORS

Mr. Chen Guoming (陳國明), aged 38, is an executive Director and the President of our Company. He was appointed as an executive Director, President of our Company and director and general manager of MP CardioFlow on September 29, 2020. He joined our Group as a vice president on September 1, 2016 and is mainly responsible for research and development since then and participating in the management and strategic development of our Group.

Mr. Chen focused on research and development, clinical application and supply chain management of devices in the field of valves in the past 10 years. Before joining us in September 2016, Mr. Chen joined the MicroPort® Group in March 2010 and worked as senior R&D manager at Shanghai MicroPort Medical from March 2010 to August 2016.

Mr. Chen obtained a bachelor's degree in Engineering Mechanics from Shanghai Jiao Tong University (上海交通大學) in China in June 2007 and a master's degree in mechatronics engineering from Shanghai Jiao Tong University in China in March 2010. He is also the inventor or a co-inventor of over 100 invention patents in China and overseas as of the date of this annual report.

Mr. Zhao Liang (趙亮), aged 44, is an executive Director and the First Vice President of Total Solutions of our Company. He was appointed as our First Vice President of Total Solutions of the Group on October 1, 2021, and was appointed as an executive Director and director of MP CardioFlow on May 26, 2022. Mr. Zhao is responsible for promotion of the Company's total solutions od structural heart diseases and participating in the management and strategic development of our Group.

Prior to joining us, Mr. Zhao joined MicroPort® Group in 2006 and has over 15 years of experience in the promotion and sales management of cardiovascular medical devices, and possess expertise in promotion strategy, market and channel expansion, team management, etc. Prior to joining the Company, Mr. Zhao Liang was the First Vice President of China regional sales and marketing of interventional cardiology of MicroPort® Group.

Mr. Zhao obtained his bachelor's degree in economic management from Nanjing University in 2002.

Ms. Yan Luying (閆璐穎), aged 42, is an executive Director and a Vice President of our Company. She was appointed as our Vice President on September 1, 2016 when she joined our Group, and was appointed as an executive Director and director of MP CardioFlow on September 29, 2020. Ms. Yan is responsible for regulatory affairs and clinical trial and participating in the management and strategic development of our Group.

Ms. Yan has more than 18 years of experience in registration, clinical investigation and management regarding active, non-active, interventional, and implantable devices. Prior to joining our Group in September 2016, Ms. Yan has been working as regulatory affairs senior manager at the MicroPort® Group from July 2004 to December 2015.

Ms. Yan obtained a bachelor's degree and a master's degree in biomedical engineering from Capital Medical University (首都醫科大學) in China in July 2004 and December 2012, respectively.

NON-EXECUTIVE DIRECTORS

Mr. Zhang Junjie (張俊傑), aged 46, is a non-executive Director of our Company. He was appointed as a non-executive Director on August 5, 2019 and is mainly responsible for participating in decision-making of important matters of our Group and the high-level oversight of the management and operations of our Group. Mr. Zhang also serves as a director of MP CardioFlow since he joined our Group in October 2017.

Mr. Zhang has over 15 years of experience in the healthcare investment industry. He is currently a director of Shanghai MicroPort Endovascular MedTech (Group) Co., Ltd. (上海微創心脈醫療科技(集團)股份有限公司), a company listed on the Shanghai stock exchange (stock code: 688016), since July 2018, a non-executive director of Chemclin Diagnostics Co., Ltd. (科美診斷技術股份有限公司), a company listed on the Shanghai stock exchange from 9 April 2021 (stock code: 688468) since September 2019 and a non-executive director of Suzhou Nanomicro Technology Company Limited (蘇州納微科技股份有限公司), a company listed on the Shanghai stock exchange from 23 June 2021 (stock code: 688690) since November 2019.

Prior to joining our Group, Mr. Zhang served as a consultant of Deloitte Consulting (Beijing) Co., Ltd. (德勤諮詢(北京)有限公司) from July 2004 to March 2006 and an investment manager of H&Q Asia Pacific Ltd. (漢鼎亞太有限公司) from March 2006 to December 2006. From December 2006 to September 2016, he was as a global partner of Actis (Beijing) Investment Consulting Center (L.P.) (英聯(北京)投資諮詢中心(有限合夥)) and he has been a founding partner of Huaxing Healthcare Fund (華興醫療產業基金) since November 2016.

Mr. Zhang received a bachelor's degree in organic chemistry from Lanzhou University (蘭州大學) in China in June 2000 and a master's degree in management and professional accounting from University of Toronto in Canada in November 2004.

Ms. Wu Xia (吳夏), aged 41, is a non-executive Director of our Company. She was appointed as a non-executive Director on August 5, 2019 and is mainly responsible for participating in decision-making of important matters of our Group and the high-level oversight of the management and operations of our Group. Ms. Wu also serves as a director of MP CardioFlow since she joined our Group in October 2017.

Ms. Wu has over 11 years of experience in research and private equity investment focusing on healthcare industry. She is currently serving as a managing director of CICC Capital Management Co., Ltd. (中金資本運營有限公司) since January 2019 and is responsible for the overall investment and management of CICC Kangrui. Ms. Wu joined CICC Jia Cheng Investment Management Company Limited (中金佳成投資管理有限公司) in July 2008 and served as vice president from January 2012 to December 2014 and as executive director from January 2015 to August 2018. In August 2018, Ms. Wu transferred into CICC Capital Management Co., Ltd. as executive director. Ms. Wu has been a director of Genetron Holdings Limited (a company listed on the NASDAQ under the trading symbol of "**GTH**") since September 2017. Ms. Wu has been a non-executive director of MicroPort NeuroTech Limited (微創腦科學有限公司) (a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 2172)) since November 2021.

Ms. Wu obtained her bachelor's degree in finance from Peking University (北京大學) in China in July 2003, and a master's degree in economics and finance from Warwick Business School of the Warwick University in the UK in January 2005. She was honored as "Outstanding Young PE Investor of the Year 2018" by China Renaissance (華興資本) in 2018.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jonathan H. Chou (周嘉鴻), aged 58, is an independent non-executive Director of our Company. He was appointed as an independent non-executive Director of our Company on January 15, 2021 and is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Chou is a seasoned finance and operations executive with more than 30 years of professional experience from banking to various senior leadership positions with Fortune 500 companies and Asia headquartered U.S. listed companies. He has been serving as an independent non-executive director of MicroPort® since September 3, 2010, the chairman of the audit committee and a member of the remuneration committee of MicroPort® since March 2012 and a member of the strategic committee of MicroPort® since March 2019. He also serves on the board of directors of Emerging Markets Investors Alliance (EMIA), a not-for-profit organization which enables the institutional investors to support good governance, promote sustainable development and improve investment performance in the governments and companies in which they invest.

He joined UTAC Group in February 2021 as its Chief Financial Officer. UTAC is a leading independent provider of assembly and test services in the following key product categories: analog, mixed-signal and logic, and memory; serving primarily fabless companies, integrated device manufacturers and wafer foundries customers.

Mr. Chou worked at Kulicke and Soffa Industries, Inc. (a company listed on the NASDAQ under the trading symbol of "**KLIC**"), a leading provider of semiconductor packaging and electronic assembly solutions supporting the global automotive, consumer, communications, computing and industrial segments, from December 2010 to February 2018 and held position of chief financial officer from December 2010 to November 2017. From April 2008 to December 2010, Mr. Chou served as the chief financial officer of Feihe International, Inc. (a company listed on the New York Stock Exchange in April 2005 under the trading symbol of "ADY", and the predecessor company of China Feihe Limited, a company listed on the Stock Exchange in November 2019 with stock code: 6186), during which period he led the company's listing application. Prior to joining Feihe International, Inc., he also served as the chief financial officer of Asia Pacific and various senior financial positions with several Fortune 500 companies, including Honeywell, Tyco ADT, Lucent Technologies/Bell Labs and Public Service Enterprise Group.

Mr. Chou was a recipient of the "China's Top 10 CFO for 2008" award issued by the CFO World Magazine in April 2009 for navigating through the 2008 global financial crisis.

Mr. Chou gives back his time to non-profit organizations by serving on the board of directors of EMIA since 2019. EMIA enables institutional investors to support good governance, promote sustainable development and improve investment performance in the governments and companies in which they invest. He also serves on the Fuqua School of Business of Duke University's East Asia Advisory Board since 2011 and served on the Duke University Alumni Association's Global Board of Directors from 2015 to 2018.

Mr. Chou received bachelor's degree in economics from the State University of New York at Buffalo in the United States in February 1988 and a master's degree in business administration from Duke University's Fuqua School of Business in the United States in December 1999.

Ms. Sun Zhixiang (孫志祥), aged 55, is an independent non-executive Director of our Company. She was appointed as an independent non-executive Director of our Company on January 15, 2021 and is primarily responsible for supervising and providing independent judgment to our Board.

Ms. Sun served as a lawyer at Shanghai Foreign Economic Law Office (上海市對外經濟律師事務所) from July 1990 to December 1996. She served as a Chinese law consultant at Helen Yeo & Partners (Singapore) from January 1997 to January 1998. From February 1998 to February 1999, she worked at Shanghai Xin Min Law Firm (上海市新閔律師事務所) as the director of corporate and finance division. Since March 1999, she has been working at Shanghai Pu Dong Law Office (上海市浦棟律師事務所) and served as a senior partner. She served as an independent non-executive director at Jiangsu Jonnyma New Materials Co., Ltd. (江蘇鏘尼瑪新材料股份有限公司) from October 2017 to July 2022. She has also been a secretary general at Shanghai Donghai Ci Hui Charitable Foundation (上海東海慈慧公益基金會) since June 2018.

Ms. Sun obtained her bachelor's degree in law and master's degree in international commercial law from Fudan University (復旦大學) in July 1990 and January 1997, respectively. She was a visiting scholar in East Asian Legal Studies of Harvard Law School from August 2009 to July 2010.

Dr. Ding Jiandong (丁建東), aged 58, is an independent non-executive Director of our Company. He was appointed as an independent non-executive Director of our Company on August 27, 2021 and is primarily responsible for supervising and providing independent judgment to our Board.

Dr. Ding has been serving as a professor of Fudan University (復旦大學) since May 1998. His main research field is biomedical materials. He has been serving as the chairman of the board of directors of Shanghai Fu Ning Technology Co., Ltd. (上海複凝科技有限公司) and its subsidiary, Shanghai Fu Ning Biomaterials Co., Ltd (上海複凝生物材料有限公司), both of which are engaged in the research and development of biomedical materials, since January 2017 and August 2018, respectively.

Dr. Ding obtained his bachelor's degree in biophysics and master's degree in polymer chemistry and physics from Fudan University in China in June 1988 and June 1991, respectively, and received his on-the-job doctoral degree in polymer chemistry and physics from Fudan University in China in January 1995.

Dr. Ding was awarded the "Science and Technology Prize of China Youth" by the China Association for Science and Technology (中國科學技術協會) in January 1997. His work on biochemical materials was awarded the "First-Place Prize of Natural Science" by the Ministry of Education of the People's Republic of China (中華人民共和國教育部) in January 2014, and won the Gold Medal at the International Exhibition of Inventions of Geneva in March 2021.

Except as otherwise disclosed in this annual report, none of our Directors held a position of director in any other listed companies during the three years prior to the date of this annual report, and no other information relating to our Directors is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules, and no other matters are required to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

Mr. Chen Guoming (陳國明), aged 38, is an executive Director and the President of our Company. Please refer to "Board of Directors — Mr. Chen Guoming" for his biography.

Ms. Yan Luying (閆璐穎), aged 42, is an executive Director and a Vice President of our Company. Please refer to "Board of Directors — Ms. Yan Luying" for her biography.

Mr. Zhao Liang (趙亮), aged 44, is an executive Director and the First Vice President of Total Solutions of our Company. Please refer to "Board of Directors — Mr. Zhao Liang" for his biography.

Mr. Jeff Lindstrom, aged 57, is the Vice President (R&D) of our Company.

Mr. Lindstrom joined our Group in January 2022 and is responsible for R&D of the Group. He has over 20 years R&D experience in the minimally invasive interventional medical device industry. Prior to joining the Group, he served as senior director of engineering in Edwards Lifesciences Corporation (New York Stock Exchange ticker symbol: EW) since 2012, where he was responsible for developing the R&D strategy, directing and managing the R&D activities, overseeing the full product development lifecycle, leading the development and commercialization of the electro-mechanical transcatheter heart valve system and leading the development and clinical evaluation of the embolic protection system. From 2008 to 2012, he served as R&D director of The Spectranetics Corporation. From 1998 to 2006, he served as R&D manager of Abbott Vascular (formerly known as Guidant Corporation).

Mr. Lindstrom obtained his bachelor's degree in chemical engineering from Illinois Institute of Technology in the United States in 1996. He also obtained the certificate of general management from UCLA Anderson School of Management in the United States in 2016. He owns six patents relating to the cardiovascular medical devices.

Ms. Ni Nuan (倪暖), aged 41, is the Advanced Financial Director of the Company. She joined our Group in October 2019 and is responsible for financial management. Ms. Ni has nearly 20 years of experience in finance and auditing. Prior to joining our Group, Ms. Ni worked at the finance department of China Minsheng Investment Co., Ltd. (中國民生投資股份有限公司) from October 2016 to October 2019, and also served as the financial controller of one of its subsidiaries. From August 2004 to October 2016, Ms. Ni worked at the audit department of Ernst & Young Hua Ming LLP Shanghai Branch (在安永華明會計師事務所上海分所) and served as a senior manager of the audit department.

Ms. Ni obtained a bachelor's degree in international finance from Shanghai International Studies University (上海外國語大學) in July 2004.

Mr. Sun Wei (孫偉), aged 40, is the Advanced Director of Supply Chain of the Company, joined the Group in September 2021 and is responsible for management of supply chain. He is also the general manager of Chengdu Xintuo. Mr. Sun has nearly 15 years of experience regarding the management of factories of foreign companies in different industries and fields, and is familiar with the lean manufacturing system, as well as the ISO13485 Medical Device Quality Management System. Mr. Sun served as the operation director of Alere (Shanghai) Diagnostics Co., Ltd. (雅培診斷產品(上海)有限公司) from July 2018 to June 2021. From September 2014 to July 2018, Mr. Sun served as an engineering manager of Dumex Baby Food Co., Ltd. (多美滋嬰幼兒食品有限公司). From August 2012 to September 2014, he served as an electrical manager at the manufacturing and engineering department of Perfetti Van Melle (China) Limited (不凡帝范梅勒糖果(中國)有限公司). From July 2009 to August 2012, Mr. Sun served as the electrical and energy director of the engineering maintenance department of Owens Corning (Shanghai) Fiberglas Co., Ltd. (上海歐文斯科寧玻璃纖維有限公司). From July 2007 to June 2009, he served as an electrical engineer at the engineering department of Saint-Gobain Gypsum Shanghai Co., Ltd. (聖戈班石膏建材(上海)有限公司).

Ms. Sun obtained a bachelor's degree in electrical engineering and automation from Shanghai University of Engineering Science (上海工程技術大學) in June 2007.

Save as disclosed above, none of our Directors and senior management held any directorship in any public companies, the Shares of which are listed in the Stock Exchange or overseas stock markets during the three years prior to the date of this annual report.

To the best of the Board's knowledge, information and belief, save as disclosed in the annual report, our Directors and senior management do not have any relationship amongst them.

JOINT COMPANY SECRETARIES

Ms. Li Xiangmei (李香梅) was appointed as one of our joint company secretaries on October 27, 2020. She has been taking the position of the Board secretary of our Group since she joined our Group in February 2020. Prior to that, she has been working as senior manager and manager of shareholders and securities affairs in the MicroPort® Group from December 2014 to January 2020.

Prior to joining the MicroPort® Group, Ms. Li worked at Sinopec Shanghai Petrochemical Company Limited (中國石化上海石油化工股份有限公司), a petrochemical company listed on New York Stock Exchange (trading symbol: SHI) and the Stock Exchange (stock code: 0338) and the Shanghai Stock Exchange (stock code: 600688) as an investor relations manager from February 2006 to December 2014, during which she also received the senior economist qualification issued by China Petrochemical Corporation (中國石油化工集團公司) in November 2014.

Ms. Li obtained a bachelor's degree of arts and bachelor's degree of business administration (double degree) from Zhengzhou University (鄭州大學) in China in July 2002. She obtained a master's degree of corporate governance from the Open University of Hong Kong (currently known as Hong Kong Metropolitan University) in 2021. She has been an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute since 2021.

Ms. Chan Lok Yee (陳樂而) was appointed as one of our joint company secretaries on October 27, 2020. Ms. Chan is currently a manager of Corporate Services of Vistra Corporate Services (HK) Limited, a professional provider of corporate services. She has had over eight years of experience in providing company secretarial and compliance services to private and listed companies. Ms. Chan obtained a bachelor's degree of arts from The Hong Kong Polytechnic University and a master's degree of science in professional accounting and corporate governance from The City University of Hong Kong. She has been an associate member of The Hong Kong Institute of Chartered Secretaries (now knows as The Hong Kong Chartered Governance Institute) and an associate member of The Institute of Chartered Secretaries and Administrators (now known as The Chartered Governance Institute) in the United Kingdom since 2015.

CHANGES TO DIRECTORS INFORMATION

Save as disclosed herein, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

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 annual report, 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 annual report, 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 annual report:

Product				Pre-clinical	Clinical trial	Registration
Aortic valve products	VitaFlow® System	VitaFlow®		Launched		
				Successfully registered in Argentina and Thailand		
		Alwide® balloon catheter*		Launched		
				Successfully registered in Argentina and Thailand		
	VitaFlow Liberty™ System	VitaFlow Liberty™ *(Retrievable)*	★	Launched		
				Successfully registered in Argentina , Colombia and Thailand		
				CE Marking registration and registration in emerging markets in progress		
		Angelguide® tip-preshaped super stiff guidewire*		Launched		
				Successfully registered in Argentina and Colombia		
	VitaFlow® III *(Steerable delivery system)*		★	Approaching design freeze		
	VitaFlow® Novo Generation *(Brand new PAV design and new anti-calcification technology)*			Design stage		
	VitaFlow® Balloon Expandable *(New anti-calcification technology)*		★	Animal studies		
Mitral valve products	**Self-developed replacement product**		★	FIM		
	AltaValve – Replacement product *(Partnership with 4C Medical – commercialization rights in China)*			Preparing for FIM		
				Early feasibility studies		
	Helios – Replacement product *(Partnership with Valcare – commercialization rights in China)*			Animal studies		
	Self-developed edge to edge – repair product			Design stage		
	Amend – Repair product *(Partnership with Valcare – commercialization rights in China)*			Preparing for FIM		
				Early feasibility studies		
Tricuspid valve products	**Self-developed edge to edge repair product**			Design stage		
	Replacement product *(Partnership with 4C)*			Design stage		
	Trivid – Repair product *(Partnership with Valcare – commercialization rights in China)*			Animal studies		
Surgical valve product	**Aortic valve replacement product**			Design stage		
	Mitral valve replacement product		★	Design freeze		
Procedural accessories	**Alwide® Plus balloon catheter**		★	Launched		
				Successfully registered in Argentina, Colombia and Thailand, CE Marking registration in progress		
	Alwide™ balloon catheter III		★	NMPA Registration in progress		
	Alpass™ catheter sheath II		▲	NMPA Registration in progress		
	Expandable sheath		▲	Design stage		

China status
Global status
★ Major Progress during the Reporting Period

▲ Among our product candidates, these devices are exempted from clinical trial requirements in accordance with the Catalogue of Medical Device Exempted from Clinical Trials promulgated by the NMPA, as amended

* These procedural accessories are registered and commercialized offered as part of VitaFlow® or VitaFlow Liberty™ system and are not registered as standalone product in China

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 their 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.

The Company proposed the adoption of the fifth amended and restated memorandum and articles of association of the Company to conform to the core standards of shareholder protection, among others, adopting a uniform set of 14 core standards for shareholder protections for issuers as provided in the amended Appendix 3 to the Listing Rules. Please refer to the announcement of the Company dated March 29, 2023.

The Company proposed to adopt a new share scheme in compliance with the amendments to Chapter 17 of the Listing Rules that came effect on January 1, 2023. The share scheme is subject to the approval of the Shareholders of the Company at a general meeting of the Company. Full details about the share scheme, including its principal terms, will be set out in the circular of the Company to be despatched to the Shareholders in due course. Please refer to the announcement of the Company dated March 31, 2023.

On March 31, 2023, MP CardioFlow, a wholly-owned subsidiary of the Company, entered into an assets transfer agreement with MicroPort EP, pursuant to which MP CardioFlow shall transfer the subject assets to MicroPort EP at a total consideration of approximately RMB4.4 million (excluding the VAT). Please refer to the announcement of the Company dated March 31, 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 annual report.

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, cooperations 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 annual report.

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.

Significant Investments, Material Acquisitions and Disposals

During the Reporting Period, the Group did not hold any significant investments. The Group also did not have material acquisitions or disposals of subsidiaries, associates, and joint ventures during the Reporting Period.

DIRECTORS' REPORT

The Board is pleased to present this report of Directors together with the consolidated financial statements of the Group for the year ended December 31, 2022.

BOARD OF DIRECTORS

The Board currently comprises three executive Directors, three non-executive Directors and three independent non-executive Directors.

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

Executive Directors

Mr. Chen Guoming
Mr. Zhao Liang *(appointed on May 26, 2022)*
Ms. Yan Luying
Mr. Wu Guojia *(resigned on April 30, 2022)*

Non-Executive Directors

Dr. Luo Qiyi *(Chairman of the Board)*
Mr. Zhang Junjie
Ms. Wu Xia

Independent Non-Executive Directors

Mr. Jonathan H. Chou
Dr. Ding Jiandong
Ms. Sun Zhixiang

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on January 10, 2019 as an exempted company with limited liability under the laws of the Cayman Islands. The Shares were listed on the Main Board of the Stock Exchange on February 4, 2021.

PRINCIPAL ACTIVITIES

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.

RESULTS

The results of the Group for the year ended December 31, 2022 are set out in the consolidated statement of profit or loss on page 123 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" in this annual report. These discussions form part of this annual report. Events affecting the Company that have occurred since the end of the Reporting Period is set out in the section headed "Important Events after the Reporting Period" in this annual report. The discussion of the Company's key relationships with its employees, suppliers and others that have a significant impact on the Company is set out in the section headed "Relationship with Key Stakeholders" in this annual 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:

- we have incurred significant net losses since inception and expect to continue to incur losses, and may never achieve or maintain profitability. As a result, you may lose substantially all of your investment in us if our business fails;

- we just begun commercializing our products in 2019 and our sales currently mainly rely on three products, VitaFlow®, VitaFlow Liberty™ and Alwide® Plus, which may make it difficult to evaluate our future prospects. As a result, you may lose substantially all of your investment in us given the nature of biotech industry;

- our future growth depends substantially on the success of our pipeline products. If we are unable to successfully complete clinical development, obtain regulatory approval and commercialize our pipeline products, or experience significant delays in doing so, our business may be materially and adversely affected;

- if our products cause, or are perceived to cause, severe adverse events, our reputation, revenue and profitability could be materially and adversely affected;

- if we fail to effectively expand our overseas business, our business prospects may be adversely affected; and

- if we determine our intangible assets to be impaired, our results of operations and financial condition may be adversely affected.

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

It is our corporate and social responsibility in promoting a sustainable and environmental-friendly environment. We strive to minimize our environmental impact and to build our corporation in a sustainable way.

We are subject to environmental protection and occupational health and safety laws and regulations in China. In 2022, we 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.

A comprehensive review on the Company's environmental policies and performance during the Reporting Period is provided in the "2022 Environmental, Social and Governance Report" from page 77 to page 116 of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and 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. For the year ended December 31, 2022, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

EMPLOYEE AND REMUNERATION POLICIES

As of December 31, 2022, the Group had 558 employees.

The number of employees employed by the Group varies from time to time depending on need. The remuneration package of our employees includes salary and bonus, which are generally determined by their qualifications, industry experience, position and performance. The Company makes contributions to social insurance and housing provident funds as required by the PRC laws and regulations.

The Company also has adopted the Share Option Scheme and the Share Award Scheme to provide incentives for certain employees. Please refer to the section headed "Share Incentive Schemes" in this annual report for further details.

The Board proposed to adopt a new share scheme (the "New Share Scheme") in compliance with the amendments to Chapter 17 of the Listing Rules that came into effect on January 1, 2023. The New Share Scheme is subject to the approval of the Shareholders at a general meeting of the Company. For further details, please refer to the announcement of the Company dated March 31, 2023.

For the year ended December 31, 2022, the Group did not experience any material labor disputes or strikes that may have a material and adverse effect on our business, financial condition or results of operations, or any difficulty in recruiting employees.

MAJOR SUPPLIERS

Our principal raw materials for the manufacturing of TAVI products are bovine pericardium and nitinol components. To ensure the quality of our principal raw materials, we only procure bovine pericardium and nitinol components from selected suppliers that can satisfy our stringent raw material requirements. We procure bovine pericardium from Chengdu Xintuo Biotechnology Company Limited (成都心拓生物科技有限公司), a wholly-owned subsidiary of the Company, and one qualified supplier in Australia, where bovine pericardium has not been affected by bovine spongiform encephalopathy. Our nitinol components are mainly procured from Germany.

For the year ended December 31, 2022, purchases from the Group's five largest suppliers amounted to RMB117.6 million (2021: RMB90.5 million), accounting for approximately 31.2% (2021: 29.5%) of the Group's total purchase amount in the same year. The Group's purchase from the largest supplier for the year ended December 31, 2022 amounted to RMB38.6 million (2021: RMB28.8 million), accounting for approximately 10.2% (2021: 9.4%) of the Group's total purchase amount for the same year.

MAJOR CUSTOMERS

We currently have three in-house developed commercialized products, VitaFlow®, VitaFlow Liberty™, and Alwide® Plus. During the Reporting Period, substantially all of our revenues were generated from the sale of VitaFlow® (in China and Argentina) and VitaFlow Liberty™ (in China). 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. During the Reporting Period, all of our products were sold through distributors. As of the date of this annual report, we had 15 distributors. In addition, our distributors may from time to time, engage sub-distributors to assist them, penetrating a broader network of eligible hospitals for TAVI procedures. Under the distribution agreements with our distributors, we require our distributors to seek our written consent before engaging sub-distributors.

In addition, with respect to our overseas strategies, we plan to engage local agent or distributor to assist us to penetrate local markets. We normally select local distributors/agents based on their relevant experiences in the territory, especially whether they have access to eligible hospitals for TAVI procedures. As of December 31, 2022, we had engaged 1 local distributor in Argentina.

For the year ended December 31, 2022, revenue from the Group's five largest customers amounted to RMB237.7 million (2021: RMB130.3 million), accounting for approximately 94.7% (2021: 64.9%) of the Group's total revenue amount in the same year, mainly attributed to the increase in the number of platform providers. The Group's largest customer for the year ended December 31, 2022 amounted to RMB87.8 million (2021: RMB48.7 million), accounting for approximately 35.0% (2021: 24.2%) of the Group's total revenue for the same year.

To the best knowledge of the Company, none of the Directors, their respective close associates, or any Shareholders who owns more than 5% of the Company's issued capital, has any interest in any of the Group's five largest suppliers or customers.

For the year ended December 31, 2022, the Group did not experience any significant disputes with its suppliers or customers.

RELATIONSHIP WITH KEY STAKEHOLDERS

The Group recognizes that various stakeholders including customers, suppliers, employees, Shareholders and other business associates are key to the Group's success. The Group strives to achieve corporate sustainability through engaging, collaborating, and cultivating strong relationship with them.

Employees

The Company builds its success on employees' dedication and commitment. The Company is committed to providing as many opportunities as possible for employees' skills enhancement and career development. We aim at cultivating talents in the long run, encouraging employees to realise their full potential and to keep pace with growth of the Company. Details of employees of the Company during the Reporting Period are set out in the "2022 Environmental, Social and Governance Report" from page 77 to page 116 of this annual report.

Customers and Suppliers

The Group's principal customers are distributors. We procure bovine pericardium and nitinol components from selected suppliers. We have been devoted to maintaining long term cooperation, enhancing product quality, increasing sales volume and improving profitability.

We have established relationships with many key opinion leaders in medical community, including physicians, researchers and hospital administrators. Through regular visits with specialists, attendance of conferences, holding physician education programs and other activities, our brand recognition are enhanced greatly.

Shareholders

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and investor understanding of the Company's business performance and strategies. Apart from transparent and timely disclosure of corporate information in accordance with the Listing Rules, the Company has kept effective communication with the Shareholders through the Company's website, Wechat platform, Shareholder's hotline, and IR mailbox. Senior managements are also glad to receive the Shareholders' on-site visit and have one-on-one meetings with them to share the information which they are concerned and enable them to make rational investment decisions.

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 12 of this annual report. This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to the 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 of the Company's securities.

SUBSIDIARIES

Particulars of the Company's major subsidiaries are set out in note 12 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group for the year ended December 31, 2022 are set out in note 10 to the consolidated financial statements.

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the year ended December 31, 2022 are set out in note 26 to the consolidated financial statements.

DONATION

For the year ended December 31, 2022, the Group made charitable donations of RMB47.8 million.

DEBENTURE ISSUED

The Group did not issue any debenture for the year ended December 31, 2022.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme and the Share Award Scheme as set out in this annual report, no equity-linked agreements were entered into by the Group, or existed for the year ended December 31, 2022.

DIVIDENDS

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

PERMITTED INDEMNITY

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices.

Such permitted indemnity provision has been in force for the year ended December 31, 2022. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

DISTRIBUTABLE RESERVES

The Company may pay dividends out of the share premium account, retained earnings and any other reserves provided that immediately following the payment of such dividends, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

As at 31 December 2022, the Company's reserves available for distribution amounted to approximately RMB3,818.0 million (2021: RMB3,859.2 million).

Details of movements in the reserves of the Group and the Company during the year ended December 31, 2022 are set out in the consolidated statement of changes in equity on page 127 and in note 26 to the consolidated financial statements, respectively.

BANK LOANS AND OTHER BORROWINGS

As of the date of this annual report, the Company has no bank loans and other borrowings.

CONVERTIBLE BONDS

As of the date of this annual report, the Company has not issued any convertible bonds.

LOAN AGREEMENT WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

As of the date of this annual report, the Company has not entered into any loan agreement which contains covenants requiring specific performance of the Controlling Shareholders.

DIRECTORS' SERVICE CONTRACTS

Except the executive Director, Mr. Zhao Liang, who has entered into a service agreement with the Company for an initial term of three years with effect from May 26, 2022, each of the executive Directors has entered into a service contract with the Company for an initial term of three years with effect from the Listing Date.

Except the independent non-executive Director, Dr. Ding Jiandong, who has signed a letter of appointment with the Company for an initial term of three years with effect from August 27, 2021, each of the non-executive Directors and independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years with effect from the Listing Date.

The above appointments are always subject to the provisions of retirement and rotation of directors under the Articles of Association.

None of the Directors has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

None of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2022.

DIRECTORS AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in the Prospectus and save for their respective interests in the Group, none of the Directors and the Controlling Shareholders was interested in any business which competes or is likely to compete with the businesses of the Group for the year ended December 31, 2022.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed for the year ended December 31, 2022.

PENSION SCHEME

The employees of the Group's subsidiaries which operate in mainland China are required to participate in a statutory pension scheme operated by the local municipal government. The subsidiaries operating in mainland China is required to contribute a certain percentage of its payroll costs to the statutory pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the statutory pension scheme.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY OF ITS ASSOCIATED CORPORATIONS

As of December 31, 2022, the interests and short positions of the Directors and chief executives of our Company and their associates in any of the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long Positions in the Shares/underlying Shares of the Company

Name of Directors/Chief Executive	Nature of interest	Number of Shares/ underlying Shares	Approximate percentage of shareholding interest
Mr. Chen Guoming	Beneficial owner	6,875,300	0.29%
Dr. Luo Qiyi	Interest in controlled corporation	6,413,144	0.27%
Ms. Yan Luying	Beneficial owner	5,029,347	0.21%
Mr. Zhao Liang	Beneficial owner	4,559,011	0.19%
Dr. Ding Jiandong	Beneficial owner	30,000	0.00%

Notes:

(1) All the above Shares are held in long position.

(2) The calculation is based on the total number of 2,409,385,124 Shares in issue as at December 31, 2022.

Save as disclosed above, none of the Directors or chief executives of the Company or their associates had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations.

Substantial Shareholders' interests and short positions in Shares and underlying Shares

As of December 31, 2022, so far as the Directors are aware, the following persons (other than the Directors or chief executives of the Company or their associates) had interests or short positions 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:

Name of Substantial Shareholders	Nature of interest	Number of Shares	Approximate percentage of shareholding interest[5]
Shanghai MicroPort[1]	Beneficial owner	1,112,855,680	46.19%
CICC Kangrui[2]	Beneficial owner	181,592,220	7.54%
Shanghai Huahao[3]	Beneficial owner	135,311,520	5.62%

Notes:

(1) Shanghai MicroPort was wholly owned by MicroPort®. Therefore, MicroPort® was deemed to be interested in the Shares that Shanghai MicroPort was interested in under the SFO.

(2) CICC Kangzhi (Ningbo) Equity Investment Management Co., Ltd. (中金康智(寧波)股權投資管理有限公司), "CICC Kangzhi") was the general partner of CICC Kangrui. As confirmed by CICC Kangrui, CICC Kangzhi was controlled by CICC Capital Management Co., Ltd., which is a wholly-owned subsidiary of China International Capital Corporation Limited (中國國際金融股份有限公司). Therefore, each of CICC Kangzhi, CICC Capital Management Co., Ltd. and China International Capital Corporation Limited (中國國際金融股份有限公司) was deemed to be interested in the Shares that CICC Kangrui was interested in under the SFO.

(3) Each of Tianjin Huajie Enterprise Management Advisors Partners, L.P. (as the general partner of Shanghai Huahao and the general partner of Huajie (Tianjin) Medical Investment Partnership (Limited Partnership)), Huajie (Tianjin) Medical Investment Partnership (Limited Partnership) (as sole limited partner of Shanghai Huahao), Tianjin Huaqing Enterprise Management Advisors Co., Ltd. (as the general partner of Tianjin Huajie Enterprise Management Advisors Partners, L.P.), Shanghai Weihong Investment Co., Ltd. (as the largest shareholder holding 51% of the equity interests in Tianjin Huaqing Enterprise Management Advisors Co., Ltd.), Huagan (Shanghai) Business Consulting Co., Ltd. (as the sole shareholder of Shanghai Weihong Investment Co., Ltd.), CR INVESTMENT (HK) LIMITED (as the sole shareholder of Huagan (Shanghai) Business Consulting Co., Ltd.), CR Investments Corporation (as the sole shareholder of CR INVESTMENT (HK) LIMITED), China Renaissance Holdings Limited (a company listed on the Stock Exchange with stock code 1911, as the sole shareholder of CR Investments Corporation) was deemed to be interested in the Shares that Shanghai Huahao was beneficially interested in under the SFO.

(4) All the above Shares are held in long position.

(5) The calculation is based on the total number of 2,409,385,124 Shares in issue as at December 31, 2022.

Save as disclosed above, no person, other than the Directors or chief executives of the Company whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company and any of its Associated Corporations" above, had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

SHARE INCENTIVE SCHEMES

Share Option Scheme

The Share Option Scheme was adopted by ordinary resolution of the shareholders of MicroPort® ("**MicroPort Shareholders**") in the extraordinary general meeting of MicroPort® dated March 13, 2020 ("**Adoption Date**") and amended on March 17, 2022. The terms of the Share Option Scheme are governed by Chapter 17 of the Listing Rules. A summary of the principal terms of the Share Option Scheme is set out below:

(a) Purpose

The purpose of the Share Option Scheme is to provide incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of, our Group and for such other purposes as our Board may approve from time to time.

(b) Grant of Options

Each offer of an option (the "Offer") shall be in writing made to an eligible person by letter in such form as our Board may from time to time determine at its discretion (the "Offer Letter"). The Offer Letter shall state, among others, the period during which the option may be exercised (the "Option Period"), which period is to be determined and notified by our Board but shall expire in any event not later than the last day of the 10-year period after the date of grant of the option. Our Board may specify in the Offer Letter any conditions which must be satisfied before the option may be exercised, including without limitation such performance targets (if any) and minimum periods for which an option must be held before it can be exercised and any other terms in relation to the exercise of the option, including without limitation such percentages of the options that can be exercised during a certain period of time, as our Board may determine from time to time. Our Board shall specify in the Offer Letter a date by which the grantee must accept the Offer, being a date no later than 28 days after the date on which the option is offered or the date on which the conditions for the offer are satisfied, whichever is earlier.

(c) Eligible Participants

Eligible persons include:

(i) any employee (whether full-time or part-time) of our Group;

(ii) any director (including executive, non-executive and independent non-executive directors) of our Group; and

(iii) any director (including executive, non-executive and independent non-executive directors) or employee (whether full-time or part-time) of MicroPort® who, in the sole and absolute direction of our Board, has contributed or will contribute to the development of our Group.

The basis of eligibility of any of the above classes of eligible persons to the grant of any options shall be determined by our Board from time to time on the basis of their contribution to the development and growth of our Group.

(d) Maximum Number of Shares Available for Issue under the Share Option Scheme

At the time of adoption of the Share Option Scheme or any new subsidiary share option scheme (the "**New Scheme**"), the aggregate number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme, the New Scheme and all schemes existing at such time (the "**Existing Scheme(s)**") of our Group must not in aggregate exceed 10% of the total number of Shares in issue as of the date of the Shareholders' approval or the date of the MicroPort® Shareholders' approval, whichever is later, of the increase of the original scheme mandate limit (the "**Scheme Mandate Limit**"). For the purposes of calculating the Scheme Mandate Limit, the Shares which are the subject matter of any options that have already lapsed in accordance with the terms of the relevant Existing Scheme(s) shall not be counted. The Scheme Mandate Limit may be refreshed by both ordinary resolution of the MicroPort Shareholders and special resolution of our Shareholders of our Company in their respective general meeting, provided that:

(i) the Scheme Mandate Limit so refreshed shall not exceed 10% of the total number of Shares in issue as of the date of the MicroPort® Shareholders' approval or the date of the Shareholders' approval, whichever is later, of the refreshing of the Scheme Mandate Limit;

(ii) options previously granted under the Share Option Scheme and any other share option scheme(s) of the Company (including options outstanding, cancelled or lapsed in accordance with the relevant scheme rules or exercised options) shall not be counted for the purpose of calculating the limit as refreshed; and

(iii) a circular regarding the proposed refreshing of the Scheme Mandate Limit has been despatched to the MicroPort® Shareholders and Shareholders (if applicable) in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules in force from time to time.

Our Company may seek separate approvals from the MicroPort® Shareholders and our Shareholders in their respective general meeting for granting options which will result in the Scheme Mandate Limit being exceeded, provided that:

(i) the grant is to eligible persons specifically identified by our Company before the approval is sought; and

(ii) a circular regarding the grant has been despatched to the MicroPort® Shareholders and our Shareholders (if applicable) in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules in force from time to time. In accordance with the current Listing Rules, the circular must contain the name of each specified participant who may be granted such options, the number and terms of the options to be granted to each participant, and the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose, and other information required to comply with the relevant provisions of Chapter 17 of the Listing Rules in force from time to time.

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme is 240,383,611 Shares, representing approximately 9.97% of the total Shares in issue as of the date of this annual report.

(e) Maximum entitlement of each eligible person

No option shall be granted to any eligible person if, at the relevant time of grant, the number of Shares issued and to be issued upon exercise of all options (granted and proposed to be granted, whether exercised, cancelled or outstanding) to the eligible person in the 12-month period up to and including the date of such grant would exceed 1% of the total number of Shares in issue at such time, unless: (a) such grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules in force from time to time, by ordinary resolution of the Shareholders in general meeting, at which the eligible person and his close associates (or his associates if the eligible person is a connected person) abstained from voting; (b) a circular regarding the grant has been despatched to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules in force from time to time. In accordance with the current Listing Rules, the circular must disclose identity of the participant, the number and terms of the options to be granted (and those previously granted to such participant in the 12-month period), the purpose of granting options to the participant and an explanation as to how the terms of the options serve such purpose; and (c) the number and terms (including the subscription price) of such options are fixed before the general meeting of the Company at which the same are approved.

(f) Subscription Price and Consideration for the Option

The price at which each Share subject to an option may be subscribed for on the exercise of that option shall be a price solely determined by the Board and notified to an eligible person and shall be at least the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date of such option(s) (the "**Offer Date**"), which must be a business day; (b) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Offer Date; and (c) the nominal value of the Shares. No consideration is required upon acceptance of the grant of options.

(g) Remaining Life of the Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further options shall be granted. Subject to the above, in all other respects, in particular, in respect of options remaining outstanding on the expiry of the 10-year period referred to in this paragraph, the provisions of the Share Option Scheme shall remain in full force and effect.

Subject to the early termination, the remaining life of the Share Option Scheme is approximately 6 years and 11 months as of the date of this annual report.

(h) Outstanding Options Granted as of December 31, 2022

As of January 1, 2022, the number of options available for grant under the Share Option Scheme was 15,741,060. We refreshed the Scheme Mandate Limit in March 2022 and the number of options available for grant under the Share Option Scheme as of December 31, 2022 was 235,641,374. As of December 31, 2022, the aggregate number of outstanding options granted under the Share Option Scheme is 67,439,336, representing approximately 2.80% of the total issued share capital of our Company as of December 31, 2022. The number of Shares that may be issued in respect of options granted under the Share Option Scheme during the Reporting Period divided by the weighted average number of Shares in issue for the year is 2.74%. The status of the share options granted up to December 31, 2022 is as follows:

Name	Position	Number of Shares underlying the granted options as of December 31, 2021	Granted during the Reporting Period	Exercised during the Reporting Period	Expired during the Reporting Period	Cancelled during the Reporting Period	Exercise Price	Number of Shares underlying the granted options as of December 31, 2022	Date of grant	Vesting period	Exercise period	Closing Price of the Company Immediately before the date of grant of share options	Share Price of the Company Immediately before the exercise date of share options[1]
EMPLOYEE PARTICIPANTS													
Directors and senior management of our Company													
Dr. Luo Qiyi	Non-executive Director and Chairman of our Board	6,000,000	—	—	—	—	US$0.16	6,000,000	March 31, 2020	March 31, 2020–March 31, 2025	March 31, 2021–March 30, 2030	N/A	N/A
Mr. Chen Guoming	Executive Director and President	5,000,000	—	—	—	—	US$0.16	5,000,000	March 31, 2020	March 31, 2020–March 31, 2025	March 31, 2021–March 30, 2030	N/A	N/A
		—	1,209,992	—	—	—	HK$3.754	1,209,992	January 19, 2022	January 19, 2022–January 19, 2027	January 19, 2023–January 18, 2032	HK$3.65	N/A
		—	332,654	—	—	—	HK$2.63	332,654	March 30, 2022	March 30, 2022–March 30, 2027	March 30, 2023–March 29, 2032	HK$2.54	N/A
Ms. Yan Luying	Executive Director and Vice President	4,000,000	—	—	—	—	US$0.16	4,000,000	March 31, 2020	March 31, 2020 –March 31, 2025	March 31, 2021–March 30, 2030	N/A	N/A
		—	391,499	—	—	—	HK$3.754	391,499	January 19, 2022	January 19, 2022–January 19, 2027	January 19, 2023–January 18, 2032	HK$3.65	N/A
		—	318,924	—	—	—	HK$2.63	318,924	March 30, 2022	March 30, 2022–March 30, 2027	March 30, 2023–March 29, 2032	HK$2.54	N/A
Mr. Wu Guojia (Resigned on April 30, 2022)	Executive Director and Vice President	4,000,000	—	1,600,000	—	2,400,000	US$0.16	—	March 31, 2020	March 31, 2020–March 31, 2025	March 31, 2021–March 30, 2030	N/A	HK$2.6
			228,620	—	—	228,620	HK$2.63	—	March 30, 2022	March 30, 2022–March 30, 2027	March 30, 2023–March 29, 2032	HK$2.54	N/A
Mr. Zhao Liang	Executive Director and Vice President	2,000,000	—	—	—	—	HK$6.406	2,000,000	October 4, 2021	October 4, 2021–October 4, 2026	October 4, 2022–October 3, 2031	N/A	N/A
			1,624,933	—	—	—	HK$3.754	1,624,933	January 19, 2022	January 19, 2022–January 19, 2027	January 19, 2023–January 18, 2032	HK$3.65	N/A
			117,039	—	—	—	HK$2.63	117,039	March 30, 2022	March 30, 2022–March 30, 2027	March 30, 2023–March 29, 2032	HK$2.54	N/A
			700,000	—	—	—	HK$2.802	700,000	June 22, 2022	June 22, 2022–June 22, 2027	June 22, 2023–June 21, 2032	HK$2.9	N/A
Subtotal		21,000,000	4,923,661[2][5]	1,600,000	—	2,628,620		21,695,041					

Name	Position	Number of Shares underlying the granted options as of December 31, 2021	Granted during the Reporting Period	Exercised during the Reporting Period	Expired during the Reporting Period	Cancelled during the Reporting Period	Exercise Price	Number of Shares underlying the granted options as of December 31, 2022	Date of grant	Vesting period	Exercise period	Closing Price of the Company Immediately before the date of grant of share options	Share Price of the Company Immediately before the exercise date of share options[1]
Related Entity Participants													
Dr. Chang Zhaohua	Director of MicroPort®	6,000,000	—	—	—	—	US$0.16	6,000,000	March 31, 2020	March 31, 2020–March 31, 2025	March 31, 2021–March 30, 2030	N/A	N/A
Other employees of MicroPort®		3,527,372	—	121,372	—	240,000	US$0.16	3,166,000	March 31, 2020	March 31, 2020–March 31, 2025	March 31, 2021–March 30, 2030	N/A	HK$3.539
		—	300,000	—	—	—	HK$2.802	300,000	June 22, 2022	June 22, 2022–June 22, 2027	June 22, 2023–June 21, 2032	HK$2.9	N/A
Subtotal		9,527,372	300,000[3][5]	121,372	—	240,000	—	9,466,000					
Other Employee Participants													
		29,064,435		4,099,659	—	7,659,048	US$0.16	17,305,728	March 31, 2020	March 31, 2020–March 31, 2025	March 31, 2021–March 30, 2030	N/A	HK$2.745
		7,170,000	—	—	—	2,150,000	HK$13.72	5,020,000	March 31, 2021	March 31, 2021–March 31, 2026	March 31, 2022–March 30, 2031	N/A	N/A
		1,100,000	—	—	—	—	HK$6.406	1,100,000	October 4, 2021	October 4, 2021–October 4, 2026	October 4, 2021–October 3, 2031	N/A	N/A
		—	12,350,192	—	—	1,867,625	HK$3.754	10,482,567	January 19, 2022	January 19, 2022–January 19, 2027	January 19, 2023–January 18, 2032	HK$3.65	N/A
		—	2,745,000	—	—	375,000	HK$2.802	2,370,000	June 22, 2022	June 22, 2022–June 22, 2027	June 22, 2023–June 21, 2032	HK$2.9	N/A
Subtotal		37,334,435	15,095,192[4][5]	4,099,659	—	12,051,673	—	36,278,295					
Total		67,861,807	20,318,853	5,821,031	—	14,920,293	—	67,439,336					

Notes:

(1) The share price of the Company disclosed is the weighted average closing price of the Shares immediately before the exercise dates of share options during the period.

(2) The fair value of these share options granted under the Share Option Scheme was RMB4.5 million.

(3) The fair value of these share options granted under the Share Option Scheme was RMB0.2 million.

(4) The fair value of these share options granted under the Share Option Scheme was RMB14.2 million.

(5) The fair value set out in notes (2), (3) and (4) above were determined using the binomial lattice model. The measurement date is the date on which the share options were granted.

(6) The vesting of above options is not subject to any performance targets.

SHARE AWARD SCHEME

On March 30, 2021, the Company has adopted the Share Award Scheme with the summary as below:

(a) Purposes

The purpose of the Share Award Scheme is to recognize certain directors, employees, consultants and advisors of the Group in order to incentivize them to retain with the Group, and to motivate them to strive for the future development and expansion of the Group.

(b) Eligible Participants

The directors, employees, consultants and advisors of the Group.

(c) Total Number of Shares Available for Issue under the Share Award Scheme

The Board shall not make any further award of award Shares which will result in the nominal value of the Shares awarded by the Board under the Share Award Scheme exceeding 10% of the issued share capital of the Company from time to time (i.e. 241,017,166 Shares as of the date of this annual report).

(d) Maximum Entitlement of Each Participant

The maximum number of Shares which may be awarded to a selected participant under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time, save and except with the approval from the Shareholders.

(e) Remaining Life of the Share Award Scheme

Unless terminated earlier by the Board in accordance with the rules of the Share Award Scheme, the Share Award Scheme is valid and effective for a term of 10 years commencing on the adoption date (i.e. March 30, 2021).

The Share Award Scheme shall terminate on the earlier of (i) the 10th anniversary date of the adoption date; and (ii) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any selected participant. Upon termination, all award Shares and the related income shall become vested on the selected participant so referable on such date of termination. Net sale proceeds (after making appropriate deductions) of the returned Shares and such non-cash income together with the residual cash and such other funds remaining in the trust shall be remitted to the Company forthwith after the sale.

Subject to the early termination, the remaining life of the Share Award Scheme is approximately 7 years and 11 months as of the date of this annual report.

(f) Vesting and Lapse

When the selected participant has satisfied all vesting conditions specified by the Board at the time of making the award and become entitled to the Shares forming the subject of the award, the trustee shall transfer the relevant award Shares to the selected participant(s) or his/her nominee(s). The vesting date shall be on any Business Day at the end of March of any year, but in any event not later than 12 months after the date of final approval by the Board of the amount for the purchase of Shares pursuant to the Share Award Scheme.

An award lapses when, (i) the relevant selected participant ceases to be an employee of the Group, or (ii) the subsidiary of the Company by which a selected participant is employed ceases to be a subsidiary of the Company (or of a member of the Group), or (iii) an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company (otherwise than for the purposes of, and followed by, an amalgamation or reconstruction in such circumstances that substantially the whole of the undertaking, assets and liabilities of the Company pass to a successor company), the award shall automatically lapse forthwith and the award Shares shall not vest on the relevant vesting date but shall become Returned Shares for the purposes of the Share Award Scheme.

(g) Subscription Price and Consideration of the Award Shares

The price at which each Award Share may be subscribed for shall be a price solely determined by the Remuneration Committee.

During the Reporting Period, the Company had granted 1,030,424 share awards pursuant to the Share Award Scheme to Directors and senior management of the Group, representing 0.04% of the issued share capital of the Company, details of which are set out below:

Name	Position	Number of Shares underlying the granted share awards as of December 31, 2021	Granted during the Reporting Period	Vested during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Subscription Price	Number of Shares underlying the granted share awards as of December 31, 2023	Date of grant	Vesting date	Closing Price of the Shares Immediately before the date of grant
Directors and senior management of our Company											
Mr. Chen Guoming	Executive Director and President	—	332,654	332,654	—	—	HK$3.63	—	March 30, 2022	March 30, 2022	HK$2.54
Ms. Yan Luying	Executive Director and Vice President	—	318,924	318,924	—	—	HK$3.63	—	March 30, 2022	March 30, 2022	HK$2.54
Mr. Wu Guojia (Resigned on April 30, 2022)	Executive Director and Vice President	—	228,620	228,620	—	—	HK$3.63	—	March 30, 2022	March 30, 2022	HK$2.54
		—	6,344	6,344	—	—	HK$3.62	—	January 19, 2022	April 30, 2022	HK$3.65
		—	7,034	7,034	—	—	HK$3.27	—	February 15, 2022	April 30, 2022	HK$3.21
		—	11,067	11,067	—	—	HK$2.08	—	March 15, 2022	April 30, 2022	HK$2.17
		—	8,742	8,742	—	—	HK$2.64	—	April 19, 2022	April 30, 2022	HK$2.78
Mr. Zhao Liang	Executive Director and First Vice President	—	117,039	117,039	—	—	HK$3.63	—	March 30, 2022	March 30, 2022	HK$2.54

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

In compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board. The Directors and the senior management personnel are eligible participants of the Share Option Scheme and the Share Award Scheme.

The Company also has adopted the Share Option Scheme and the Share Award Scheme to provide incentives for certain employees. Please refer to the section headed "Share Incentive Schemes" in this annual report for further details.

Details of the remuneration of the Directors, senior management and the five highest paid individuals are set out in note 7 and note 8 to the consolidated financial statements, respectively.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

CONNECTED TRANSACTIONS

Among the related party transactions disclosed in note 29 to the consolidated financial statements, the following transactions constitute connected transactions for the Company under Rule 14A.31 of the Listing Rules and are required to be disclosed in this annual report in accordance with Rule 14A.71 of the Listing Rules. The Company confirmed that, save as disclosed below, none of the related party transactions disclosed in note 29 to the consolidated financial statements falls under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) in Chapter 14A of the Listing Rules required to be disclosed in this annual report and the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules. Please see below the information required to be disclosed in compliance with Chapter 14A of the Listing Rules.

Continuing Connected Transactions

Master Service Procurement Agreement

Our Company (for itself and on behalf of its subsidiaries) and Shanghai MicroPort Medical (for itself and on behalf of its subsidiaries) entered into the Master Service Procurement Agreement on January 21, 2021, pursuant to which our Group will procure animal test services, balloon processing services, sterilization services, product testing services and numerical simulation service from the MicroPort® Group.

The Master Service Procurement Agreement has an initial term commencing from the Listing Date till December 31, 2023. Subject to compliance with Listing Rules and applicable laws and regulations, the Master Service Procurement Agreement may be renewed for a further term of three years from time to time, unless either party notifies the other party to the contrary with one months' written notice prior to the expiry of the agreement's term. Upon renewal of the Master Service Procurement Agreement, the parties may amend the terms of the agreement based on the then prevailing circumstances.

As we are a biotechnology medical device company, the services provided by the MicroPort® Group are essential to our development and manufacturing process and such services require sophisticated technologies and knowledge that are better handled by service providers with such capabilities. The MicroPort® Group has been providing for our Group the animal test services, balloon processing services, sterilization services and product testing services of good quality at reasonable fee rate during the years ended December 31, 2018 and 2019 and seven months ended July 31, 2020, and started to provide the numerical simulation service for our Group in 2020. Due to the geographical proximity and long-term and stable cooperation relationship between the MicroPort® Group and us, we believe the MicroPort® Group will provide such services to us in a timely and cost-efficient manner. Thus, we are of the view that continuous procurement of the services from the MicroPort® Group are in the interest of our Company and our Shareholders as a whole and will be beneficial to our Group. Please refer to the section headed "Connected Transactions" in the Prospectus for details.

The annual caps for the transactions under the Master Service Procurement Agreement for the years ended December 31, 2022 and 2023 are RMB16,950,000 and RMB10,500,000, respectively. The aggregate transaction amount incurred in accordance with the Master Service Procurement Agreement for the year ended December 31, 2022 was RMB11,426,000.

Master Raw Materials Procurement Agreement

Our Company (for itself and on behalf of its subsidiaries) and Shanghai MicroPort Medical (for itself and on behalf of its subsidiaries) entered into the Master Raw Materials Procurement Agreement on January 21, 2021, pursuant to which our Group will procure certain raw materials (the "**Raw Materials**"), such as evacuation tubes, outer tubes, inner tubes, nitinol tubes and PTFE sheathes, from the MicroPort® Group.

The Master Raw Materials Procurement Agreement has an initial term commencing from the Listing Date till December 31, 2023. Subject to compliance with Listing Rules and applicable laws and regulations, the Master Raw Materials Procurement Agreement may be renewed for a further term of three years from time to time, unless either party notifies the other party to the contrary with one months' written notice prior to the expiry of the agreement's term. Upon renewal of the Master Raw Materials Procurement Agreement, the parties may amend the terms of the agreement based on the then prevailing circumstances.

We procured the Raw Materials from the MicroPort® Group as the prices are more favorable as compared to other third party suppliers. The production of the Raw Materials requires specialized production line, facilities and personnel. The MicroPort® Group currently has such production capacity, and offers to provide customization of such products for independent third parties, while we do not have or plan to build up such production capacity. Thus, it is commercially sensible to procure the Raw Materials from the MicroPort® Group or Independent Third Parties instead of building up our own production capacity solely for the purpose of producing the Raw Materials. The Raw Materials are produced by MicroPort® Group with high quality, and stable and quick delivery in reasonable price could satisfy and ensure our efficient commercialized production of our products and further product candidates. Accordingly, we are of the view that continuous procurement of the Raw Materials from MicroPort® Group are in the interest of our Company and our Shareholders as a whole and will be beneficial to our Group. Please refer to the section headed "Connected Transactions" in the Prospectus for details.

The annual caps for the transactions under the Master Raw Materials Procurement Agreement for the years ended December 31, 2022 and 2023 are RMB38,000,000 and RMB39,000,000 respectively. The aggregate transaction amount incurred in accordance with the Master Raw Materials Procurement Agreement for the year ended December 31, 2022 was RMB4,158,000.

2022 Service Procurement Framework Agreement

On June 7, 2022, MP CardioFlow (for itself and on behalf of its subsidiaries) and MicroPort® (for itself and on behalf of its subsidiaries other than the Group) entered into the 2022 Service Procurement Framework Agreement, pursuant to which MP CardioFlow will procure (i) promotion services and (ii) patient health management services from the MicroPort® Group.

The 2022 Service Procurement Framework Agreement commenced on June 22, 2022 and will end on December 31, 2023. Subject to compliance with Listing Rules and applicable laws and regulations, the 2022 Service Procurement Framework Agreement may be renewed for a further term of three years from time to time. Upon renewal, the parties may amend the terms of the 2022 Service Procurement Framework Agreement based on the then prevailing circumstances.

The TVT medical device industry in which the Group operates is intensely competitive and rapidly changing. The Company faces competition with major international medical device companies as well as domestic medical device companies which are developing heart valve disease solutions. In order to gain a higher market share in China's as well as overseas TAVI (transcatheter aortic valve implantation) market, it's important for the Company to further strengthen the commercialization capabilities of the Company by, among others, leveraging the promotion and patient health management services provided by external suppliers. Therefore, the services provided by the MicroPort® Group under the 2022 Service Procurement Framework Agreement are essential to the commercialization process and can be a supplement to the in-house sales and marketing team of the Group.

The Company is a biotechnology medical device company. Therefore, the promotion of its products and the management of the eligible patients of the Group's products require sophisticated experience and knowledge that are better handled by service providers with such capabilities. The MicroPort® Group has a proven record of successfully commercializing medical devices, and has a well-established and experienced sales and marketing team familiar with the Group's products with not only a broad coverage of the Group's target departments of domestic hospitals but also global outreach. Further, the MicroPort® Group has been very familiar with the Group's requirements and has been providing us with various satisfying services in a timely and cost-efficient manner. Therefore, it is believed that engaging the MicroPort® Group to provide the promotion services and patient health management services will be beneficial for the Company to boost brand awareness, enhance the Group's influence, grasp market dynamics and increase the penetration rate of the Group's products. In addition, in line with the Group's globalization strategy, with the support from the overseas sales and marketing team of the MicroPort® Group, the Company will further advance its global commercialization process which will enable the Company to expeditiously establish an advantageous position in market share in the relevant overseas market.

The annual caps for the transactions under the 2022 Service Procurement Framework Agreement for the years ended December 31, 2022 and 2023 are RMB55,000,000 and RMB80,000,000, respectively. The aggregate transaction amount incurred in accordance with the 2022 Service Procurement Framework Agreement for the year ended December 31, 2022 was RMB15,613,000.

2022 Equipment Procurement Framework Agreement

On June 23, 2022, MP CardioFlow entered into the 2022 Equipment Procurement Framework Agreement with Medical Product Innovation, pursuant to which MP CardioFlow will procure relevant equipment (the "**Equipment**") in relation to the R&D and manufacturing of our products from Medical Product Innovation.

The 2022 Equipment Procurement Framework Agreement has an initial term commencing from June 23, 2022 to December 31, 2024. Subject to compliance with Listing Rules and applicable laws and regulations, the 2022 Equipment Procurement Framework Agreement may be renewed for a further term of three years from time to time, unless either party notifies the other party to the contrary with one month's written notice prior to the expiry of the agreement's term. Upon renewal of the 2022 Equipment Procurement Framework Agreement, the parties may amend the terms of the agreement based on the then prevailing circumstances.

As a biotechnology medical device company, we may need to procure sophisticated medical equipment from professional medical equipment suppliers to facilitate the R&D and manufacturing of our products. Certain such medical equipment needs to be imported from the United States.

Typically, the suppliers of the Equipment in the United States do not have branches or sales representatives in China. As a result of the differences in time zone and language as well as the geographical distance, such suppliers may not be able to maintain timely and efficient communications with our Company. Therefore, we normally procure the Equipment through import agents in order to improve the efficiency of overseas procurement and ensure the stability of our equipment supply. Among the import agents in the market, Medical Product Innovation has a proven record of providing sophisticated medical equipment for medical device company with competitive price and timely delivery. In addition, Medical Product Innovation has been very familiar with our requirements of the Equipment. It is therefore believed that engaging Medical Product Innovation to provide the Equipment will be beneficial for us.

Our procurements of Equipment from Medical Product Innovation have been and will be conducted in the ordinary and usual course of business of our Group, on an arm's length basis and on normal commercial terms or better. Furthermore, the risk of Medical Product Innovation terminating the connected transactions is remote as the parties under the relevant agreements have limited termination rights and the termination would not be in the commercial interest of Medical Product Innovation in a commercial aspect. In an unlikely event that Medical Product Innovation terminates the 2022 Equipment Procurement Framework Agreement, we do not consider such termination will materially and adversely affect our business.

The annual caps for the transactions under the 2022 Equipment Procurement Framework Agreement for the years ended December 31, 2022, 2023 and 2024 are RMB5,000,000, RMB5,000,000 and RMB5,000,000, respectively. The aggregate transaction amount incurred in accordance with the 2022 Equipment Procurement Framework Agreement for the year ended December 31, 2022 was RMB1,480,000.

The above continuing connected transactions have followed the policies and guidelines under chapter 14A of the Listing Rules when determining the price and terms of the transactions conducted for the year ended December 31, 2022.

The Company's auditor has provided the Board with a confirmation in accordance with Rule 14A.56 of the Listing Rules that nothing has caused them to believe that the continuing connected transactions (i) had not been approved by the Board; (ii) were not in accordance with the Company's pricing policies; (iii) were not entered into in accordance with the agreement governing them; and (iv) had exceeded the annual caps.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors and auditors have confirmed that the above continuing connected transactions: (i) have been entered into, and will be carried out, in the ordinary and usual course of business of our Group and on normal commercial terms or better to us and are fair and reasonable and are in the interests of our Company and our Shareholders as a whole; and (ii) the proposed annual caps are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

The Company has designated a team of senior management from business operation, legal, risk control and finance departments and Board and Securities Affairs department to monitor the continuing connected transactions and ensure that the continuing connected transactions with the above-mentioned connected persons are on arm's length basis and that the annual caps are not exceeded. Such team of senior management continuously traces and regularly monitors the progress of the continuing connected transactions and reports to management of the Company. They review the continuing connected transactions with the finance department to ensure that annual caps are not exceeded. They will also communicate with the Audit Committee, management and the Board, monthly or as needed, to report the progress of the continuing connected transactions, and request for approval of new changes of existing transaction terms. The heads of different departments of the Company will be informed on a periodic basis in relation to the terms and pricing policies of the continuing connected transactions as well. The Audit Committee has also assigned the independent internal audit team the task to ensure that the Company's internal control measures in respect of the continuing connected transactions remain effective and complete. With these measures, the independent non-executive Directors could therefore assess and give the confirmations in the preceding paragraph.

Save for disclosed above, for the year ended December 31, 2022, we have not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the Rules 14A.49 and 14A.71 of the Listing Rules.

Save as aforesaid, none of the "Material Related Party Transactions" as disclosed in note 29 to the consolidated financial statements for the year ended December 31, 2022 constituted discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules.

To the extent of the above "Material Related Party Transactions" constituted connected transactions or continuing connected transactions as defined in the Listing Rules, the company had complied with the relevant requirements under Chapter 14A of the Listing Rules during the year ended December 31, 2022.

CONTRACT OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" above, no contract of significance was entered into between the Company, or one of its subsidiary companies, and any of its Controlling Shareholders or subsidiaries for the year ended December 31, 2022.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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 pursuant to 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.

MATERIAL LITIGATION

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

USE OF NET PROCEEDS FROM 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 annual report, 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.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed percentage of public float under the Listing Rules.

AUDITOR

The consolidated financial statements of the Group have been audited by KPMG, who will retire and, being eligible, offer themselves for re-appointment at the AGM.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in the section headed "Management Discussion and Analysis — Business Review — Events after the Reporting Period", no important events affecting the Company occurred since the Reporting Period and up to the date of this annual report.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

CLOSURE OF REGISTER OF MEMBERS

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 determine the eligibility of the Shareholders to attend and vote at the AGM to be held on Tuesday, June 27, 2023. In order to be eligible to attend and vote at the AGM, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the 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 before 4:30 p.m. on Tuesday, June 20, 2023.

By order of the Board
Microport CardioFlow Medtech Corporation
Dr. Luo Qiyi
Chairman

Hong Kong
March 29, 2023

CORPORATE GOVERNANCE REPORT

GENERAL

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the financial year ended December 31, 2022.

CORPORATE GOVERNANCE PRACTICES

The Company strives to achieve high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of 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 since the Listing Date, and has complied with all applicable Code Provisions as set out in the CG Code from the Listing Date up to the date of this annual report.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code, and maintain a high standard of corporate governance practices.

COMPANY'S CULTURE

The Board believes that corporate culture underpins the long-term business, economic success and sustainable growth of the Group. A strong culture enables the Company to deliver long-term sustainable performance and fulfil its role as a responsible corporate citizen. The Company is committed to developing a positive and progressive culture that is built on its Vision, Mission and Values.

During the Reporting Period, the Company continued to strengthen its cultural framework by focusing on the following:

- Vision: Our vision is to build a people centric enterprise ranking as a global leader of evolving and emerging medical technologies.
- Mission: Our mission is to provide trustworthy and universal access to state-of-the-art total solutions to treat structural heart diseases.
- Values: Quality, Integrity, Innovation, Dedication, Responsibility, Efficiency, Collaboration, Competitiveness

The Board sets and promotes corporate culture and expects and requires all employees to reinforce. All of our new employees are required to attend orientation and training programs so that they may better understand our corporate culture, structure and policies, learn relevant laws and regulations, and raise their quality awareness. In addition, from time to time, the Company will invite external experts to provide training to our management personnel to improve their relevant knowledge and management skills.

The Board considers that the corporate culture and the purpose, values and strategy of the Group are aligned.

BOARD OF DIRECTORS

Board Composition

The Board structure is governed by the Company's Articles of Association. The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group.

The Board currently comprises nine members, including three executive Directors, three non-executive Directors and three independent non-executive Directors.

The list of all Directors, which also specifies the posts, e.g. Chairman, and chairman and member of committees, held by each Director is set out in the section headed "Corporate Information" of this annual report. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules. The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

The Board of the Company comprises the following Directors as of December 31, 2022:

Executive Directors:

Mr. Chen Guoming *(Chief Executive)*
Mr. Zhao Liang *(appointed on May 26, 2022)*
Ms. Yan Luying
Mr. Wu Guojia *(resigned on April 30, 2022)*

Non-Executive Directors:

Dr. Luo Qiyi *(Chairman of the Board)*
Mr. Zhang Junjie
Ms. Wu Xia

Independent Non-Executive Directors:

Mr. Jonathan H. Chou
Ms. Sun Zhixiang
Dr. Ding Jiandong

The biographical details of the current Directors are set out in the section headed "Profiles of Directors and Senior Management" on pages 13 to 19 of this annual report.

Save as disclosed in this annual report, there is no other relationship (including financial, business, family or other material/relevant relationships) between the Board members.

Independence of Independent Non-Executive Directors

During the Reporting Period and up to the date of this annual report, the Company has three independent non-executive Directors, which at all times meets the requirement of the Listing Rules that the number of independent non-executive Directors must represent at least one-third of the Board and should not be less than three, and that at least one of the independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise.

The Board has received written annual confirmation from each independent non-executive Director of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years until terminated in accordance with the terms and conditions stated in the letter.

Appointment and Re-election of Directors

During the Reporting Period, Mr. Wu Guojia resigned on April 30, 2022 and Mr. Zhao Liang was appointed as an executive Director of the Company with effect from May 26, 2022.

Code Provision B.2.2 of the CG Code states that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Pursuant to Article 16.19 of the Articles of Association, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. In addition, any new Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting and be subject to re-election.

Hence, Mr. Chen Guoming, Dr. Luo Qiyi, Mr. Zhang Junjie and Ms. Wu Xia shall retire from office and being eligible, and will offer themselves for re-election pursuant to Article 16.19 of the Articles of Association at the 2023 AGM.

The procedures and process of appointment, re-election and removal of directors are laid down in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment/re-election and succession planning of Directors, in particular, the chairman of the Board and the chief executive of the Company.

Induction and Continuing Development of Directors

All Directors confirmed that they had complied with Code Provision C.1.4 of the CG Code during the Reporting Period, that all Directors had participated in continuous professional development to develop and refresh their knowledge and skills. The Company has distributed training materials prepared by the legal advisor of the Company to all Directors and all Directors confirmed reading the training materials. The training materials covered topics which include, directors' duties, the disclosure obligations under laws of Hong Kong and other applicable laws, the requirements of disclosable transactions and connected transactions under the Listing Rules and the amendments of the Listing Rules, etc.

Board Independence

The Company recognizes that Board independence is key to good corporate governance. The Company has in place effective mechanisms that underpin an independent Board and that independent views. The current composition of the Board, comprising one third independent non-executive Directors and the members of the Audit Committee are all independent non-executive Directors fulfilling the independence requirements under the Listing Rules. The Remuneration Committee and Audit Committee are chaired by independent non-executive Directors. The remuneration of independent non-executive Directors are subject to a regular review to maintain competitiveness and commensurate with their responsibilities and workload. The independence of each independent non-executive Director is assessed upon his/her appointment and annually.

Directors are requested to declare their direct or indirect interests, if any, in proposals or transactions to be considered by the Board at the Board meetings and abstain from voting, where appropriate. External independent professional advice is available to all Directors, including independent non-executive Directors, whenever deemed necessary at the Company's expense. The independent non-executive Directors have consistently demonstrated strong commitment and the ability to devote sufficient time to discharge their responsibilities at the Board.

The Company has also established channels through formal and informal means whereby independent non-executive Directors can express their views in an open manner, and in a confidential manner, should circumstances require.

BOARD MEETINGS

The Board requires Directors to devote sufficient time and attention to their duties and responsibilities. The Board normally will schedule meetings at quarterly interval each year and meet as and when required to discuss the overall business, development strategy, operations and financial reporting of the Company.

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 communication.

The Board held 5 meetings during the year ended December 31, 2022. The attendance records of each member at the Board meeting during the year ended December 31, 2022 are set out below:-

Name of Members	Attendance/Number of meetings held during the term of office of the Board members
Dr. Luo Qiyi *(Chairman)*	5/5
Mr. Chen Guoming	5/5
Mr. Zhao Liang *(appointed on May 26, 2022)*	3/5
Ms. Yan Luying	5/5
Mr. Zhang Junjie	5/5
Ms. Wu Xia	5/5
Mr. Jonathan H. Chou	5/5
Ms. Sun Zhixiang	5/5
Dr. Ding Jiandong	5/5
Mr. Wu Guojia *(resigned on April 30, 2022)*	2/5

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code since the Listing Date.

Specific enquiries have been made to 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.

DELEGATION BY THE BOARD

Corporate Governance Functions

The Board is responsible for determining corporate governance policy of the Company and performing the functions set out in Code Provision A.2.1 of the CG Code. Such duties have been delegated to the Audit Committee.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the CG Code, the Company's code of conduct applicable to its employees and Directors, and disclosure in its Corporate Governance Report during the Reporting Period.

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The joint company secretaries of the Company may from time to time and as the circumstances required, provide updated written training materials relating to the roles, functions and duties of a director of a company listed on the Stock Exchange.

Board Committees

The Board reserves for its decision all major matters of the Company, in terms of approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information and the advices/services of the company secretary, with a view to ensure that Board procedures and all applicable laws and regulations are properly followed.

The Board has delegated a schedule of responsibilities to senior management of the Company. These responsibilities include implementing decisions of the Board, directing and coordinating day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board, formulating and monitoring the operating and production plans and budgets, and supervising and monitoring the control systems.

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are available to Shareholders. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request. The independent non-executive Directors are invited to serve on these three Board committees.

Audit Committee

The Company established the Audit Committee on January 15, 2021 with written terms of reference in compliance with the CG Code. The Audit Committee comprises three members:

Mr. Jonathan H. Chou *(Chairman)*
Dr. Ding Jiandong
Ms. Sun Zhixiang

All the three members are independent non-executive Directors, and Mr. Jonathan H. Chou, being the chairman of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The main duties of the Audit Committee include the following:

- Review of the financial information of the Group;
- Review of the relationship with and the terms of appointment of the external auditor;
- Review of the Company's financial reporting system, internal control system and risk management system; and
- Review of the Company's connected transactions.

The Audit Committee oversees the internal control system and risk management system of the Group, reports to the Board on any material issues, and makes recommendations to the Board. In addition to the duties and responsibilities set out under its terms of reference, the Audit Committee assists the Board by providing an objective and non-executive review of the effectiveness and efficiency of the internal control, risk management and governance processes of the Group on an annual basis.

During the Reporting Period, the Audit Committee reviewed the Group's annual results and annual report for the year ended December 31, 2021, interim results and interim report for the first half year of 2022, the financial reporting and compliance procedures, the Company's internal control and risk management systems and processes, and the re-appointment of the external auditors.

The Audit Committee held 3 meetings during the year ended December 31, 2022. The attendance records of each member at the Audit Committee meetings during the year ended December 31, 2022 are set out below:

Name of Members	Attendance/Number of meetings held during the term of office of the Audit Committee member
Mr. Jonathan H. Chou *(Chairman)*	3/3
Ms. Sun Zhixiang	3/3
Dr. Ding Jiandong	3/3

Remuneration Committee

The Company established the Remuneration Committee on January 15, 2021 with written terms of reference which were amended and adopted by the Board on January 12, 2023 in compliance with the CG Code.

The Remuneration Committee comprises three members:

Ms. Sun Zhixiang *(Chairwoman)*
Dr. Luo Qiyi
Mr. Jonathan H. Chou

Two of the three members are independent non-executive Directors.

The primary duties of the Remuneration Committee are to review and assess the performance of our Directors and make recommendations to our Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management, the establishment of a formal and transparent procedure for developing policy on such remuneration, and to review and/or approve matters relating to share schemes of the Company under Chapter 17 of the Listing Rules.

During the Reporting Period, the Remuneration Committee reviewed and made recommendations to the Board on the year-end bonus of senior management and the related remuneration policy pursuant to Code Provision E.1.2(c)(ii) of Part 2 of the CG Code.

The Remuneration Committee held 5 meetings during the year ended December 31, 2022. The attendance records of each member at the Remuneration Committee meetings during the year ended December 31, 2022 are set out below:

Name of Members	Attendance/Number of meetings held during the term of office of the Remuneration Committee member
Ms. Sun Zhixiang *(Chairwoman)*	5/5
Mr. Jonathan H. Chou	5/5
Dr. Luo Qiyi	5/5

The remuneration of the members of senior management by band for the year ended December 31, 2022 is set out below:

Remuneration bands (RMB)	Number of senior management
3,000,001–4,000,000	2
1,000,001–3,000,000	4
0–1,000,000	2
Total	8

Details of the remuneration of the Directors and senior management for the year ended December 31, 2022 are set out in note 7 to the consolidated financial statements in this annual report.

Nomination Committee

The Company established a Nomination Committee on January 15, 2021 with written terms of reference in compliance with the CG Code. The Nomination Committee comprises three members:

Dr. Luo Qiyi *(Chairman)*
Dr. Ding Jiandong
Ms. Sun Zhixiang

The primary duties of the Nomination Committee are to review the structure, diversity, size and composition of the Board, assess the independence of the independent non-executive Directors and make recommendations to our Board regarding the appointment of Directors and Board succession.

During the Reporting Period, 1 Nomination Committee meeting was held at which the Nomination Committee reviewed the Board composition, made recommendation to the Board on the proposed re-election of retiring Directors at the forthcoming annual general meeting.

The attendance records of each member at the Nomination Committee meeting during the year ended December 31, 2022 are set out below:

Name of Members	Attendance/Number of meetings held during the term of office of the Nomination Committee member
Dr. Luo Qiyi *(Chairman)*	1/1
Ms. Sun Zhixiang	1/1
Dr. Ding Jiandong	1/1

The nomination policy was approved and adopted by the Board for evaluating and selecting any candidate for directorship. The Nomination Committee would consider the following criteria, including, among other things, character and integrity, qualifications (cultural and educational background, professional qualifications, skills, knowledge and experience and diversity aspects), any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and diversity, and willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s).

The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship with a ranking of the candidates (if applicable) by order of preference based on the needs of the Company and reference check of each candidate.

Board Diversity Policy

The Company adopts the board diversity policy which sets out the approach to achieving diversity. Under the board diversity policy, Board candidates are selected based on various aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience and other factors that the Nomination Committee may consider relevant from time to time towards achieving a diversified Board. The board diversity policy will be reviewed by the nomination committee annually.

The Board currently comprises of nine directors, of which 3 are executive Directors, 3 are non-executive Directors and 3 are independent non-executive Directors. Among which, 3 Directors are female and 6 directors are male and 1 in the age group of 30–40; 4 in the age group of 41–50; 4 in the age group of 51–60. The Board has an appropriate mix of skills, experience and diversity that are relevant to the Company's strategy, governance and business, 4 directors are in executive leadership & strategy; 1 directors are accounting professionals/financial management expertise and 4 directors are in legal professionals/regulatory & compliance/risk management.

The Board targets to maintain at least the current level of female representation, with the ultimate goal of achieving gender diversity.

Workforce diversity

For the year ended December 31, 2022, the employees (including senior management) include 51% females and 49% males. The total gender diversity of the Group is balanced and the Group will continue to maintain the gender diversity in workforce. For further details of gender ratio and initiatives taken to improve gender diversity together with the relevant data, please refer to the disclosure in the ESG report.

Responsibilities of the Directors

The Board is responsible for making all major decisions of the Company including the approval and monitoring of all major policies of the Group and overall strategies, internal control and risk management systems, notifiable and connected transactions, nomination of the Directors and joint company secretaries, and other significant financial and operational matters.

All of the Directors have full and timely access to all relevant information as well as the advice and services of the joint company secretaries, with a view to ensure that Board procedures and all applicable rules and regulations are followed. Each Director is entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

The day-to-day management, administration and operation of the Company are delegated to the senior management. The delegated functions are periodically reviewed. Approval must be obtained from the Board before any significant transaction is entered into.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against Directors, officers and senior management of the Company arising out of corporate activities.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Reporting in Respect of Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2022.

The Directors are responsible for overseeing the preparation of financial statements of the Company with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and relevant statutory and regulatory requirements and applicable accounting standards are complied with.

The Board has received from the senior management the management accounts and such accompanying explanation and information as are necessary to enable the Board to make an informed assessment for approving the financial statements.

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

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

Audit Committee

In addition to the duties and responsibilities set out under its terms of reference, the Audit Committee assists the Board by providing an objective non-executive review of the effectiveness and efficiency of the internal control, risk management and governance processes of the Group on an annual basis.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness annually. The Company is 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 commercialization of our products. To monitor the ongoing implementation of our risk management policies and corporate governance measures, the Company has adopted the following risk management measures:

- Establish the Audit Committee to review and supervise our financial reporting process and internal control system. The Audit Committee consists of three members, namely Mr. Jonathan H. Chou, who serves as chairman of the committee, Dr. Ding Jiandong and Ms. Sun Zhixiang;

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

- Attend the training session by our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong; and

- Provide regular anti-corruption and anti-bribery compliance training for our Directors and senior management in order to enhance their knowledge and compliance of applicable laws and regulations.

The Company is committed to excellence and continual improvement and will continue to encourage innovation while maintaining a low-risk profile. Employees are encouraged to adopt a positive approach to risk management, which further strengthens the risk-aware culture (as opposed to risk-adverse culture) of the Group. Risk management is incorporated into the strategic and operational processes at all levels within the Group in order to minimize the impact of risk. Opportunities and risks are identified and are proactively assessed and monitored by employees on an on-going basis.

The Group has established an internal audit function to carry out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems. Relevant personnel have been designated to be responsible for identifying and monitoring the Group's risks and internal control issues and reports directly to Audit Committee of any findings and follow-up actions. Each member of the Group is required to adhere strictly to the Group's internal control procedures and report to the internal audit manager of any risks or internal control measures.

In addition, as part of our risk management measures, the Company has implemented specific measures against corruption and bribery. The Company requires our employees, especially those involved in procurement, distribution and sales, and other business functions which are more susceptible to bribery and corruptions, to abide by our compliance requirements, and make necessary representations and warranties to the Company. We also communicate our anti-bribery and anti-corruption principles to our distributors as well as the CMOs and SMOs we engaged for our clinical trial and require them to comply with our anti-bribery and anti-corruption principles. We have established a system of supervision that allows complaints and reports to be submitted to management regarding non-compliant behavior of our employees and external customers and suppliers.

The Group has also adopted an information disclosure policy which sets out comprehensive guidelines in respect of handling and dissemination of inside information.

The Audit Committee considered that the above-mentioned risk management and internal control measures are effective and adequate. Going forward, the Board, to be supported by the Audit Committee as well as the management report and the internal audit findings, will continue to review the effectiveness of the risk management and internal control systems of the Group, including the financial, operational, compliance controls and risk management annually. The annual review will also cover the financial reporting and staff qualifications, experience and relevant resources.

Arrangements are in place to facilitate employees of the Group to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Group.

Anti-corruption Policy

The Company does not tolerate any form of bribery, whether direct or indirect, by, or of, its Directors, officers, employees, agents or consultants or any persons or companies acting for it or on its behalf. The Company adopts the anti-corruption policy in assisting the employees in recognising circumstances which may lead to or give the appearance of being involved in corruption or unethical business conduct, so as to avoid such conduct which is clearly prohibited, and to promptly seek guidance if necessary.

The anti-corruption policy will be reviewed on a regular basis, any convicted cases will be reported to the Board.

Whistleblowing Policy

The Company expects and encourages employees of the Group and those who deal with the Group (e.g. suppliers, customers, creditors and debtors) to report to the Company, in confidence, any suspected impropriety, misconduct or malpractice concerning the Group. The Company adopts the whistleblowing policy to provide reporting channels and guidance on reporting possible improprieties and reassurance to whistleblowers of the protection that the Group will extend to them in the formal system.

The whistleblowing policy will be reviewed on a regular basis, any suspected cases will be reported to the Board.

AUDITOR'S RESPONSIBILITY AND REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" on pages 117 to 122 of this annual report.

For the year ended December 31, 2022, the fees for audit services and non-audit services rendered by external auditor, KPMG, were as follows:

During the year ended December 31, 2022, non-audit services performed by KPMG are primarily in relation to tax related services.

	RMB' 000
Audit services	
KPMG	2,161
Non-audit services	
KPMG	24
Total	2,185

JOINT COMPANY SECRETARIES

Ms. Li Xiangmei was appointed as one of our joint company secretaries on October 27, 2020. She has been taking the position of the Board secretary of our Group since she joined our Group in February 2020. She has over 16 years of experience in investors relations management, shareholders and securities affairs of Hong Kong listed Companies.

Ms. Chan Lok Yee was appointed as one of our joint company secretaries on October 27, 2020. Ms. Chan is currently a manager of Corporate Services of Vistra Corporate Services (HK) Limited, a professional provider of corporate services. She has over eight years of experience in providing company secretarial and compliance services to private and listed companies.

Both Ms. Li and Ms. Chan are associates of the Hong Kong Chartered Governance Institute, and have undertook no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meetings by Shareholders

Pursuant to Article 12 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more Shareholders holding together at the date of deposit of the requisition shares representing not less than one-tenth of the paid up capital of the Company for the transaction of any business specified in such requisition.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves may convene the general meeting in the same manner as that in which meetings may be convened by the Board, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Putting Forward Proposals at General Meetings

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Companies Act (as amended from time to time) or the Articles of Association. However, Shareholders who wish to put forward proposals at general meetings may achieve so by means of convening an extraordinary general meeting following the procedures set out in the paragraph above.

As regards the procedures for Shareholders to propose a person for election as a Director, they are available on the Company's website at https://www.cardioflowmedtech.com/.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, the Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding of the Group's business performance and strategies. The Company recognizes the importance of timely and non-selective disclosure of information, which will enable the Shareholders and investors to make the informed investment decisions.

The Company adopted the shareholders communication policy, which set out the framework the Company has put in place to promote effective communication with the Shareholders so as to enable them to engage actively with the Company and exercise their rights as the Shareholders in an informed manner. The shareholders communication policy will be reviewed on a regular basis by the Board.

The Company has established a range of communication channels between itself and its Shareholders, investors and other stakeholders for enhancing investor relations and investor understanding of the Group's business performance and strategies. These include (i) the publication of interim and annual reports and/or dispatching circulars, notices, and other announcements; (ii) the annual general meeting or extraordinary general meeting to provide a forum for the Shareholders to raise comments and exchange views with the Board; (iii) updated and key information of the Group available on the Company's website and the Stock Exchange's website; (iv) the Company's website offering communication channel between the Company and its stakeholders; (v) the Company's share registrar in Hong Kong serving the Shareholders in respect of all share registration matters; and (vi) convening investor meeting and/or analyst briefings, which led by our executive Directors and investor relations team with existing and potential investors.

The Company held its annual general meeting on June 22, 2022 (the "**2022 AGM**"). Shareholders, including their proxies or representatives attended the 2022 AGM and shares voted is 68.23% of the total issued Shares of the Company. All resolutions proposed at the 2022 AGM were passed.

The Company also held an extraordinary general meeting on March 17, 2022 (the "**EGM**"). Shareholders, including their proxies or representatives attended the EGM and shares voted is 62.16% of the total issued Shares of the Company. The percentage of the affirmative votes on the proposed resolution is above 50%. The resolution proposed at the EGM was passed.

Having considered the multiple channels of communication and shareholders engagement in the general meeting held during the year, the Board is satisfied that the shareholders communication policy has been properly implemented during year 2022 and is effective.

DIVIDEND POLICY

The Articles of Association provides that the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board.

The Company may also pay half-yearly or at other intervals to be selected by it any dividend which may be payable at a fixed rate if the Board is of the opinion that the profits available for distribution justify the payment.

The Company may in addition from time to time declare and pay special dividends on shares of any class of such amounts and on such dates as they think fit.

CHANGES IN CONSTITUTIONAL DOCUMENTS

For the year ended December 31, 2022, no change had been made to the constitutional documents of the Company. The latest version of the Memorandum and Articles of Association is available on the websites of the Stock Exchange and the Company.

GOING CONCERN

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to the Shareholders through the optimization of the debt and equity balance.

There are no material uncertainties relating to events or conditions that cast significant doubt upon the Company's liability to continue as a going concern.

CONTACT DETAILS

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	1601 Zhangdong Road, Zhangjiang Hi-Tech Park, Shanghai 201203, The People's Republic of China (For the attention of the Board Secretary)
Fax:	(86) (21) 50801305
Email:	CardioFlow-ir@microport.com

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.

CHANGES AFTER CLOSURE OF FINANCIAL YEAR

This annual report takes into account the significant changes that have occurred since the end of 2022 to the date of approval of this report.

2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

This report is the third Environmental, Social and Governance (hereinbelow referred to as "**ESG**") Report issued by MicroPort CardioFlow Medtech Corporation (hereinbelow referred to as "**CardioFlow**", "**we**" or the "**Company**"), the main purpose of which is to disclose information related to the environmental, social and governance performance of the Company and its subsidiaries (collectively referred to as the "**Group**").

Basis of Preparation

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (hereinbelow referred to as "**ESG Guide**") issued by the Stock Exchange.

Reporting Cycle

This report is an annual report which covers the period from January 1, 2022 to December 31, 2022 (the "**Reporting Period**").

Reporting Scope and Boundary

The policies and information provided in this report cover the Company and its subsidiaries, and the reporting scope is consistent with that of the annual report. Historical information quoted in this report is the final statistical information. Unless otherwise specified, the financial information in this report is denominated in RMB.

Reporting Principles

"Materiality": Stakeholder engagement and materiality assessment are included in the preparation of this report as the basis for determining material ESG issues.

"Quantitative": This report presents the key performance indicators ("**KPIs**") at the environmental and social levels with quantitative information, and states the statistical scope or calculation method.

"Balance": This report strives to provide an unbiased picture of our ESG performance following the principle of balance.

"Consistency": This report is the third ESG report issued by the Company. Unless otherwise stated, the information disclosure and statistical methods used are consistent with the previous reports to ensure the comparability of information.

Information Reliability Assurance

The information and cases in this report are mainly derived from the Group's statistical reports and relevant documents. The Board of the Company undertakes that there is no false record or misleading statement in this report, and is liable for the authenticity, accuracy and completeness of the content herein.

BOARD STATEMENT

In accordance with the requirements of the ESG Guide issued by the Stock Exchange, the Board of the Company puts emphasis on the ESG matters critical to the Company's sustainable development. The aim is to maintain corporate governance at a high level and in compliance with the best international and local corporate governance practices, and create value for stakeholders such as customers, Shareholders, employees, society and environment.

Role of the Board

In addition to assuming the ultimate responsibility for CardioFlow's ESG strategy and reporting, the Board continuously monitors the Company's commitment and performance on material ESG issues, intensifies its supervision and participation in the Company's ESG management, and advances the integration of ESG concepts into the Company's strategy, major decisions and business practices.

ESG Management Policies

As ESG matters may have significant impact on the Company, the Board analyses material ESG issues taking into account the Company's development strategy, industry development trends and stakeholder survey. Further, it identifies material issues of high importance and establishes key areas and priorities of ESG management, based on the impact of such issues on the Company and social development.

This report has disclosed the progress and effectiveness of the Company's ESG work in 2022, which was reviewed and approved by the Board on March 29, 2023.

1. ESG GOVERNANCE

1.1 ESG Concepts

Long-term and stable development is critical for continuously providing innovative medical solutions to patients. Adhering to sustainable development principles, CardioFlow gradually incorporates ESG concepts into business strategies and core business to guide daily decision-making and operation. We actively fulfil responsibilities as a corporate citizen, and endeavour to build a "global leading people-oriented emerging high-tech medical group" that creates value for customers, Shareholders, employees, the environment and society.

1.2 ESG Governance Structure

Recognising the importance of ESG and sustainable development in the Company's development and daily operation, CardioFlow has established an orderly ESG governance structure to optimise management decisions on ESG risks, opportunities and material issues.

- **The Board**

  As the top responsible and policy-making body for the Company's ESG governance matters, the Board formulates and reviews policies and routine matters relating to the Company's environmental, social and corporate governance, and supervises ESG risks, opportunities and other material matters that may affect the Company's business and operation, the rights and interests of Shareholders.

  In 2022, the Board was involved in evaluating, determining and prioritising material issues that have a significant impact on the Company, discussed and determined the Company's ESG priorities based on industry trends and the Company's strategies. In addition, the Board provided supervision and ongoing review of progress, and monitored the implementation of targets.

- **ESG Work Team**

  To assist the Board to better supervise ESG matters, the Company has established an ESG work team composed of management personnel from our major departments. ESG work team is responsible for organising and promoting ESG management matters, including ESG risk and opportunity analysis, stakeholder engagement and ESG-related policy and strategy review. Moreover, the work team reports to the Board on a regular basis to ensure the integration of ESG management policies and the Company's strategies.

1.3 Communication with Stakeholders

The Company's stakeholders mainly include government and regulatory authorities, Shareholders and investors, customers, employees, suppliers, communities and media. We highly value communication with stakeholders, understand their expectations and demands in respect of ESG through various effective channels as a reference for managing ESG matters, and respond to their concerns through this report.

Category of stakeholders	Related parties	Issues of concern	Communication channels
Government and regulatory authorities	National and local governments, market regulators, tax regulators, environmental protection regulators, industry regulators, etc.	Risk management Environmental management system Anti-corruption Product safety and quality Energy consumption Climate change Waste exhaust emissions Sewage/waste management Water resources management	Site visits to institution Official correspondence Policy implementation Information disclosure
Shareholders and investors	Shareholders and potential investors who make equity investments in the Company	Talent development Product safety and quality Intellectual property right Innovative R&D	Investor relations website[1] General meeting Information disclosure Correspondence Conference calls Reception of visitors Roadshow
Customers	Global distributors, hospitals, physicians and surgeons	Information security Product safety and quality Customer service Responsible marketing	Distributor meetings Customer survey Technical seminar Customer service hotline Customer satisfaction survey
Employees	Company's employees	Talent development Employee's remuneration and benefits Diversity and equality Occupational health and safety	Trade union Employee activities Employee survey Employee training Internal publications
Suppliers	Raw material suppliers	Product safety and quality Responsible supply chain	Supplier assessment Supplier exchange and training
Community and media	Local communities, public, media, etc.	Community contribution Product safety and quality Product Carbon Footprint Climate Change	Volunteer service Community activities Media communication and interviews

1 https://ir.cardioflowmedtech.com/cn/investor-relations

1.4 Materiality Assessment

In light of industry dynamic analysis, key peer ESG concerns, stakeholders engagement and other means, we regularly collect, analyse and evaluate issues that stakeholders focus on to determine our ESG management priorities. In 2022, we conducted a questionnaire survey on material issues for internal stakeholders, and identified 23 material ESG issues based on the *ESG Reporting Guide* and the list of peer material ESG issues. Ultimately, the materiality matrix was formed as the focus of our ESG management and information disclosure.

Step 1: Identification and determination of ESG issues

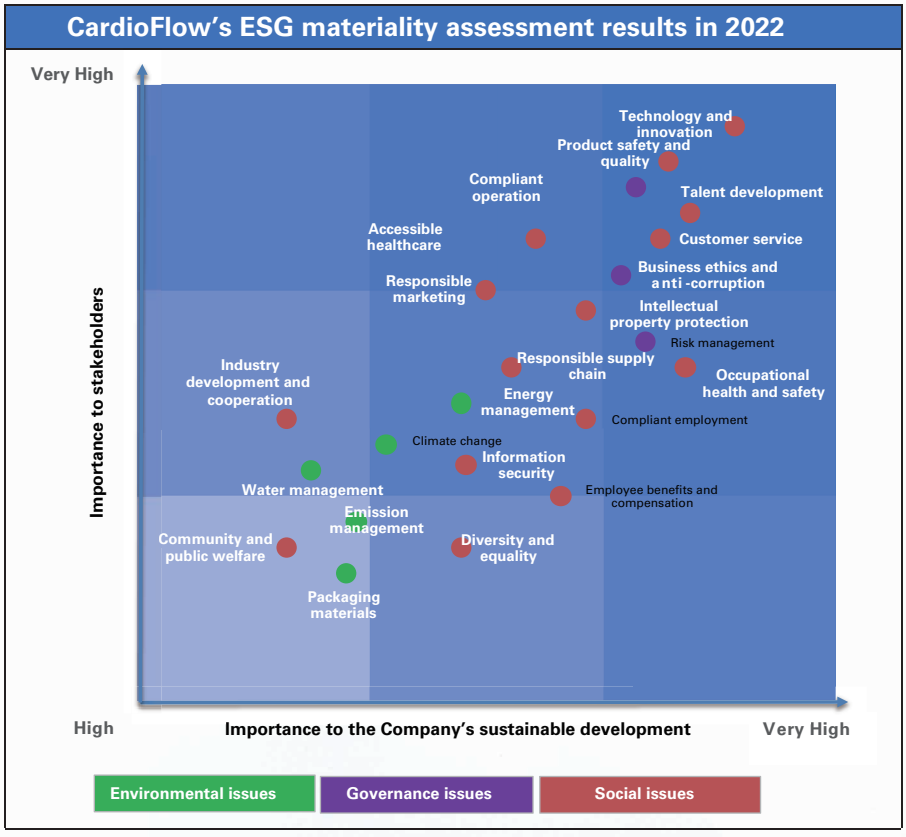
- Sorting out the focus of ESG work and feedback from stakeholders
- Benchmarking industry hotspots and good peer practices
- Referring to ESG rating concerns

Step 2: Stakeholder engagement and survey

- Interviews with stakeholders
- Research on material ESG issues

Step 3: Assessment of material issues

- The Board and the ESG work team review and confirm the assessment results



2. COMPLIANCE OPERATION AND STABLE DEVELOPMENT

2.1 Business Ethics and Compliance Operation

Sticking to compliance operation and business ethics is the bottom line of corporate management and operation. CardioFlow adheres to the highest standards of professional ethics and code of conducts, makes every effort to realise a high level of compliance operation and management by continuously improving internal control and risk management systems and polishing business ethics policies, so as to consolidate the foundation for sustainable development in line with business ethics.

Risk Management and Internal Control Compliance

CardioFlow focuses on building a standardised and effective system of risk management and internal control, and continues to enhance the effectiveness of its implementation. The Company has formulated the *Risk Management Policy* and the *Internal Audit Policy* to standardise the processes of internal control and risk management. Under the supervision of the Audit Committee of the Board, the Internal Audit Department exercises its authority independently to supervise the establishment and effective implementation of the Company's risk management and internal control system, and to continuously improve internal control management.

We continue to focus on and dynamically update the internal and external risk factors for our development, and reinforce our ability to prevent and address major risks through the whole process of risk management including risk identification, assessment, response and reporting. During the Reporting Period, CardioFlow conducted annual major risk identification and assessment, developed countermeasures for high risk items including ESG risks such as response to medical policies, raw material supply, market competition and human resources, and continuously monitored and controlled their impact. The annual risk assessment and management is reviewed by the Audit Committee of the Board. By the end of the Reporting Period, there had been no major events relating to strategic and operational risks in the Company.

The Company regularly conducts internal and external audits with the risk-oriented approach to guarantee the realisation of internal control objectives. In 2022, the Internal Audit Department undertook internal audit on key business management processes for procurement, sales, inventory, human resources and finance management, with improvement recommendations proposed in respect of internal audit findings based on interviews with responsible persons, information review and data analysis. By the end of the Reporting Period, the internal audit findings for the current year had all been rectified.

Business Ethics and Anti-corruption

CardioFlow strictly complies with the *Anti-Unfair Competition Law of the People's Republic of China*, the *Anti-Monopoly Law of the People's Republic of China*, the *Interim Provisions on Banning Commercial Bribery* and other laws and regulations. CardioFlow formulated policies such as the *Code of Business Conduct and Ethics* and the *Policies on Employee Honest Practices*, to strictly manage conducts of employees and business activities. As of the release date of the report,

Upholding the cooperative principles of conservation, practicality, communication and openness, we adopt the same high standards of business ethics for our employees and business partners. In 2022, we introduced the *Policies on Promotional Materials for Education of Medical Healthcare Professionals (HCPs) and Patients* to further standardise communication with HCPs, patients, and other parties in marketing and external interaction. We had also formulated the *Anti-Corruption Compliance* Standards and require our agents to sign it for building an integrity partnership.

The Company adheres to a "zero tolerance" attitude towards corruption and bribery, and encourages employees, customers, partners to report suspected violations of laws and disciplines or any acts against business ethics. We have set up mailbox, email and other whistle-blowing channels, and the Legal and Compliance Department is responsible for handling complaints or whistleblowing related to violations of integrity. After verification, the Internal Audit Department conducts integrity audit and inspection on the cases. The response team composed of the Internal Audit Department and the Legal and Compliance Department gives handling recommendations based on the audit and inspection results, and implements these recommendations after obtaining relevant approval from the Company's management. We have also specified in the Policies on Employee Honest Practices the responsibility to protect complainants and whistle-blowers in assisting in the investigation, and prohibit any retaliation.

In addition, we always regard business ethics and compliance education as an important means to enhance employees' moral quality and awareness of compliance risk. In 2022, we launched annual compliance training for all board members and employees online, with 488 employees, which is 87% of the staff, and all 9 board members participating.

By the end of the Reporting Period, there had been no whistleblowing or non-compliance incidents involving corruption, bribery, extortion, fraud or money laundering.

Whistle-blowing and complaint channels

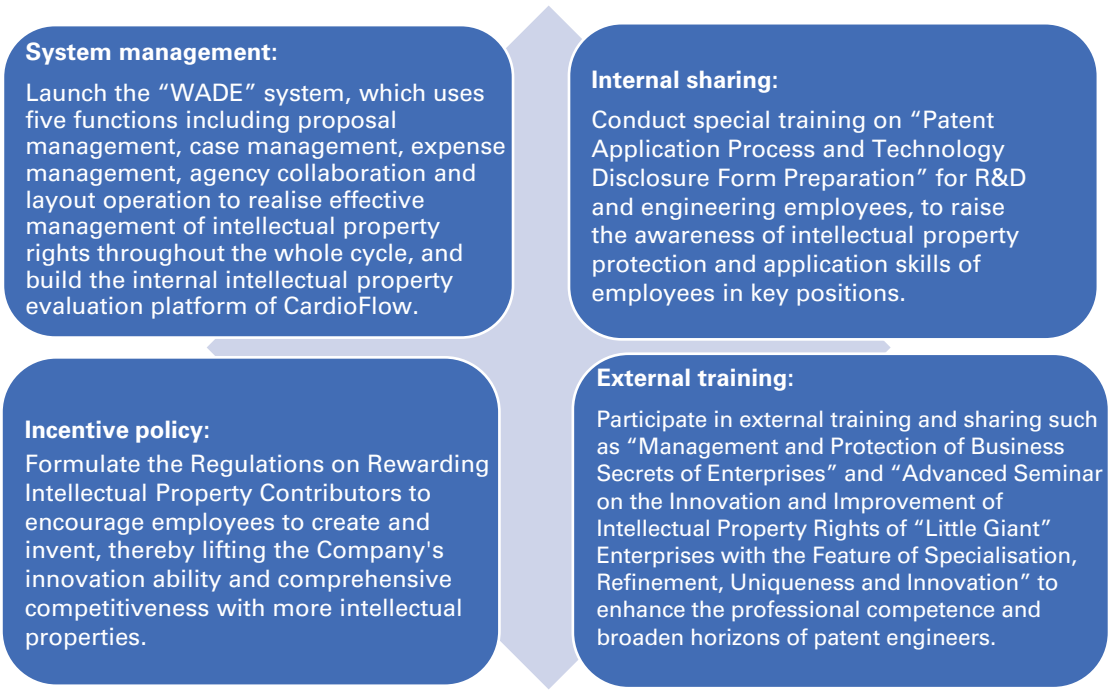
Email address: cardioflow_compliance@microport.com
Correspondence address: 6/F, Building C, No. 1661 Zhangdong Road, Zhangjiang Hi-Tech Park, Pudong New District, Shanghai

Compliance hotline: (021) 38954600-1111

2.2 Intellectual Property Management and Protection

With the mission to "drive development with technological innovation and protect intellectual property rights" in mind, we properly manage intellectual property rights. In strict compliance with the *Trademark Law of the People's Republic of China, the Patent Law of the People's Republic of China* and other laws and regulations, we have formulated relevant intellectual property protection policies, including the *Provisions for the Administration of Intellectual Property Work*, the *Provisions for the Administration of Intellectual Property Rights of Technological Innovation Achievements* and other provisions, to continuously improve the intellectual property management system. Besides, we have obtained the GB/T29490–2013 Intellectual Property Management System Certification, the scope of which includes the research and development of heart valve medical devices (valve prosthesis, delivery system and related accessories), the management of intellectual property rights for the production and sales of Class III transcatheter aortic valve system, transcatheter aortic valve and retrievable delivery system and heart valve balloon dilation catheter.

Key tasks of intellectual property management



By the end of the Reporting Period, CardioFlow had held a total of 136 patents and 118 trademarks. During the Reporting Period, 28 patents and 4 trademarks were newly granted.

CardioFlow's patent application in 2022

Patent type	Total number	In application (pending)
Invention patent	25	135
Utility model patent	104	7
Industrial patent	7	1
Total	136	143

2.3 Responsible Marketing and Rights Protection

Strictly following the *Advertising Law of the People's Republic of China*, the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests* and other laws and regulations, CardioFlow continues to regulate marketing activities to protect the rights and interests of patients, in pursuit of a responsible marketing environment. To clarify the review process of advertising promotion and distribution, we have formulated and strictly implemented the *Media Platform Press Release System* and established a graded management mechanism for information released by each media platform. The corresponding review process is implemented according to the materiality of articles and need to be approved by the Legal Department, to ensure that the advertising content related to the Company's products are provided in a consistent, truthful and timely manner. By the end of the Reporting Period, the Company had been not involved in any complaints or legal proceedings related to misleading or deceptive information to consumers.

2.4 Information Security and Privacy Protection

CardioFlow strictly abide by the *Data Security Law of the People's Republic of China*, the *Personal Information Protection Law of the People's Republic of China* and other relevant laws and regulations, continues to improve the information security and privacy management system, formulate and improve management policies, constantly strengthen the ability to prevent risks, and strive to build a safe and credible management environment. As of the reporting date, the company has obtained the certification of ISO 27001 (Information Security Management System) and ISO 27701 (Privacy Information Management System), providing reliable protection for the company's information security and users' privacy.

CardioFlow has been actively engaged in the construction of information-based projects, and has made phased progress and achievements in three projects including "Asset Management Acceptance Project", "Supply Chain and Quality Rationalisation Proposal Project" and "Patent Search and Analysis Project". Tagging along the trend of information-based development, the Company places greater emphasis on and continues to deepen the management of information security and privacy protection. We adhere to the information security management policy of "focusing on medical and pharmaceutical businesses, leadership role, full participation, comprehensive guarantee, active protection, dynamic management and continuous improvement". A three-tier organisational structure has been established for information security management, with the Information Security and Privacy Committee acting as the highest decision-making body, the Information Security and Privacy Work Team as the management party and all employees as the executive party.

We have formulated and regularly updates the *Information Security Policy, the Privacy Management Policy* and the *Management Process for Personal Information Protection* to provide guidance for graded information management, access control management, information system acquisition and development and maintenance. We also work hard to raise employees' awareness of information security and privacy protection, and organised training on "Information Security and Privacy Management Awareness" during the Reporting Period, with all employees involved.

3. INNOVATION-DRIVEN AND ATTENTIVE OPERATION

3.1 Continuous Innovation and R&D

Upholding the vision of building a "global leading people-oriented emerging high-tech medical group", CardioFlow adheres to the integration of scientific and technological innovation and commercialisation, continuously optimises R&D and innovation management, promotes high-quality R&D, and to boost the sustainable long-term development of the Company.

As a medical device manufacturer, we are keen on improving the quality of product R&D and optimising medical solutions based on the core technology. Take the delivery system as an example, we continue to promote the construction of modular handle and catheter polymer platform, accelerate product iteration, and integrate user experience into product design in accordance with the results of clinical practices, to advance comprehensive upgrading of products with innovative R&D.

Innovation and R&D Achievements	
Third-Generation TAVI Product	Our third-generation TAVI product has achieved key technological breakthroughs in the delivery system, significantly improving the release coaxiality of the valve through the use of a unique adjustable bending function, providing physicians with excellent user-friendly experience, further improving surgical efficiency, release tolerance, precision and accuracy.
TMVR Products	Our TMVR product is featured with large orifice, low subvalvular height and dry valve technology, offering both transseptal and transapical access, and has completed the first in-human clinical application and 6-month follow-up.

Recognising that outstanding R&D talent is crucial to continuous innovation of an enterprise, we have established a multidisciplinary R&D team that serves our product R&D strategy to continuously stimulate innovation and talent potential. Moreover, we actively maintain close communication and cooperation with the heads of major international cardiovascular associations and leading scientists, bringing cutting-edge technologies to R&D and clinical practice to speed up product incubation. In the future, we will actively propel the digitisation of R&D to comprehensively enhance efficiency.

In addition, we are increasingly engaged in national scientific research projects, with a focus on special fund projects for the development of strategic emerging industries in Shanghai. During the Reporting Period, we were approved to participate in the second batch of special fund projects for high-quality development of small and medium-sized enterprises with the feature of specialisation, refinement, uniqueness and innovation by the Ministry of Industry and Information Technology, special fund projects for promoting high-quality development of industries in Shanghai and more major special fund projects.

During the Reporting Period, we obtained a number of R&D accreditation and product innovation awards, and our R&D innovation capability was highly recognised.

Accreditation obtained by CardioFlow in 2022

Time	Name	Issued by	Accreditation level
2022.03	Pudong New District Enterprise R&D Organisation	Shanghai Pudong New District Commission of Science, Technology and Economy	District level
2022.06	Shanghai Enterprises with the Feature of Specialisation, Refinement, Uniqueness and Innovation	Shanghai Municipal Commission of Economy and Informatisation	Municipal level
2022.08	Shanghai Enterprise Technology Centre	Shanghai Municipal Commission of Economy and Informatisation	Municipal level
2022.11	Shanghai Science and Technology Little Giant	Science and Technology Commission of Shanghai Municipality	Municipal level
2022.12	Foreign R&D Centre	Shanghai Municipal Commission of Commerce	Municipal level

External awards obtained by CardioFlow in 2022

Time	Name	Issued by	Project
2022.03	German Red Dot Design Award	German Design Council	VitaFlow Liberty™ Transcatheter Aortic Valve and Retrievable Delivery System
2022.04	A' Design Award and Competition	Italian OMC Design Studios	VitaFlow Liberty™ Transcatheter Aortic Valve and Retrievable Delivery System
2022.08	First Prize of Beijing Science and Technology Progress Award in 2021	Beijing Municipal Science & Technology Commission	Establishment and application of a new system of micro-invasive diagnosis and treatment technology for geriatric aortic valve disease
2022.11	China Excellent Industrial Design Award	Ministry of Industry and Information Technology	VitaFlow Liberty™ Transcatheter Aortic Valve and Retrievable Delivery System
2022.11	"EDW" 2022 Shanghai Design Innovation Product	Shanghai Industrial Design Association	VitaFlow Liberty™ Transcatheter Aortic Valve and Retrievable Delivery System

3.2 Standardising Quality Management

CardioFlow firmly believes that product quality and safety are essential to the health of patients and are key to realising the Company's mission and social responsibility. We strictly comply with the *Law of the People's Republic of China on Product Quality*, the *Regulations on the Supervision and Administration of Medical Devices* and other laws and regulations, and continue to standardise clinical trial management and product quality control, so as to ensure the safety and stability of products with robust and lean management.

Quality Management System

The Company's pursuit of an excellence quality management results in a comprehensive quality management system covering the product design, development, procurement, production, sale and user service. The system is updated in line with regulatory requirements so that each process of the value chain can be stringently monitored. During the Reporting Period, we were accredited with ISO 13485: 2016 Quality Management System Certification, covering the design, manufacture and sale of transcatheter aortic valve, delivery system, loading tool, catheter sheath suite, guidewire and balloon catheter.

Meanwhile, we value and promote the construction of quality culture and conveyance of system requirements. The annual employee-specified quality training plan is formulated to raise employees' quality awareness and integrate quality pursuit and objectives with their behaviours.

CardioFlow's Quality Management System Certification


LRQA

认证证书

上海微创心通医疗科技有限公司

ISO 13485:2016

CardioFlow's quality training

New employees	Incorporate quality issues into new employee training;
All employees	Carry out special training about quality, including the criteria of production quality of medical devices, regulations regarding the supervision and administration of medical devices, and quality manual update;
Special production staff	Carry out expertise training related to knowledge and safety protection about medical devices made of animal organs, biology and biochemistry.

Quality Management of Clinical Trials

CardioFlow abides by regulations and guidelines such as the *Good Clinical Practise for Medical Devices*, the *Guidelines for the Design of Clinical Trials for Medical Devices* and has formulated management systems including the *Control Procedure of Clinical Trail* and the *Supervision on Clinical Trails*. Stringent requirements have been set for programme initiation, implementation and closing period with relevant trails and documents reviewed independently. Thus clinical trials can be implemented in line with standards and in high quality.

Following the *Management System of Clinical Programme Training*, we fulfil training relevant requirements regarding training plans, team training, external training, and training for clinical research centre staff. We encourage internal and external personnel engaged in clinical programmes to get familiar with regulations and requirements, so as to enhance clinical R&D capacity. We also jointly carry out clinical trials with medical institutions and participate in external communications, so that we can acquire resources to improve our relevant R&D and our products.

Prospective and multi-centre clinical trial with the retrievable aortic valve for the treatment of severe aortic insufficiency

In February 2022, Capital Medical University Affiliated Beijing Anzhen Hospital, together with domestic prestigious cardiovascular centres, jointly launched a study on the safety and effectiveness of transfemoral aortic valve replacement in the treatment of severe aortic reflux based on the new anatomical classification. This project attracted 18 institutions, about 25% of which had been enrolled in the study. It was also approved as the special project of 2022 capital health development research.

Excellent 5-year follow-up research results of the clinical trial regarding the pre-marketing of VitaFlow®

On 18 June 2022, Fudan University Affiliated Zhongshan Hospital illustrated the 5-year follow-up research results of the clinical trial regarding the pre-marketing of VitaFlow®, mentioning the design of the valve, design and result of the research and clinical achievements in bicuspid aortic valve and tricuspid aortic valve, which fully demonstrated the safety and effectiveness of VitaFlow® in the treatment of severe aortic stenosis. According to the follow-up results, patients enrolled in this study with the average STS Score within 30 days after surgery of 8.84%, the 5-year mortality rate related to cardiovascular was 8.2% and the all-cause mortality rate was 18.2%.

CardioFlow abides by the ethics of animal experiments, strictly follows the Regulations for the *Administration of Affairs Concerning Experimental Animals*, adheres to the "3R" principle[2] in the use and research of experimental animals, avoids unnecessary experiments, treats experimental animals well, and guarantees animal welfare. We cooperate with the qualification institutions to standardize the design, implementation and treatment of animal experiments according to the *Animal Welfare Ethics Management Procedures*, and regularly review animal welfare and ethics of laboratory animals at all stages of the experiment to ensure all activities during the experimental cycle comply with R&D ethics and animal ethics policies.

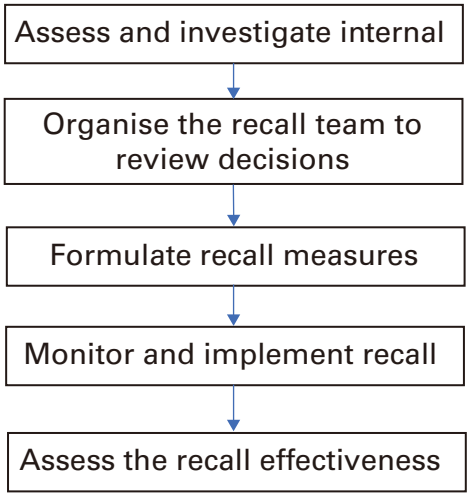
2 The "3R" principle is a widely recognised standard to balance animal suffering and scientific research, that is, reduction, refinement and replacement. Reduction: Reduce the number of animals as many as possible during the testing design, with minimum single-sex animals involved. Refinement: Reduce the pain of animals as much as possible on the condition of meeting testing requirements. Replacement: Adopt other testing approaches, instead of animal testing, for testing or other research purposes

Management of Product Recalls

To safeguard customer rights and interests and improve product quality and safety management, we comply with domestic and overseas laws and regulations and have developed the *Domestic Adverse Event Monitoring, Re-evaluation and Product Recall System* and the *Regulations of Medical Device Reporting in Overseas Market*, which clarifies issues related to product recall such as triggering rules and process in domestic and overseas markets, to ensure the safety of users, patients and others when they use our products.

By the end of the Reporting Period, no recalls due to safety and health causes had been recorded.

CardioFlow's recall process



3.3 Enhancing Service Quality

In strict compliance with the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests*, the *Law of the People's Republic of China on Product Quality*, the *Regulations on the Supervision and Administration of Medical Device*, the *Good Manufacturing Practices for Medical Devices*, and the *EU Medical Device Regulations MDR 2017/745*, CardioFlow fully understands and timely responds to customer needs to better protect their rights and interests. We have internal policies in place, including the *Control Procedures Related to Customers*, the *Feedback Control Procedures*, and the *Customer Complaint Management Regulations* to regulate the identification of customers' needs, review of product requirements and the procedure of communication with customers. Thus we maintain smooth communication channels for customers and refine the quality of product and customer service. By the end of the Reporting Period, we had received a total of 39 complaints related to products and service which were properly addressed.

The Company also requires agents to provide services in line with our quality standard. Therefore, we have formulated the *Management System of After-sales Service* and the *Management Measures for the Training and Assessment of CardioFlow's Agents*. Systematic training sessions are provided to all agents, covering academy, product complaints and channel management. All front-line sales have passed the training assessment, which strongly ensures the service quality.

3.4 Building Sustainable Supply Chains

Resilient and stable supply chains are vital to the high-quality development of an enterprise. CardioFlow strictly regulates supplier management. We endeavour to build sustainable supply chains by enhancing supplier selection, review mechanism and risk management of supply chains.

By the end of the Reporting Period, CardioFlow have 107 suppliers, divided by region as follow:

CardioFlow's suppliers divided by region in 2022

Country	Number of suppliers
China	93
America	10
Europe	2
Other nations	2

Supplier Management

In terms of supplier selection, the Company has formulated and strictly abides by the *Procurement Control Procedures*, implementing graded management for suppliers based on the importance of raw materials. Key suppliers are required to provide third-party management system certifications and relevant qualification documents. Besides, the on-site review, reference check and other assessments are conducted in line with the Supplier Evaluation Form to select qualified suppliers.

For existing suppliers, the Company ensures the quality and stable supply based on the *Supplier Management System* and the standardised and effective management process. We adhere to the high-standard supplier management. Based on the *Supplier Performance Tracking Form*, we conduct annual assessment on suppliers' performance from the quality, price, delivery, and service aspects. Those with identified problems are required to rectify and will be disqualified if they fail to meet the standard after rectification.

We value the partnership with suppliers and incorporate training and communication into daily management. During the Reporting Period, we launched online training about quality management for key suppliers so that they can better understand our quality requirements and management standards. Together, we establish a mutual benefit, development and integration cooperation.

Supply Chain Risk Management

The Company keeps refining its supply chain risk management. In terms of procurement, through sharing of supply chain information and considering the Company's continuous production plan, we analyse the supply and demand of key materials, appropriately set the annual purchase plan and reserve inventory based on the supply risk level. As regards the supplier selection, we have formulated the supplier CtoD questionnaire to develop more suppliers and promote the domestic procurement of key materials to improve the operational stability.

4. MUTUAL DEVELOPMENT WITH PEOPLE-ORIENTED CONCEPT

4.1 Attracting Talents

Adhering to the core value of "people-oriented" and laws and regulations related to employment, CardioFlow continuously improves the protection mechanism of employees' rights and interests by establishing channels for communication, optimising performance management system and supporting their career development. Moreover, we provide our employees with a warm and safe working environment, establish harmonious and intimate labour relationship to realize the common growth of the company and employees.

Protecting Rights and Interests

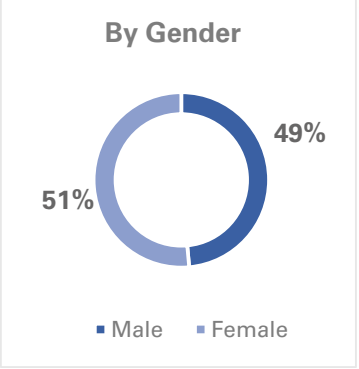
Strictly abiding by the *Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Provisions on the Prohibition of Using Child Labour* and other relevant labour laws, regulations and international labour standards, the company signs labour contracts with all full-time employees to safeguard equal recruitment and employment in compliance with laws and regulations. We strictly prohibit child labour and any form of forced labour with clear management and handling regulations stated in the *Employee Handbook*. If violations are found, we will investigate and cope with such cases on a timely basis. During the Reporting Period, there were no cases of child labour and forced labour.

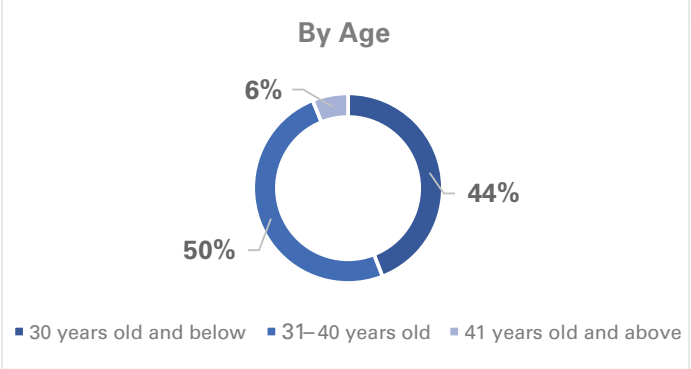
Our employment management is performed in the light of the *Employee Handbook*, which states legal and reasonable policies about the employee remuneration, procedures of recruitment and termination, working hours and leave entitlements, and promotion conditions and pathways. Meanwhile, the employment management system is refined continuously. During the Reporting Period, we updated the *Code of Business Conduct and Ethics* to further illustrate our anti-discrimination and anti-harassment employment philosophy, and added corresponding disciplinary regulations to the *Employee Handbook*.

We are devoted to providing fair development opportunities for all employees and strictly prohibit all forms of employment discrimination regarding age, gender, nationality, race, ethnicity and religion. We respect and fully protect rights and interests of female employees. Various leave benefits, including maternity leave, pre-maternity leave, breastfeeding leave, parental leave, children-care leave and nursing leave for male employees, are set to promote an integrated culture featured by equality, diversity and inclusiveness. By the end of the Reporting Period, the Company had 5 female employees engaged in senior management, accounting for 56%, 22 ethnic minority employees and 3 foreign employees.

Recruiting Talents

Talents are vital to enterprise development and business success. Through various recruitment channels including internal recommendation, online platforms and headhunting companies, we attract and recruit talents to meet the company's business development requirements. By the end of the Reporting Period, CardioFlow had a total of 558 full-time employees, of which 554 were Chinese employees and 4 were foreign employee. The detailed staff distribution and turnover rate are as follows:





Turnover rate

Category	2022
Total turnover rate	24%
By gender	
Male	25%
Female	23%
By age	
30 years old and below	24%
31–40 years old	23%
41 years old and above	28%
By region	
Chinese mainland	24%
Overseas	20%

Remuneration Management

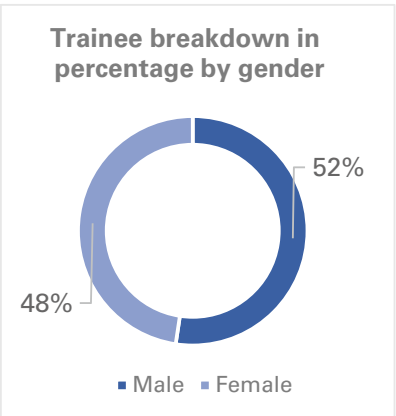
The Company keeps improving the employee remuneration management with the *Performance Management System, Project Incentive System* and other management systems formulated and refined. We have established a "comprehensive performance management" mechanism and stipulated the four stages of the employee performance management in the "Performance Management Measures" of the *Employee Handbook*, namely planning, counselling, evaluation and compensation. Thus a performance management mode related to goal setting, performance and compensation is formed, which effectively aligns employees' personal value with the Company's business development with reasonable practises regarding performance assessment and remuneration incentives.

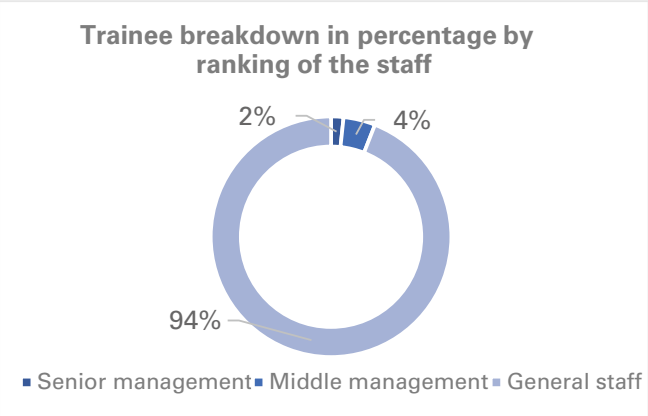
Staff Communication

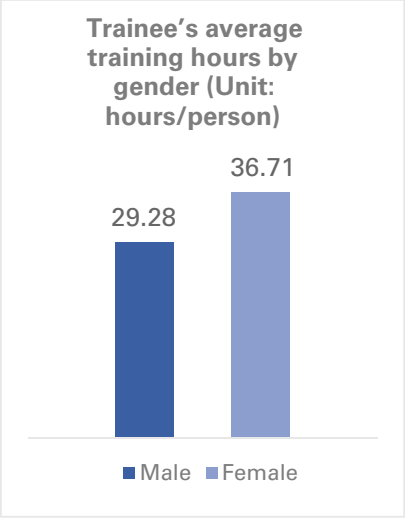
We continuously refine employee communication mechanism, with various channels including Meeting with Senior Management, Meeting with Staff and Rationalisation Proposal in place. We also listen to our employees' suggestions and appeals for the Company's development as well as their reports about misconduct. During the Reporting Period, the Company received over 200 suggestions and held 8 Meeting with Senior Management activities involving topics about team cohesion, employees' sense of belonging and sales and operation skills.

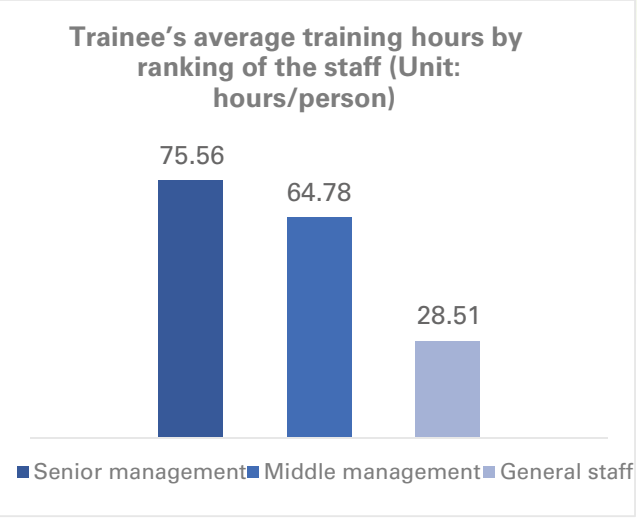
4.2 Empowering Career Development

CardioFlow attaches great importance to talent cultivation and endeavours to enrich human capital. Through setting and improving the Training Management System, we provide all employees with training resources regarding general skills, leadership and professional competence to improve their occupational competence. We also encourage employees to acquire more knowledge in their areas of responsibilities, supporting them with external learning resources and subsidy for further study. During the reporting period, the training of employees of CardioFlow is as follows:









Trainee data

Category	2022	2021
Trainee breakdown in percentage		
By gender		
Male	**52%**	46%
Female	**48%**	54%
By ranking of the staff		
Senior management	**2%**	1%
Middle management	**4%**	16%
General staff	**94%**	83%
Trainee's average training hours		
By Gender		
Male	**29.3**	24.21
Female	**36.7**	29.04
By ranking of the staff		
Senior management	**75.6**	76.42
Middle management	**64.8**	54.42
General staff	**28.5**	24.48

We cherish the integration of our employees' career development and our business development. Thus we have established a "Two Career Paths and Eighteen Ranks" talent development path and a "One Check, Two Paths, Three Programs" talent strategy. The "Two Career Paths and Eighteen Ranks" means two career development paths for management personnel and technical personnel with eighteen ranks in each path. We have designed the development path for various positions and specified qualification standards for different ranks, aiming to help employees understand their own job positioning and clarify their career planning.

"One Check, Two Paths, Three Programs" Talent Strategy

"One Check" refers to the annual managerial talent check, involving position review and employee review. "Two Paths" is a Dual-Path of career development set for management personnel and technical personnel, which means that managers, non-managers or professionals in different fields own their designated development path. Besides, employees can switch to another path so that they have more choices on their development. "Three-level" suggests the "Returned Leading Talents in Science and Technology Programme", the "New Generation of Leading Talents Programme" and the "Hundred Talents Incubation Programme". Based on the Implementation Rules for Talent Programmes, talents are reviewed and selected into the three programmes on an annual basis, so as to control the admission and withdrawal of personnel. The Company also provides more training and benefits for those talents.

Jinpeng Talent Programme and Yinpeng Talent Programme

Aiming to attract domestic and overseas industry talents and encourage more young personnel to bring out the best to contribute to the Company's long-term development, the Company established the "Jinpeng Talent Programme" and "Yinpeng Talent Programme" in 2022 with detailed implementation rules in place. Employees selected into the programme were awarded with annual subsidy, which helped retain and attract more talents to the company.

Jinpeng Talents: Talents with significant influence in areas of study at PRC and abroad or more than 10 years of working experience in overseas companies/research institutions

Yinpeng Talents: Employees ranking M7-M11 or P7-P11 with more than 5 years of working experience in the related industry and outstanding contributions to projects and business

4.3 Occupational Health and Safety

CardioFlow strictly follows the *Production Safety Law of the People's Republic of China*, the *Occupational Disease Prevention and Control Law of the People's Republic of China* and other laws and regulations. By adhering to the principle of "people-oriented and safety first, prevention as priority and integrated management, full participation and continuous improvement", CardioFlow endeavours to ensure safe production and operation, providing a safe, healthy and comfortable working environment for employees.

Safe Production Management

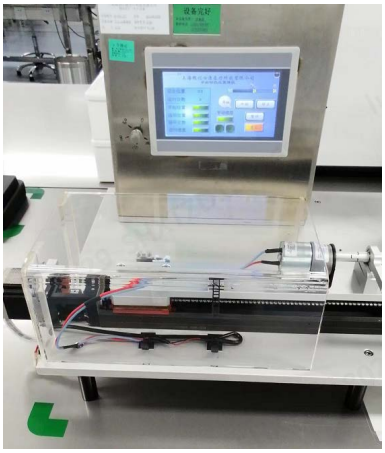
The Company has set the production policies and targets for safety, environment and occupational health and targets for production safety management covering incident indicators, process indicators and improving intrinsic safety, competence and management. Besides, all employees are required to sign the *Letter of Responsibility for Safety Production Objectives*. The completion of the Objectives is aligned with their performance assessment. The Company also refines the long-term management mechanism of safe production and implemented the safety production responsibilities of all staff.

According to the production characteristics of various departments, we have formulated a series of sound safety management systems, such as the *Special Equipment Management*, the *Chemical Use Management and the Contingency Preparation and Reaction Control Procedure*, and train employees to communicate such policies and requirements. For new employees, we strictly implement national requirements and requires all employees to pass the examination of three-level safety education before they are officially assigned to work. We regularly organise health examinations for front-line production staff and ask each team to convey safety knowledge and position safety risk in regular meeting, integrating safety management into daily operation. During the Reporting Period, we organised the health examinations for 129 employees who may be exposed to occupational hazards.

To ensure the safe production and motivate employees, we link the work safety with performance by adding this issue in the performance appraisal form. From January 2022, we promoted the campaign "CardioFlow BBS" to form an online safety risk management platform. Based on understanding of their positions, employees can find and prevent safety risks, so as to enhance safety culture and awareness. During the Reporting Period, we received 371 feedbacks from employees and informed relevant departments to rectify.

Safety risk management platform

"CardioFlow BBS" publicity



Improvement case: using a protective cover on the semi-automatic laminator of the rotating attachment to enhance the use safety

Safety Culture Building

CardioFlow carries out safety training, safety drills and the Safety Month on a regular basis to enhance employees' safety awareness and emergency handling capability. The Company also strictly implements the training of three-level safety education for new employees, promising the total training time for each new employee is over 24 hours. During the Reporting Period, the Company implemented the training plan of the year, launching 6 relevant training sessions about chemical use, occupational health, hazardous waste recycling, PPE use and safe use of electricity, 3 fire escape drills and chemical leakage drills with a total of 420 participants.

Safety Month

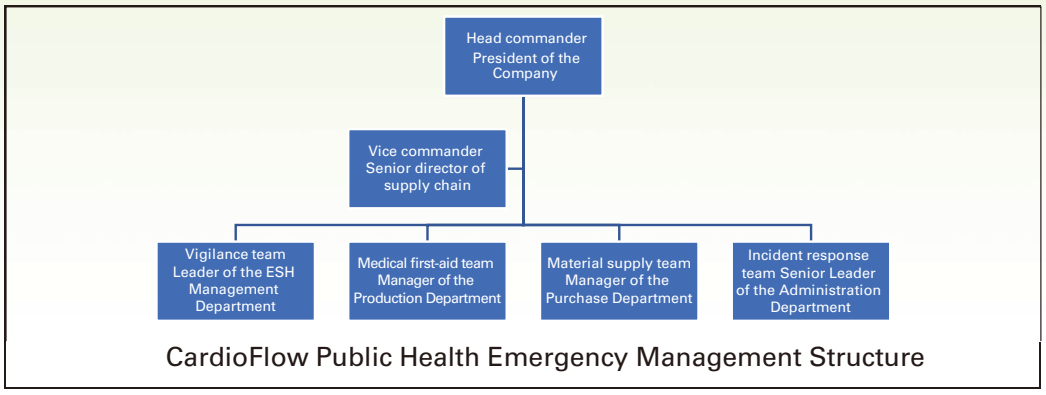
CardioFlow conducted safety education, safety publicity and safety inspection during the Safety Month themed by "Good frontliner of work safety". At the same time, we organised the drill for chemical leakage, conducting various practical drills such as hazardous chemical leakage, protective equipment, leakage disposal and site restoration to strengthen employees' ability to handle hazardous chemical leakage.

Safety Month thematic campaign

Drill for chemical leakage

Protection of Health and Safety During the Pandemic

In response to global public health challenges, CardioFlow has developed targeted emergency response plans and emergency response procedures, built a CardioFlow Public Health Emergency Management Structure, standardized the emergency handling process inside and outside the park, and defined "management regulations" for production parks of different functions to safeguard employees' health and safety with refined management, effectively prevent and control the impact of public health events on the health and safety of employees management and operation.



CardioFlow Public Health Emergency Management Structure

No work-related fatality was occurred in the past three years. During the Reporting Period, no work-related injury cases and lost days due to work injury were recorded.

4.4 Enriching Employees' Life

Adhering to the "people-oriented" philosophy, CardioFlow provides employees with more welfare and diversified caring measures except for a competitive compensation. The Company issues benefits to employees on statutory holidays and employee's birthdays, weddings and childbearing. At the same time, the Company has established specific subsidy system, such as providing clinical subsidies for surgical staff. The Company pay attention to employees' needs, recognises their contribution and enhance their sense of achievement.

In order to promote communication, break barrier between departments and ranks, the company has set up diversified horizontal organizations including the union, sports federations, volunteer service teams, poetry and wine club. In 2022, the company has newly established five new horizontal organizations including CardioFlow Engineer's Home "Lion Group", sports and board game communicate platform "Competitive Club", sales staff learning and growth platform "Wolf Culture Club", middle-level managers and department backbone personnel's mutual assistance platform "middle-level managers club", and the work skills exchange platform "elaborate thumb alliance". Under the principle of voluntary participation or withdrawal, employees can freely associate according to their interests and hobbies. Various horizontal organizations can organize diverse employee activities to enrich their lives and enhance their sense of belonging.

Paper cutting activity

Mid-Autumn activity

5. ADHERENCE TO THE ORIGINAL ASPIRATION AND COMMON DEVELOPMENT

5.1 Supporting Industry Development

The construction of innovation ecosystem is essential in driving the advanced medical device industry. CardioFlow focus on the major technology issues of industry. The Company promotes industry exchange together with universities, experts and business partners to speed up the cooperation between enterprises, universities, research institutions and customers, aiming to cope with industry issues and build an innovation ecosystem.

Participating in Academic Exchange

CardioFlow launched a special seminar named "VITA Valve, A Solution for Cardiopathy" in the 2022 China Structural Heart Disease Academic Week

Since its inception, China Structural Heart Disease Academic Week has aimed to present new devices, techniques and concepts regarding structural heart disease through live surgery, and to promote the standardised training and science education of such disease in China.

During 2022 China Structural Heart Disease Academic Week, CardioFlow launched a special seminar named "VITA Valve, A Solution for Cardiopathy" on September 26, 2022. The company invited a number TAVR experts to share their insights on clinical application strategy of VitaFlow® valve based on their clinical experience and understanding of international cutting-edge technology and concept, boosting the development of structural heart disease in China.

PCR London Valves 2022 and CardioFlow Seminar

PCR London Valves 2022, a representative international meeting in the field of cardiovascular intervention therapy, was held from November 27, to November 29, 2022, catching eyes of experts and scholars in this field from the world.

On November 29, 2022, CardioFlow, as a leader in domestic TAVI field, held the seminar of "The VitaFlow® System — A new device that delivers exceptional outcomes". At the seminar, we fully demonstrated the intraoperative performance of VitaFlow® in terms of stability and precise positioning, and introduced the clinical data, case presentations, user experience in Latin American and clinical advances in aortic regurgitation, winning good comments from top cardiologists at home and abroad.

Talents Training

Talent is the primary driving force for the development of structural heart disease diagnosis and treatment in China. To this end, CardioFlow, together with AP-SHD Club and China Structural Week, has held the "AP-SHD·China Structural Week·VitaFlow® Elite Competition" since 2021, to promote the standardized and procedural development of diagnosis and treatment of TAVR, as well as talent cultivation.

Holding The second AP-SHD·China Structural Week·VitaFlow® Elite Competition

The second VitaFlow® Elite Competition in 2022 attracted 56 outstanding surgeons for competition and over 230 experts in cardiovascular field for discussion and guidance, with a total viewing over 300,000 times. This year, we added the "A Special Jury" competition mechanism and invited surgeons from 100+ primary medical centres in China, helping make advanced medical technologies accessible to community-level medical institutions. In addition, CardioFlow and Beijing Jiekai Cardiovascular Health Foundation jointly established the "Elite Award", a special scholarship in China TAVR field, to reward standout players in the VitaFlow® Elite Competition and promote the TAVR therapy.

Integration of Production, Education and Research

Promotion of high-quality medical service is inseparable from the training of professional talents. During the Reporting Period, CardioFlow, based on its own R&D technology needs, well cooperated with Fudan University, East China University of Science and Technology, University of Shanghai for Science and Technology, Guilin University of Electronic Technology, National Innovation Institute of Digital Design and Manufacturing and other institutions to carry out R&D projects such as production of polymer valve and research of aortic valve handle. This cooperation model enables the integration of superior resources, promotes the application of achievements in scientific research and drives the industrial development.

5.2 Promoting Inclusive Medical Treatment

The widely application of TAVR operation enables more and more patients in China to benefit from microport interventional valve replacement therapy. Adhering to the values of "saving the lives of patients and improving their life quality", we actively promote TAVR operation and supporting medical devices eligible for reimbursement. In 2022, our core products were incorporated into the medical insurance catalogue of Shanghai, Jiangxi, Jilin and other provinces and cities. This helped reduce patients' burden of medical treatment and push the inclusive medical services to a further extent.

In response to the call of XinXin Heart (SIP) Foundation, we donated two sets of VitaFlow Liberty aortic valves and delivery systems to impoverished patients during the 2022 China Structure Week. Therefore, XinXin Heart (SIP) Foundation granted CardioFlow the Gold Award of "Annual Public Welfare Fund". In the future, CardioFlow will pay sustained attention to patient-centred public welfare projects and make contributions to the health care of patients.

5.3 Caring for the Community

CardioFlow gives full play to its business and resource advantages, encourages employees to repay the society with practical actions. During the Reporting Period, we organised our employees to actively participate in community volunteer activities, including volunteer service of Zhangjiang·Dongfang caring post, environmental improvement for building a civilised community, and volunteer service in Zhangjiang Library, with 34 volunteers participated and the volunteer service hours of 262.5 in total.

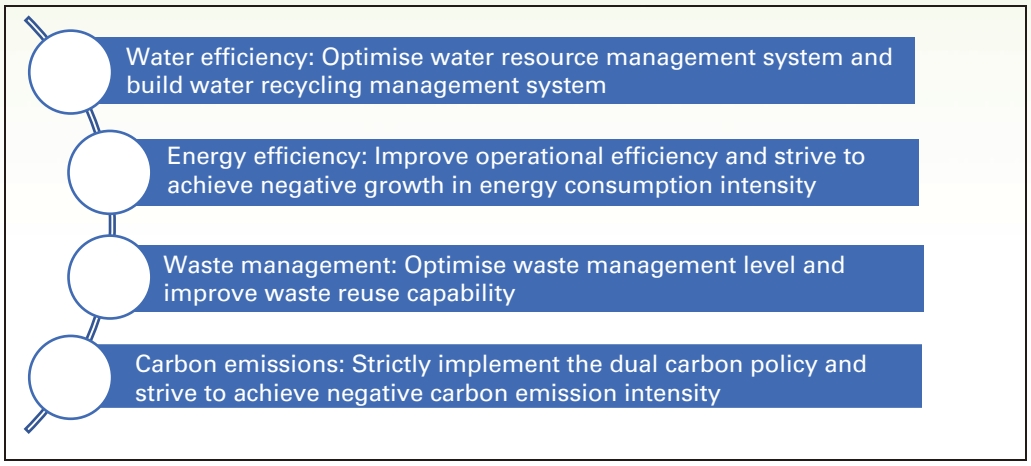
6. GREEN OPERATION AND ENVIRONMENTAL PROTECTION

6.1 Using Resources Reasonably

CardioFlow actively fulfils the responsibility of environmental protection. In strict compliance with *the Environmental Protection Law of People's Republic of China, the Environmental Impact Assessment Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China, the Water Law of the People's Republic of China* and other laws and regulations related to environmental protection in the regions of operation, we actively promote the construction of environmental management system and dedicate to the efficient use of energy & resources, minimise the negative environmental impact of our operations, and effectively implement the concept of green development.

Natural environment and resources are treasures, and we keep improving our energy management system for better actions. We take measures like upgrading equipment and facilities, optimising energy use structure, taking energy saving measures and cultivating energy saving consciousness to improve the efficiency of energy management.

Environmental Management Objectives



Energy management initiatives

- Set temperature regulating limits for the VRV air conditioner system, with a floor of 26℃ in summer and a ceiling of 20℃ in winter.
- At the production and R&D purifying areas, make the cleaning air conditioner run at ecological mode in non-operating time.
- At the production and R&D cleaning areas, use infrared controlled lights at walkways.

Energy performance

Category	Unit	2022	2021	2020
Indirect energy consumption				
Purchased electricity[3]	kWh	**7,708,299**	4,138,579	3,533,412
Direct energy consumption				
Petrol	kWh	**60,371**	28,155	19,140
Diesel[4]	kWh	**46,728**	/	/
Natural gas[5]	kWh	**1,327,515**	/	/
Comprehensive energy consumption[6]	kWh	**9,142,913**	4,166,734	3,552,552
Comprehensive energy consumption intensity	kWh/RMB million revenue	**36,422**	20,749	34,181
Greenhouse gas (GHG) emissions[7]				
Scope 1 GHG emissions	tCO2e	**348.4**	7.16	4.61
Scope 2 GHG emissions	tCO2e	**5,159.6**	2,912	2,486
Total GHG emissions	tCO2e	**5,508.1**	2,919.16	2,490.61
GHG emission intensity	tCO2e/RMB million revenue	**21.94**	14.53	23.96

3 Due to the increase in production and the expansion of the site in 2022, the purchased electricity in 2022 has a large increase compared with that in 2021.

4 Due to new equipment used in 2022, Diesel energy was newly used.

5 Due to the expansion of the site in 2022, natural gas energy was newly used.

6 The calculation of comprehensive energy consumption refers to the standard GB/T 2589-2020 General Rules for Calculation of the Comprehensive Energy Consumption promulgated by the State Administration for Market Regulation and the Standardisation Administration of China.

7 The emission factors of greenhouse gases refer to the Guidelines for Accounting and Reporting of Greenhouse Gas Emissions from Non-Industrial Enterprises (Trial) published by the National Development and Reform Commission in 2015, and the emission factors of electricity consumption refer to the emission factors of various regions.

Water Management

We have established a water-saving supervision mechanism to continuously monitor the use of water resources in production and operation. When abnormal water consumption is found, we will immediately locate the cause and carry out rectification measures to strengthen water resource management. We use municipal water mainly for production, cleaning and living. For water used in production, we recycle and reuse it. For domestic water, we put up water saving tips in public areas to raise employees' water saving awareness. For cleaning water, we also collect purified water for cleaning containers and devices and reuse it in the daily cleaning.

Water resources performance

Category	Unit	2022	2021	2020
Total water consumption[8]	Tons	**42,828**	23,326	18,947
Total water consumption intensity	Tons/RMB million revenue	**170.61**	116.16	182.30

Packaging Material Management

The packaging materials used in our production process mainly include plastic films, plastic bags, cartons, cardboard boxes, trays and covers. We give preference to suppliers using environment-friendly materials and require them to sign the quality standard document for packaging materials. We keep optimising our packaging solutions by means of technological innovation, packaging material recycling and using environment-friendly materials.

Packaging material performance

Category	Unit	2022	2021	2020
Total packaging material used	Tons	**50.00**	57.40	52.39
Intensity of packaging materials used	Tons/RMB million revenue	**0.20**	0.29	0.50

8 Due to the increase in production and the expansion of the site in 2022, the total water consumption in 2022 has a large increase compared with that in 2021.

6.2 Practising Green Operation

CardioFlow takes the initiative to fulfil the environmental compliance obligations by establishing and improving the environmental management system that fits our environmental impact factors. The types of pollutants generated in our daily operation mainly include wastewater, exhaust gas and solid wastes. In addition to strict implementation of environmental management system and process, we set a management standard that is in line with or more stringent than the regulatory requirements to minimise negative environmental impacts of our operations.

Exhaust Gas Management

CardioFlow strictly complies with *the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution* and has formulated the Air Pollution Prevention and Control Procedures, to control the generation of exhaust gas at all links of production. Exhaust gas is allowed to be discharged only when it meets the national or local emission requirements. Our exhaust gas mainly comes from the cleaning, the configuration of immersion solution and the use of experimental reagents in the production process. All exhaust gas is discharged after unified treatment through the activated carbon adsorption device in the pipeline. At the same time, qualified third-party institutions are engaged to carry out exhaust gas testing and issue testing reports every year to ensure compliant emissions.

Wastewater Management

The wastewater from our production and operation mainly comes from domestic sewage, cleaning water, injection water, sterilisation pot drainage and raw brine cleaning wastewater. In terms of wastewater management, we strictly abide by *the Law of the People's Republic of China on the Prevention and Control of Water Pollution* and formulated the Water Pollution Prevention and Control Procedures. On the basis of ensuring compliant discharge, we improve the management level of wastewater pollutants. Third-party hazardous waste disposal companies are engaged to recycle the wastewater in the production process. The remaining sewage is discharged into the municipal pipe network after the sewage is tested and qualified for discharge. At the same time, we actively implement rainwater and sewage diversion, and rainwater enters the municipal rainwater pipe network.

Waste Management

As a medical device manufacturing enterprise, the wastes generated in our production, R&D and operation process are divided into hazardous wastes (medical wastes and chemical waste liquid) and non-hazardous wastes (general industrial solid wastes and municipal wastes generated in daily work). We strictly abide by *the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* and other relevant laws and regulations. The company have formulated the Solid Waste Pollution Control Procedures to regulate the disposal of wastes. For different types of wastes, we dispose them according to the recycling requirements to ensure the compliant disposal of various types of wastes while minimising the generation of wastes.

Disposal measures of wastes

Hazardous waste	1. Collect wastes by category, transfer to and store them temporarily at the temporary storage for hazardous waste by the department that produces such wastes. 2. Regularly entrust third-party companies with professional qualifications to carry out harmless treatment.
Non-hazardous waste	1. For general industrial wastes, they are collected and delivered to third parties for recycling every three weeks. 2. Domestic waste is collected and removed by the sanitation department.

Emissions performance

Category	Unit	2022
Exhaust gas emissions		
Volatile organic compounds	Tons	**0.07**
Wastewater discharge		
Sewage discharge[9]	Tons	**29,979**
Waste discharge		
Total hazardous waste produced	Tons	**77.08**
Hazardous waste disposal intensity	Tons/RMB million revenue	**0.31**
Total non-hazardous waste produced	Tons	**20.00**
Total non-hazardous waste recycled	Tons	**20.00**
Non-hazardous waste production intensity	Tons/RMB million revenue	**0.08**

9 Due to the increase in production and the expansion of the site in 2022, the sewage discharge in 2022 has a large increase compared with that in 2021.

Noise Management

In terms of noise management, we strictly abide by *the Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution* and have formulated the Procedures for Prevention and Control of Noise Pollution to continuously monitor the new, expanded and rebuilt projects or equipment that may cause noise pollution in the plant. When the noise monitoring results show any abnormality, the production and engineering department reports to the manager in time, identifies the causes and makes rectification accordingly. The abnormal project or equipment is allowed to run only after the abnormality is fixed. We install glass curtain wall when building outer shell of air conditioning and fresh air system that make loud noises. In addition to controlling acoustic sound level, we make every effort to reduce noise generation.

6.3 Addressing Climate Change

Addressing climate change and cutting GHG emissions have become a global consensus. As we know, climate change has a profound impact on our development and human health goals. In order to enhance the resilience against climate change, we need to keep raising awareness of climate change and taking actions, and practice feasible green and low-carbon plans.

We identified climate change risks and impacts based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and incorporated disaster response risks, raw material supply risks, production capacity risks and asset management risks into our risk database for annual assessment and management.

Centring on the improvement of the supply guarantee and production continuity under climate change, we make diversified arrangements in terms of suppliers, production capacity and storage to respond to the impact of climate change. Moreover, we actively build the response capacity to cope with physical risks arising from extreme weather events, such as typhoons, thunderstorms, floods and cold waves. In view of the possible severe weather such as typhoon and summer rainstorm, we have invited external evaluation institutions to work out *the Special Emergency Plan for Flood and Typhoon Control*, and standardised the prevention, monitoring, and early warning measures against extreme weather events in accordance with *Trial Provisions of Shanghai Municipality on Issuing Warning Signals of Severe Weather*. We have prepared emergency materials for flood control such as sandbags, water pumps and baffles, and conduct a drill once a year together with the group company. Meanwhile, to cope with the impact of climate change, we assign dedicated persons to monitor the weather every week in the rainy season, and make clear the emergency response and rescue measures for meteorological disasters and the aftermath work plan.

APPENDIX: INDEX TO THE HKEX'S ESG REPORTING GUIDE

Subject Areas, Aspects, General Disclosures and KPIs

Aspect	Description	Title of sections
A: Environmental		
A1	**Emissions**	
General Disclosure	(a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	
A1.1	The types of emissions and respective emissions data.	
A1.2	Direct (Scope 1) and energy direct (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	**GREEN OPERATION AND ENVIRONMENTAL PROTECTION**
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
A1.5	Description of emission target(s) set and steps taken to achieve them.	
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	

Subject Areas, Aspects, General Disclosures and KPIs

Aspect	Description	Title of sections
A2	**Use of Resources**	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	**GREEN OPERATION AND ENVIRONMENTAL PROTECTION**
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	
A3	**The Environment and Natural Resources**	
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	**GREEN OPERATION AND ENVIRONMENTAL PROTECTION**
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	
A4	**Climate Change**	
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	**GREEN OPERATION AND ENVIRONMENTAL PROTECTION**
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	

Subject Areas, Aspects, General Disclosures and KPIs

Aspect	Description	Title of sections
B: Social		
B1	**Employment**	
General Disclosure	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	**MUTUAL DEVELOPMENT WITH PEOPLE-ORIENTED CONCEPT**
B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	
B1.2	Employee turnover rate by gender, age group and geographical region.	
B2	**Health and Safety**	
General Disclosure	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	**MUTUAL DEVELOPMENT WITH PEOPLE-ORIENTED CONCEPT**
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	
B2.2	Lost days due to work injury.	
B2.3	Description of occupational health and safety measures adopted and how they are implemented and monitored.	

Subject Areas, Aspects, General Disclosures and KPIs

Aspect	Description	Title of sections
B3	**Development and Training**	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	**MUTUAL DEVELOPMENT WITH PEOPLE-ORIENTED CONCEPT**
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	
B3.2	The average training hours completed per employee by gender and employee category.	
B4	**Labour Standards**	
General Disclosure	(a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	**MUTUAL DEVELOPMENT WITH PEOPLE-ORIENTED CONCEPT**
B4.1	Description of measures to review employment practices to avoid child and forced labour.	
B4.2	Description of steps taken to eliminate such practices when discovered.	
B5	**Supply Chain Management**	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	
B5.1	Number of suppliers by geographical regions.	
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	**INNOVATION-DRIVEN AND ATTENTIVE OPERATION**
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	

Subject Areas, Aspects, General Disclosures and KPIs

Aspect	Description	Title of sections
B6	**Product Responsibility**	
General Disclosure	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	**INNOVATION-DRIVEN AND ATTENTIVE OPERATION**
B6.2	Number of products and service-related complaints received and how they are dealt with.	
B6.3	Description of practices relating to observing and protecting intellectual property rights.	
B6.4	Description of quality assurance process and recall procedures.	
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	
B7	**Anti-corruption**	
General Disclosure	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	**COMPLIANCE OPERATION AND STABLE DEVELOPMENT**
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	
B7.3	Description of anti-corruption training provided to directors and staff.	

Subject Areas, Aspects, General Disclosures and KPIs

Aspect	Description	Title of sections
B8	**Community Investment**	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	**ADHERENCE TO THE ORIGINAL ASPIRATION AND COMMON DEVELOPMENT**
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	
B8.2	Resources contributed (e.g. money or time) to the focus area.	

Independent auditor's report to the shareholders of
MicroPort CardioFlow Medtech Corporation
(Incorporated in Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of MicroPort CardioFlow Medtech Corporation ("the Company") and its subsidiaries ("the Group") set out on pages 123 to 204, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statement, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the *HKICPA's Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 this matter.

Key audit matters (continued)

Recognition and Measurements of Research and Development Costs

Refer to note 5(d) to the consolidated financial statements and the accounting policies on page 135

The Key Audit Matter	How the matter was addressed in our audit
The Group is principally engaged in the research and development ("R&D") of medical devices. The Group incurred R&D costs of RMB223.8 million for the year ended 31 December 2022, mainly consisting of staff costs, third-party contracting costs and cost of materials and consumables. We identified the recognition and measurement of R&D costs as a key audit matter due to its significant amount and risk of R&D-related staff costs, third-party contracting costs and cost of materials and consumables not accurately recognised.	Our audit procedures to assess the recognition and measurement of R&D costs included the following: • obtaining an understanding of and testing the design and implementation and the operating effectiveness of the key internal controls related to the Group's R&D costs recognition and measurement process; • inquiring management and R&D project managers about the progress of the R&D projects; • evaluating 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; • evaluating the R&D-related costs of materials and consumables by inspecting, on a sample basis, materials and consumables purchase orders, payment slips and other supporting documents; • evaluating the R&D-related third-party contracting costs by inspecting, on a sample basis, the key terms set out in the relevant contracts and evaluating the completion status with reference to the progress reports obtained from each third-party contractor, to assess whether these costs were recorded based on the respective contract terms or completion status; and • evaluating whether the R&D costs were included in the appropriate period by comparing R&D costs recorded before and after the balance sheet date, on a sample basis, to relevant underlying documents such as working time records of staff costs, purchase orders and payment slips and invoices and completion status reports from the third-party contractors.

Key audit matters (continued)

Assessing potential impairment of capitalised development costs

Refer to note 11 to the consolidated financial statements and the accounting policies on page 142

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2022, the Group identified an indicator of possible impairment regarding the capitalised development costs related to VitaFlow® as a result of accelerated product iteration. The Group is required to test capitalised development costs for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Management performed impairment assessments of the Group's capitalised development costs by comparing the carrying values of these assets with their recoverable amounts, which were assessed using the value in use method by preparing discounted cash flow forecasts for the relevant cash-generating unit ("CGU") to which the assets have been allocated. The preparation of discounted cash flow forecasts involved the exercise of significant management judgment, in particular in assessing future revenue growth and future gross margins. We identified the assessment of potential impairment of capitalised development costs as a key audit matter because determining the amount of impairment, if any, involves a significant degree of management judgement, which can be inherently uncertain and could be subject to management bias.	Our audit procedures to assess the potential impairment of capitalised development costs included the following: • obtaining an understanding of and testing the design and implementation of the key internal controls related to the impairment assessment in respect of capitalised development costs; • assessing the methodology adopted by management in its impairment assessment with reference to the requirements of prevailing accounting standards; • evaluating and challenging the key assumptions adopted in the preparation of the discounted cash flow forecasts by comparing the forecasted revenue, forecasted gross margins with those in financial budgets approved by the board of directors, the historical results of the relevant CGU and available economic and industry forecasts; • involving our internal valuation specialists in assessing the appropriateness of the impairment assessment model with reference to the prevailing accounting standards and the discount rate applied in the discounted cash flow forecast by benchmarking against those of comparable companies and external market data if available; • performing a sensitivity analysis of key assumptions, including future revenue growth rates and future gross margins applied in the discounted cash flow forecasts and considering the resulting impact of changes in the key assumptions to the conclusions reached in the impairment assessments and whether there were any indicators of management bias; and • considering the reasonableness of the disclosures in the consolidated financial statements in respect of management's impairment assessments of capitalised development costs with reference to the requirements of the prevailing accounting standards.

Information other than the consolidated financial statements and auditor's report thereon

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

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

The directors 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. This 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.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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.

- 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.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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 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 Au Yat Fo.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

(Expressed in Renminbi)

	Note	2022 RMB'000	2021 RMB'000
Revenue	3	**251,026**	200,813
Cost of sales		**(88,896)**	(82,112)
Gross profit		**162,130**	118,701
Other net income	4	**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	27(e)	**(35,605)**	23,419
Impairment losses on intangible assets	11	**(49,103)**	—
Other operating costs	5(c)	**(47,779)**	(22,314)
Loss from operations		**(376,579)**	(159,238)
Finance costs	5(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	5	**(451,299)**	(182,651)
Income tax	6(a)	**(3,096)**	(613)
Loss for the year and attributable to equity shareholders of the Company		**(454,395)**	(183,264)
Loss per share	9		
Basic and diluted (RMB)		**(0.19)**	(0.08)

The notes on pages 130 to 204 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

(Expressed in Renminbi)

	2022 RMB'000	2021 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)

The notes on pages 130 to 204 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Renminbi)

	Note	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	10	**241,715**	267,166
Intangible assets	11	**163,119**	238,752
Interest in a joint venture	13	**14,520**	33,219
Interests in associates	14	**271,161**	176,738
Other financial assets	15	**12,490**	21,052
Other non-current assets	16	**26,488**	25,266
		729,493	762,193
Current assets			
Inventories	17	**114,115**	82,732
Trade and other receivables	18	**82,071**	113,480
Pledged and time deposits	19	**209,263**	192,027
Cash and cash equivalents	19	**1,866,319**	2,211,560
		2,271,768	2,599,799
Current liabilities			
Trade and other payables	20	**115,609**	126,778
Contract liabilities		**6,087**	2,957
Lease liabilities	21	**31,041**	34,699
Income tax payable	22	**1,773**	—
Derivative financial instruments	24	**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	21	**64,427**	90,936
Deferred income	23	**5,890**	2,250
Derivative financial instruments	24	**—**	7,898
		70,317	101,084
NET ASSETS		**2,753,715**	3,096,474

	Note	2022 RMB'000	2021 RMB'000
CAPITAL AND RESERVES			
Share capital	26	**83**	83
Reserves		**2,753,632**	3,096,391
TOTAL EQUITY		**2,753,715**	3,096,474

Approved and authorised for issue by the board of directors on 29 March 2023.

Luo Qiyi
Chairman

Chen Guoming
Director

The notes on pages 130 to 204 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

(Expressed in Renminbi)

	Note	Ordinary share capital RMB'000	Preferred share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Capital reserve RMB'000	Accumulated losses RMB'000	Total equity/ (deficit) RMB'000
Balance at 1 January 2021		43	17	481,837	82,703	(267,980)	(641,804)	(345,184)
Changes in equity for 2021:								
Loss for the year		—	—	—	—	—	(183,264)	(183,264)
Other comprehensive income		—	—	—	(20,079)	—	—	(20,079)
Total comprehensive income		—	—	—	(20,079)	—	(183,264)	(203,343)
Share issued upon the completion of initial public offerings, net of transaction costs	26(c)(i)	7	—	2,008,573	—	—	—	2,008,580
Share issued upon exercise of the over allotment option, net of transaction costs	26(c)(ii)	1	—	303,155	—	—	—	303,156
Conversion of preferred shares into ordinary shares	26(c)(iii)	32	(17)	1,343,046	—	—	—	1,343,061
Share issued under the share option scheme	26(c)(v)	—	—	14,330	—	(7,756)	—	6,574
Share repurchased under the share award scheme	26(c)(iv)	—	—	—	—	(41,561)	—	(41,561)
Equity-settled share-based transactions	5(b)	—	—	—	—	24,801	390	25,191
Balance at 31 December 2021 and 1 January 2022		**83**	**–**	**4,150,941**	**62,624**	**(292,496)**	**(824,678)**	**3,096,474**
Changes in equity for 2022:								
Loss for the year		**–**	**–**	**–**	**–**	**–**	**(454,395)**	**(454,395)**
Other comprehensive income		**–**	**–**	**–**	**200,324**	**–**	**–**	**200,324**
Total comprehensive income		**–**	**–**	**–**	**200,324**	**–**	**(454,395)**	**(254,071)**
Share issued under the share option scheme	26(c)(v)	**–**	**–**	**13,213**	**–**	**(6,933)**	**–**	**6,280**
Share repurchased under the share award scheme	26(c)(iv)	**–**	**–**	**–**	**–**	**(109,818)**	**–**	**(109,818)**
Share granted under the share award scheme	25(c)	**–**	**–**	**–**	**(454,395)**	**2,232**	**–**	**2,232**
Equity-settled share-based transactions	5(b)	**–**	**–**	**–**	**–**	**12,325**	**293**	**12,618**
Balance at 31 December 2022		**83**	**–**	**4,164,154**	**262,948**	**(394,690)**	**(1,278,780)**	**2,753,715**

The notes on pages 130 to 204 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2022

(Expressed in Renminbi)

	Note	2022 RMB'000	2021 RMB'000
Operating activities			
Loss before taxation		**(451,299)**	(182,651)
Adjustments for:			
Amortisation and depreciation	5(d)	**78,215**	44,423
Interest expenses	5(a)	**5,188**	19,639
Interest income on time deposits		**(4,511)**	(926)
Net loss on disposal of property, plant and equipment	4	**31**	569
Impairment losses on intangible assets	11	**49,103**	—
Share of losses of a joint venture		**21,119**	10
Share of losses of associates		**48,190**	3,502
Fair value changes in financial instruments	27(e)	**35,605**	(23,419)
Equity-settled share-based payment expenses	5(b)	**12,958**	25,048
Share granted under the share award scheme		**2,232**	—
Changes in working capital:			
Increase in inventories		**(31,096)**	(14,820)
Decrease/(increase) in trade and other receivables		**42,840**	(66,526)
Increase in trade and other payables		**3,636**	27,009
Increase/(decrease) in deferred income		**3,640**	(1,140)
(Increase)/decrease in other non-current assets		**(190)**	5,555
Increase in contract liabilities		**3,130**	2,839
Cash used in operations		**(181,209)**	(160,888)
Tax paid		**(1,323)**	(613)
Net cash used in operating activities		**(182,532)**	(161,501)
Investing activities			
Payments for the purchase of property, plant and equipment		**(45,941)**	(83,422)
Placement of time deposits		**(607,281)**	(194,037)
Redemption of time deposits		**607,281**	—
Payments for the purchase of intangible assets		**(3,131)**	(25,022)
Interest received		**1,591**	—
Payments for acquisitions of associates and other financial assets		**(132,297)**	(134,994)
Net cash used in investing activities		**(179,778)**	(437,475)

	Note	2022 RMB'000	2021 RMB'000
Financing activities			
Capital element of lease rentals paid	19(b)	**(27,884)**	(16,171)
Interest element of lease rentals paid	19(b)	**(5,188)**	(3,030)
Lease deposits received/(paid)		**190**	(31,123)
Net proceeds from initial public offering	26(c)(i)	**—**	2,008,580
Net proceeds from exercise of the over-allotment options	26(c)(ii)	**—**	303,156
Proceeds from shares issued under share option scheme	26(c)(v)	**6,280**	6,574
Payment for repurchase of shares	26(c)(iv)	**(109,818)**	(41,561)
Net cash (used in)/generated from financing activities		**(136,420)**	2,226,425
Net (decrease)/increase in cash and cash equivalents		**(498,730)**	1,627,449
Cash and cash equivalents at the beginning of the year		**2,211,560**	612,474
Effect of foreign exchange rate changes		**153,489**	(28,363)
Cash and cash equivalents at the end of the year		**1,866,319**	2,211,560

The notes on pages 130 to 204 form part of these financial statements.

1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

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 1(c) 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.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2022 comprise MicroPort CardioFlow Medtech Corporation (the "Company") and its subsidiaries (together referred to as the "Group") and the Group's interest in a joint venture and associates.

As the Group's operation are primarily located in the mainland China and most of the Group's transactions are conducted and denominated in Renminbi ("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 United States dollars ("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 (see note 1(f)); and

— derivative financial instruments (see note 1(g))

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.

1 Significant accounting policies (continued)

(b) Basis of preparation of the financial statements (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) 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.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

1 Significant accounting policies (continued)

(d) Subsidiaries (continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 1(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(k)(ii)).

(e) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(k)(ii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the expected credit losses ("ECL") model to such other long-term interests where applicable (see note 1(k)(i)).

1 Significant accounting policies (continued)

(e) Associates and joint ventures (continued)

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

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 cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)).

(f) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 27(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(v)(ii)(b)).

1 Significant accounting policies (continued)

(f) Other investments in debt and equity securities (continued)

(i) Investments other than equity investments (continued)

— fair value through other comprehensive income ("FVOCI") — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

— FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(v)(ii)(a).

(g) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

1 Significant accounting policies (continued)

(h) Property, plant and equipment

Property, plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 1(j)) are stated at cost less accumulated depreciation and impairment losses (see note 1(k)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(x)).

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— Leasehold improvements are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being 3 to 5 years from the date of completion;

— Equipment and machinery 5 to 10 years

— Office equipment, furniture and fixtures 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 1(x)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(k)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

1 Significant accounting policies (continued)

(i) Intangible assets (continued)

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(k)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

—	Software	3 years
—	Capitalised development costs	10 years

The useful life of capitalised development costs is estimated based on the expected life cycle of the underlying product since the commercialisation. Both the period and method of amortisation are reviewed annually.

(j) Leased assets

At inception of a contract, the Group assesses whether the 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

1 Significant accounting policies (continued)

(j) Leased assets (continued)

(i) As a lessee (continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(h) and 1(k)(ii).

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost (see note 1(f)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

1 Significant accounting policies (continued)

(j) Leased assets (continued)

(i) As a lessee (continued)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions which that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16, *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for ECLs on financial assets measured at amortised cost (including cash and cash equivalents, pledged deposits, time deposits and trade and other receivables).

Other financial assets measured at fair value, including equity and debt securities measured at FVPL, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

1 Significant accounting policies (continued)

(k) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Measurement of ECLs (continued)

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and

— variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade and other receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

1 Significant accounting policies (continued)

(k) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

1 Significant accounting policies (continued)

(k) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 1(v)(ii)(b) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or past due event;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

1 Significant accounting policies (continued)

(k) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment, including right-of-use assets;

— intangible assets;

— investments in a joint venture and associates; and

— investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

1 Significant accounting policies (continued)

(k) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets (continued)

— *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 1(k)(i) and 1(k)(ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(l) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the moving weighted average method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

1 Significant accounting policies (continued)

(l) Inventories (continued)

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

A right to recover returned goods is recognised for the right to recover products from customers sold with a right of return. It is measured in accordance with the policy set out in note 1(v)(i)(a).

(m) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 1(v)(i)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in note 1(k)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 1(n)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 1(v)(i)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(n)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

(n) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 1(m)).

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including allowance for credit losses (see note1(k)(i)).

Insurance reimbursement is recognized and measured in accordance with the note 1(u)(i).

1 Significant accounting policies (continued)

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, property pre-sale proceeds held by solicitor that are held for meeting short-term cash commitments, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 1(k)(i).

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(q) Preferred shares

The preferred shares issued by the Company are classified, on the basis of their component parts, as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Preferred shares issued by the Company are classified as equity if they are non-redeemable by the Company or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preferred shares capital classified as equity are recognised as distributions within equity.

Preferred shares are classified as financial liabilities if they are redeemable on a specific date or at the option of the shareholders (including options that are only exercisable in case of triggering events having occurred), or if dividend payments are not discretionary. The liability is recognised and measured in accordance with the Group's policy for interest-bearing borrowings set out in note 1(r) and accordingly dividends thereon are recognised on an accrual basis in profit or loss as part of finance costs.

Conversion features of preferred shares are classified separately as equity if the option will be settled by exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments. The equity component is the difference between the initial fair value of the preferred shares as a whole and the initial far value of the liability component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

1 Significant accounting policies (continued)

(r) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expenses is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(x)).

(s) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of equity-settled share-based payment awards granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using certain valuation techniques, taking into account the terms and conditions upon which the equity-settled share-based payment awards were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the equity-settled share-based payment awards, the total estimated fair value of the equity-settled share-based payment awards is spread over the vesting period, taking into account the probability that the equity-settled share-based payment awards will vest.

During the vesting period, the number of equity-settled share-based payment awards that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of equity-settled share-based payment awards that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the equity-settled share-based payment awards are exercised (when it is included in the amount recognised in share capital for the share issued) or the equity-settled share-based payment awards expire (when it is released directly to retained profits).

1 Significant accounting policies (continued)

(s) Employee benefits (continued)

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

1 Significant accounting policies (continued)

(t) Income tax (continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1 Significant accounting policies (continued)

(u) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of fulfilling the contract. The cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that contract.

(v) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods in the ordinary course of the Group's business.

The Group is the principal for its revenue transactions and recognises revenue on a gross basis. In determining whether the group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

1 Significant accounting policies (continued)

(v) Revenue and other income (continued)

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value-added tax or other sales taxes.

(a) Sale of medical devices

Sales of the Group's medical devices are recognised as follows:

Revenue is recognised when the customer takes possession of and accepts the products, depending on the terms set forth in the customer contract. The payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less.

In certain of the Group's customer contract, the Group participates in arrangements that include multiple performance obligations. the Group accounts for individual products and services as separate performance obligations if they are a distinct product or service that is separately identifiable from other items in the packages and if a customer can benefit from the product or service on its own or with other resources that are readily available to the customer. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis. Generally, the Group establishes standalone selling prices with reference to the observable prices of products or services sold separately in comparable circumstances to similar customers. If the observable stand-alone selling prices are not available, the Group uses an expected costs plus a margin approach to estimate the stand-alone selling price.

1 Significant accounting policies (continued)

(v) Revenue and other income (continued)

(ii) Revenue from other sources and other income

(a) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(b) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

(c) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income and subsequently recognised in profit or loss on a systematic basis over the useful life of the asset.

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

1 Significant accounting policies (continued)

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(y) Related parties

(a) A person, or a close member of that person's family, is related to the Group if 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 the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of the Group of which the other entity is a member).

(iii) Both entities 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).

1 Significant accounting policies (continued)

(y) Related parties (continued)

(b) (continued)

(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 Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(aa) Repurchase and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is deducted from equity attributable to the Company's equity holders, except for shares repurchased that are qualified as plan assets, which should be measured at fair value and not presented as a deduction from equity. Repurchased shares held at the end of reporting period are classified as treasury shares and are presented as a decrease in the capital reserve. When treasury shares are sold or reissued subsequently, the consideration received, net of any directly attributable transaction costs, is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in capital reserve.

2 Accounting judgement and estimates

(a) Critical accounting judgement in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgement:

Determining the lease term

As explained in policy note 1(j), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(b) Sources of estimation uncertainty

Notes 25 and 27(e) contain information about the assumptions and their risk factors relating to valuation of fair value of equity-settled share-based payment awards granted and financial instruments. Other significant sources of estimation uncertainty are as follows:

(i) Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The management carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of these transactions is reconsidered periodically to take into account changes in tax legislations. Deferred tax assets are recognised for deductible temporary differences and cumulative tax losses.

As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which they can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

2 Accounting judgement and estimates (continued)

(b) Sources of estimation uncertainty (continued)

(ii) Impairment of non-current assets

Internal and external sources of information are reviewed by the Group at the end of each reporting period to assess whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset or the cash-generating unit to which it belongs is estimated to determine impairment losses on the asset. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and revised estimates of recoverable amount, which would affect profit or loss in future years. Goodwill and intangible assets not yet available for use are tested for impairment at least annually even if there is no indication of impairment.

3 Revenue and segment reporting

(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:

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

3 Revenue and segment reporting (continued)

(a) Revenue (continued)

(i) Disaggregation of revenue (continued)

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

	2022 RMB'000	2021 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 recognised 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.

3 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

(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

	2022 RMB'000	2021 RMB'000
The People's Republic of China (the "PRC") (place of domicile)	**243,901**	199,831
Other countries	**7,125**	982
	251,026	200,813

Specified non-current assets

	2022 RMB'000	2021 RMB'000
The 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

4 Other net income

	2022 RMB'000	2021 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.

5 Loss before taxation

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

(a) Finance costs

	2022 RMB'000	2021 RMB'000
Interest on other financial liabilities (note 19(b))	**—**	16,609
Interest on lease liabilities (note 19(b))	**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

5 Loss before taxation (continued)

(b) Staff costs#

	2022 RMB'000	2021 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 (note 25)	**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

	2022 RMB'000	2021 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 31 December 2022, the Group made charitable and other donations to the third-party charitable organisation amounted to RMB47,778,000 (2021: RMB15,008,000).

5 Loss before taxation (continued)

(d) Other items

	2022 RMB'000	2021 RMB'000
Amortisation of intangible assets (note 11)	**28,811**	20,880
Depreciation charge# (note 10)		
— 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# (note 17(b))	**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 or in note 5(b) for each of these types of expenses for the year ended 31 December 2022.

6 Income tax in the consolidated statement of profit or loss

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

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

6 Income tax in the consolidated statement of profit or loss (continued)

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

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 Shanghai MicroPort CardioFlow Medtech Co., Ltd. ("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 31 December 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:

	2022 RMB'000	2021 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

7 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2022					
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Equity-settled share-based payment (Note) RMB'000	Total RMB'000
Chairman and non-executive director						
Qiyi Luo	–	–	–	–	–	–
Executive directors						
Guoming Chen	–	1,224	711	–	1,612	3,547
Luying Yan	–	915	681	–	1,100	2,696
Guojia Wu (resigned on 30 April 2022)	–	260	–	–	–	260
Liang Zhao (appointed on May 26, 2022)	–	650	250	–	1,293	2,193
Non-executive directors						
Junjie Zhang	–	–	–	–	–	–
Xia Wu	–	–	–	–	–	–
Independent non-executive directors						
Jonathan H. Chou	200	–	–	–	–	200
Zhixiang Sun	200	–	–	–	–	200
Jiandong Ding	200	–	–	–	–	200
	600	3,049	1,642	–	4,005	9,296

7 Directors' emoluments (continued)

	2021					
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Equity-settled share-based payment (Note) RMB'000	Total RMB'000
Chairman and non-executive director						
Qiyi Luo	—	—	—	—	—	—
Executive directors						
Guoming Chen	—	1,222	700	—	1,870	3,792
Luying Yan	—	884	620	—	1,496	3,000
Guojia Wu	—	927	650	—	1,580	3,157
Non-executive directors						
Junjie Zhang	—	—	—	—	—	—
Xia Wu	—	—	—	—	—	—
Independent non-executive directors						
Jonathan H. Chou	192	—	—	—	—	192
Zhixiang Sun	192	—	—	—	—	192
Jiandong Ding (appointed on 27 August 2021)	69	—	—	—	—	69
Hualiang Jiang (resigned on 27 August 2021)	125	—	—	—	—	125
	578	3,033	1,970	—	4,946	10,527

Notes: The amounts of equity-settled share-based payment represent the estimated value of equity instruments granted to the directors under the Company's share option scheme and other share-based arrangements. The value of these equity instruments is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(s)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued previously where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the directors' report and note 25.

8 Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2021: three) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2021: two) individuals are as follows:

	2022 RMB'000	2021 RMB'000
Salaries and other benefits	**2,955**	1,142
Discretionary bonuses	**638**	309
Equity-settled share-based payment	**239**	1,421
	3,832	2,872

The emoluments of the two (2021: two) individuals with the highest emoluments are within the following bands:

	2022 Number of Individuals	2021 Number of Individuals
Nil to HK$1,000,000	**—**	—
HK$1,000,001 to HK$2,000,000	**2**	2

9 Loss per share

(a) Basic loss per share

The calculation of the basic loss per share during the year ended 31 December 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

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

9 Loss per share (continued)

(a) Basic loss per share (continued)

(ii) Weighted average number of shares

	2022 '000	2021 '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 (note 26(c)(iii))	**—**	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

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The calculation of diluted loss per share amount for the year ended 31 December 2022 has not included the potential effects of share options granted by the Company (see note 25(a)), as they had anti-dilutive effects on the basic loss per share amount for the respective year. Accordingly, diluted loss per share for the years ended 31 December 2022 are the same as basic loss per share of the respective year.

10 Property, plant and equipment

(a) Reconciliation of carrying amount

	Leasehold improvements RMB'000	Equipment and machinery RMB'000	Office equipment, furniture and fixtures RMB'000	Right-of-use assets RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2021	10,118	24,025	2,857	30,025	25,629	92,654
Transfer from construction in progress	13,792	28,276	1,137	—	(43,205)	—
Additions	—	—	20	132,938	91,116	224,074
Disposals	—	(1,186)	(6)	—	—	(1,192)
Modification of lease terms	—	—	—	(268)	—	(268)
At 31 December 2021 and 1 January 2022	**23,910**	**51,115**	**4,008**	**162,695**	**73,540**	**315,268**
Transfer from construction in progress	**62,660**	**21,663**	**8,121**	**–**	**(92,444)**	**–**
Additions	**–**	**1,016**	**–**	**–**	**25,047**	**26,063**
Disposals	**–**	**(37)**	**(119)**	**(11,309)**	**–**	**(11,465)**
Modification of lease terms	**–**	**–**	**–**	**(542)**	**–**	**(542)**
At 31 December 2022	**86,570**	**73,757**	**12,010**	**150,844**	**6,143**	**329,324**
Accumulated depreciation and amortisation:						
At 1 January 2021	1702	6,590	1,032	15,208	—	24,532
Charge for the year	2,593	3,306	576	17,718	—	24,193
Written back on disposals	—	(618)	(5)	—	—	(623)
At 31 December 2021 and 1 January 2022	**4,295**	**9,278**	**1,603**	**32,926**	**–**	**48,102**
Charge for the year	**9,195**	**7,237**	**1,494**	**31,478**	**–**	**49,404**
Written back on disposals	**–**	**(14)**	**(110)**	**(9,773)**	**–**	**(9,897)**
At 31 December 2022	**13,490**	**16,501**	**2,987**	**54,631**	**–**	**87,609**
Net book value:						
At 31 December 2022	**73,080**	**57,256**	**9,023**	**96,213**	**6,143**	**241,715**
At 31 December 2021	19,615	41,837	2,405	129,769	73,540	267,166

10 Property, plant and equipment (continued)

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	2022 RMB'000	2021 RMB'000
Properties leased for own use, carried at depreciated cost	**96,213**	129,769

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2022 RMB'000	2021 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use	**31,478**	17,718
Interest on lease liabilities (note 5(a))	**5,188**	3,030
Expense relating to short-term leases	**11**	129

During the year ended 31 December 2022, there was no additions to the right-of-use assets (2021: RMB132,938,000). This amount included the capitalised lease payments payable under the new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 19(c) and 21, respectively.

The Group leases manufacturing plants, warehouses and office buildings under leases expiring in no more than five years. Some leases include an option to renew the lease when all terms are renegotiated. None of the leases includes variable lease payments.

11 Intangible assets

	Capitalised development costs RMB'000	Software RMB'000	Total RMB'000
Cost			
At 1 January 2021	256,814	681	257,495
Additions	25,185	279	25,464
At 31 December 2021 and 1 January 2022	**281,999**	**960**	**282,959**
Additions	**—**	**2,281**	**2,281**
At 31 December 2022	**281,999**	**3,241**	**285,240**
Accumulated amortisation and impairment:			
At 1 January 2021	23,127	200	23,327
Amortisation charge for the year	20,631	249	20,880
At 31 December 2021 and 1 January 2022	**43,758**	**449**	**44,207**
Amortisation charge for the year	**28,200**	**611**	**28,811**
Impairment loss	**49,103**	**—**	**49,103**
At 31 December 2022	**121,061**	**1,060**	**122,121**
Net book value:			
At 31 December 2022	**160,938**	**2,181**	**163,119**
At 31 December 2021	238,241	511	238,752

Capitalised development costs as of 31 December 2022 were all related to the products that have obtained the registration certificate by the National Medical Products Administration. Majority of amortisation of intangible assets is recognised in research and development costs.

As at 31 December 2022, the Group identified an indicator of possible impairment regarding the capitalised development costs related to VitaFlow® as a result of accelerated product iteration. The Group assessed the recoverable amounts of the capitalised development costs related to VitaFlow® based on the value in use, determined using a pre-tax discount rate of 22%. As a result, the carrying amount of this capitalised development costs was written down to their recoverable amount of RMB51,432,000 and an impairment loss of RMB49,103,000 was recognised in "Impairment loss on intangibles assets".

(Expressed in Renminbi unless otherwise indicated)

12 Investments in subsidiaries

As of 31 December 2022, the Company has direct and indirect interests in the following subsidiaries, all of which are private companies. The class of shares held is ordinary unless otherwise indicated.

Name of company	Place of incorporation and principal business	Particulars of registered/paid-up capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
MP CardioFlow* (上海微創心通醫療科技有限公司) (i)	The PRC	RMB1,470 million/ RMB1,170 million	100%	—	100%	Research and development manufacture and sale of medical devices treating valvular heart diseases
MicroPort CardioFlow International Corp. Limited (i)	Hong Kong	USD284 million/ USD284 million	100%	—	100%	Investment holding
MicroPort CardioFlow Limited (i)	British Virgin Islands	USD284 million/ USD284 million	100%	100%	—	Investment holding
Derryhill Global Limited (i)	British Virgin Islands	USD7 million/ USD7 million	100%	—	100%	Investment holding
Witney International Limited (i)	British Virgin Islands	USD14 million/ USD14 million	100%	100%	—	Investment holding
Chengdu Xintuo Biotechnology Co., Ltd.* (成都心拓生物科技有限公司) (ii)	The PRC	RMB25 million/ RMB25 million	100%	—	100%	Manufacture of raw materials for medical devices treating valvular heart diseases
Beijing Chenxue Enterprise Management Co., Ltd.* (北京琛雪企业管理有限公司) (ii)	The PRC	RMB8 million/Nil	100%	—	100%	Technical consultation, technical services with respect to medical devices clinical trial
Shanghai MicroPort WellFlow Medtech Co., Ltd.* (上海随通医疗科技有限公司) (ii)	The PRC	RMB50 million/Nil	90%	—	90%	Research and development manufacture and sale of medical devices treating valvular heart diseases

* English translation is for identification purpose only.

Notes:

(i) These subsidiaries are wholly foreign-owned enterprises.

(ii) These subsidiaries are wholly owned enterprises of MP CardioFlow.

(Expressed in Renminbi unless otherwise indicated)

13 Interest in a joint venture

The following list contains the particulars of a joint venture, which is an unlisted corporate entity whose quoted market price is not available:

				Proportion of ownership interest			
Name of joint venture	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 activities
Rose Emblem Ltd. ("Rose Emblem")	Incorporated	British Virgin Islands	US$10,000,000	51%	—	51%	Investment holding

In September 2018, the Group and Witney Global Limited (the "Witney", a third party to the Group), entered into a subscription and shareholders agreement with Rose Emblem, pursuant to which, the Group and Witney subscribed 51% and 49% interests in Rose Emblem. As the approval of the resolutions in relation to the relevant activities of Rose Emblem shall require both approval from the Group and the Witney, the directors of the Company determined that the investment in Rose Emblem is a joint venture, which is accounted for under the equity method.

The principal activity of Rose Emblem is investing in Valcare Inc. ("Valcare") via holding its preferred shares. Valcare is based in Israel and engaged in the development of the mitral valve repair devices. The investment in Valcare is classified as financial assets measured at FVPL on Rose Emblem's financial statements.

In January 2019, MP CardioFlow granted a put option to Witney (the "Witney Put Option") in connection with Witney's investments in Valcare and 4C Medical Technologies, Inc. ("4C Medical", see note 14). The Witney Put Option is considered as a derivative financial liability (see note 24).

13 Interest in a joint venture (continued)

Summarised financial information of Rose Emblem and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	2022 RMB'000	2021 RMB'000
Gross amounts of Rose Emblem		
Non-current assets	**28,534**	65,179
Current liabilities	**(64)**	(44)
Equity	**28,470**	65,135
Loss for the year	**(41,411)**	(20)
Other comprehensive income	**(339)**	(2,594)
Total comprehensive income	**(41,750)**	(2,614)
Reconciled to the Group's interests in Rose Emblem		
Gross amounts of Rose Emblem's net assets	**28,470**	65,135
Group's effective interest	**51%**	51%
Group's share of Rose Emblem's net assets and carrying amount of the Group's interest in Rose Emblem	**14,520**	33,219

14 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 31 December 2021, these investments in 4C Medical were recognised as the investment in associates.

14 Interests in associates (continued)

4C Medical (continued)

In March 2022, the Group purchased additional series C preferred shares newly issued by 4C Medical (the "Deferred Purchase") at a 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 (see note 24).

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 31 December 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.

Summarised 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:

	2022 RMB'000	2021 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 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

14 Interests in associates (continued)

4C Medical (continued)

Information of an associate that is not individually material:

	2022 RMB'000	2021 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

15 Other financial assets

	2022 RMB'000	2021 RMB'000
Financial assets measured at FVPL		
— Unlisted debt securities outside Hong Kong	**12,490**	21,052

As at 31 December 2022, the Group held convertible instruments (the "Convertible Instruments") issued by Valcare with carrying amount of US$1,793,000 (equivalent to RMB12,490,000). The Convertible Instruments is unsecured and interest-free. The Convertible Instruments shall be repayable on demand upon the certain liquidation events and will be automatically converted into the most senior preferred shares of Valcare upon the occurrence of the next equity financing of Valcare at a discounted price. Valuation techniques and significant assumptions adopted for determining the fair value of Convertible Instruments was set out in note 27(e).

16 Other non-current assets

	2022 RMB'000	2021 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 31 December 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 31 December 2022, the carrying amount of lease deposits paid to Huiqingcheng is RMB26,165,000 (2021: RMB24,943,000).

17 Inventories

(a) Inventories in the consolidated statement of financial position comprise:

	2022 RMB'000	2021 RMB'000
Raw materials	**53,752**	49,864
Work in progress	**20,604**	24,283
Finished goods	**39,759**	8,585
	114,115	82,732

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2022 RMB'000	2021 RMB'000
Cost of inventories sold	**84,528**	82,045
Write down of the inventories	**4,368**	67
Cost of inventories directly recognised as research and development costs and other expenses	**97,057**	67,237
	185,953	149,349

18 Trade and other receivables

	2022 RMB'000	2021 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 recognised as expense within one year.

18 Trade and other receivables (continued)

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:

	2022 RMB'000	2021 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. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 27(a).

19 Pledged and time deposits, cash and cash equivalents and other cash flow information

(a) Pledged and time deposits and cash and cash equivalents

	2022 RMB'000	2021 RMB'000
Pledged and time deposits		
Time deposits with original terms over 3 months	**208,938**	191,702
Pledged deposits	**325**	325
	209,263	192,027
Cash and cash equivalents		
Deposits with banks	**1,866,319**	2,211,560

19 Pledged and time deposits, cash and cash equivalents and other cash flow information (continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Lease liabilities RMB'000 (note 21)
At 1 January 2022	**125,635**
Changes from financing cash flows:	
Capital element of lease payments	**(27,884)**
Interest element of lease payments	**(5,188)**
Total changes from financing cash flows	**(33,072)**
Exchange adjustments	
Other changes:	
Modification of lease terms	**(2,283)**
Interest charge (note 5(a))	**5,188**
	2,905
At 31 December 2022	**95,468**

19 Pledged and time deposits, cash and cash equivalents and other cash flow information (continued)

(b) Reconciliation of liabilities arising from financing activities (continued)

	Other financial liabilities RMB'000 (note 25)	Lease liabilities RMB'000 (note 21)	Total RMB'000
At 1 January 2021	1,278,062	15,827	1,293,889
Changes from financing cash flows:			
Capital element of lease payments	—	(14,014)	(14,014)
Interest element of lease payments	—	(3,030)	(3,030)
Total changes from financing cash flows	—	(17,044)	(17,044)
Exchange adjustments	(12,633)	—	(12,633)
Other changes:			
Increase in lease liabilities from entering into new leases during the year	—	124,090	124,090
Modification of lease terms	—	(268)	(268)
Issuance of series D preferred shares upon the exercise of Series D Adjustment	61,023	—	61,023
Conversion of preferred shares into ordinary shares (note 26)	(1,343,061)	—	(1,343,061)
Interest charge (note 5(a))	16,609	3,030	19,639
	(1,265,429)	126,852	(1,138,577)
At 31 December 2021	—	125,635	125,635

(c) Total cash outflow for leases

	2022 RMB'000	2021 RMB'000
Within operating cash flows	**11**	129
Within financing cash flows	**33,072**	19,201
	33,083	19,330

All these amounts relate to the lease rentals paid.

20 Trade and other payables

	2022 RMB'000	2021 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:

	2022 RMB'000	2021 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

21 Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the reporting period.

	2022 RMB'000	2021 RMB'000
Within 1 year	**31,041**	34,699
After 1 year but within 2 years	**27,172**	27,325
After 2 years but within 5 years	**37,255**	63,611
	64,427	90,936
	95,468	125,635

22 Income tax in the consolidated statement of financial position

(a) Current taxation in the consolidated statement of financial position represents:

	2022 RMB'000	2021 RMB'000
Provision of PRC CIT for the year	**3,096**	613
Provisional tax paid	**(1,323)**	(613)
	1,773	—

(b) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(t), the Group has not recognised deferred tax assets in respect of cumulative tax losses attributable to certain subsidiaries of RMB1,200,575,000 at 31 December 2022 (2021: RMB665,738,000) due to the unpredictability of future taxable profits in the relevant tax jurisdiction and entity.

As at 31 December 2022, the tax losses incurred by PRC subsidiaries of RMB1,200,575,000 will expire in the period from 2026 to 2032.

23 Deferred income

	Government subsidies for research and development projects RMB'000
At 1 January 2021	3,390
Government grant recognised as other income	(1,140)
At 31 December 2021 and 1 January 2022	**2,250**
Additions	**4,580**
Government grant recognised as other income	**(940)**
At 31 December 2022	**5,890**

24 Derivative financial instruments

	2022 RMB'000	2021 RMB'000
Derivative financial liabilities		
Put option written to Witney Global Limited ("Witney Put Option")	**22,719**	7,898

In January 2019, the Group granted a put option to Witney in connection with investments on Valcare (note 13) and 4C Medical (note 14) which the Group and Witney made together, pursuant to which, in certain events, including the sales of Witney's investments in Valcare and 4C Medical to a third party at a price no less than three times of the original purchase price of Valcare and 4C Medical has not occurred before the fifth anniversary of closing of investments in Valcare and 4C Medical, Witney has the right to require the Group to purchase any or all of the investments in Valcare and 4C Medical held by Witney at a price equal to the original purchase price plus interests at 2.77% per annum by cash.

In April 2022, the Witney Put Option in relation to the investment in 4C Medical with fair value of US$482,000 lapsed with the close of Additional Purchase the Group entered into (see note 14).

As at 31 December 2022, Witney Put Option is reallocated from non-current liabilities to current liabilities as the maturity date is within one year. As at 31 December 2022, the fair value of the Witney Put Option in connection with investment on Valcare was RMB22,719,000 (2021: RMB7,898,000). Valuation techniques and significant assumptions adopted for determining the fair value of the Witney Put Option was set out in note 27(e).

25 Equity-settled share-based transaction

(a) Share options granted by the Company (equity-settled)

In March 2020, the Company adopted a share option scheme (the "Share Option Scheme"), pursuant to which, the board of the directors may authorise, at their discretion, the issuance of share options to (i) the executives and employees of the Group and (ii) the directors and employees of MicroPort Scientific Corporation ("MPSC", the ultimate controlling party of the Group) and its subsidiaries other than the Group who have contributed or will contribute to the development of the Group. Each option gives the holder the right to subscribe for one ordinary share of the Company.

(i) The terms, conditions and fair values at the grant date of the grants are as follows:

	Number of options	Fair value RMB'000	Weighted average fair value per share option RMB	Exercise price HK$
Options granted to executives and employees of the Group				
31 March 2020	66,575,000	81,138	1.22	1.24
31 March 2021	8,000,000	29,463	3.68	13.72
4 October 2021	3,100,000	6,084	1.96	6.41
19 January 2022	15,576,616	14,888	0.96	3.75
30 March 2022	997,237	929	0.93	2.63
22 June 2022	3,445,000	2,891	0.77	2.80
	97,693,853			
Options granted to directors and employees of MPSC and its subsidiaries				
31 March 2020	16,140,000	19,519	1.22	1.24
22 June 2022	300,000	156	0.52	2.80
	114,133,853			

The above share options granted to the executives and employees of the Group are expected to vest in installments over an explicit vesting period of one to five years. Each installment is accounted for as a separate share-based compensation arrangement.

25 Equity-settled share-based transaction (continued)

(a) Share options granted by the Company (equity-settled) (continued)

(i) (continued)

The above share options granted to the directors and employees of MPSC and its subsidiaries have no vesting conditions and the grant-date fair value of these share options were immediately recognised as share-based payment costs at the grant date.

The contractual life of above options is ten years.

(ii) The number and weighted average exercise prices of share options are as follows:

	2022		2021	
	Weighted average exercise price HK$	**Number of options '000**	Weighted average exercise price HK$	Number of options '000
Outstanding at the beginning of the year	**2.70**	**67,862**	1.13	71,909
Granted during the year	**3.52**	**20,319**	11.68	11,100
Exercised during the year	**1.24**	**(5,821)**	1.13	(6,554)
Cancelled during the year	**—**	**—**	1.13	(320)
Forfeited during the year	**3.41**	**(14,920)**	2.39	(8,273)
Outstanding at the end of the year	**3.01**	**67,440**	2.70	67,862
Exercisable at the end of the year	**2.19**	**21,165**	1.13	7,777

All the share options granted are exercisable by the grantees upon vesting and will expire in a period from March 2030 through June 2032. As at 31 December 2022, the weighted average remaining contractual life for the share options granted under Share Option Scheme was 7.90 years (2021: 8.43 years).

(Expressed in Renminbi unless otherwise indicated)

25 Equity-settled share-based transaction (continued)

(a) Share options granted by the Company (equity-settled) (continued)

(ii) (continued)

The fair value of services received in return for share options is measured by reference to the fair value of share options granted. The share price was determined by the closing price of the shares at the grant date for the year ended 31 December 2022 and 2021, while back-solve method was used to determine the equity fair value of the ordinary shares of the Company during the year ended 31 December 2020. The estimated fair value of the share options granted is measured based on a binomial tree model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial tree model.

Fair value of share options and assumptions

	2022	2021
Fair value at measurement dates	**RMB0.52—RMB1.23**	RMB1.66—RMB4.56
Share price	**HK$2.63—HK$3.62**	HK$6.41—HK$13.72
Exercise price	**HK$2.63—HK$3.75**	HK$6.41—HK$13.72
Expected volatility	**42.51%—42.55%**	42.21%—42.99%
Option life	**10 years**	10 years
Expected dividend yield	**0.00%**	0.00%
Risk-free interest rate	**1.95%—3.22%**	1.40%—1.56%

(b) Share option plans granted by the ultimate controlling party (equity-settled)

MicroPort Scientific Corporation ("MPSC"), the ultimate controlling party of the Group, has granted certain share options to the employee of the Group. Each option gives the holder the right to subscribe for one ordinary share of MPSC, while the Group did not have an obligation to settle such transaction.

During the year ended 31 December 2022, MPSC has granted 246,008 share options to the employee of the Group (year ended 31 December 2021: 30,226). These share options are vested in instalments over an explicit vesting period of one to seven years. Each instalment is accounted for as a separate share-based compensation arrangement. The contractual life of the options is ten years.

During the year ended 31 December 2022, 40,000 share options were exercised (year ended 31 December 2021: nil).

25 Equity-settled share-based transaction (continued)

(c) Share award scheme (equity-settled)

Pursuant to a share award scheme approved by the board of directors of the Company in March 2021, the Company may purchase its own shares and grant such shares to certain directors, employees, consultants and advisors of the Group.

For the year ended 31 December 2022, the Company purchased 44,098,000 shares (2021: 6,342,000 shares) at a cash consideration of RMB109,818,000 (2021: RMB41,561,000) (note 26(c)(iv)). For the year ended 31 December 2022, the Company granted 1,030,424 shares (2021: nil) with a fair value of RMB2,232,000 (2021: nil) to the Group's executives and employees.

The consideration paid for the purchase of the Company's shares is reflected as a decrease in a capital reserve of the Company. The fair value of the employee services received in exchange for the grant of shares is recognised as staff costs in profit or loss with a corresponding increase in capital reserve, which is measured based on the grant date share price of the Company.

(d) Equity-settled share-based payment expenses recognised in the consolidated statement of profit or loss:

	2022	2021
	RMB'000	RMB'000
Cost of sales	**569**	2,514
Research and development costs	**3,384**	11,633
Distribution costs	**3,737**	7,033
Administrative expenses	**5,268**	3,868
	12,958	25,048

26 Capital and reserves

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's equity between the beginning and the end of the year are set out below.

		Ordinary Share capital RMB'000	Preferred share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2021		43	17	481,837	(412,992)	(239)	(266,020)	(197,354)
Changes in equity for 2021:								
Loss and total comprehensive income		—	—	—	—	(42,055)	(26,153)	(68,208)
Share issued upon the completion of initial public offering, net of transaction costs	26(c)(i)	7	—	2,008,573	—	—	—	2,008,580
Share issued upon exercise of the over-allotment option, net of transaction costs	26(c)(ii)	1	—	303,155	—	—	—	303,156
Conversion of preferred shares into ordinary shares	26(c)(iii)	32	(17)	1,343,046	—	—	—	1,343,061
Share repurchased under the share award scheme	26(c)(iv)	—	—	—	(41,561)	—	—	(41,561)
Share issued under the share option scheme	26(c)(v)	—	—	14,330	(7,756)	—	—	6,574
Equity-settled share-based transactions		—	—	—	24,403	—	390	24,793
Balance at 31 December 2021 and 1 January 2022		**83**	**–**	**4,150,941**	**(437,906)**	**(42,294)**	**(291,783)**	**3,379,041**
Changes in equity for 2022:								
Loss and total comprehensive income		**–**	**–**	**–**	**–**	**303,219**	**(54,322)**	**248,897**
Share repurchased under the share award scheme	**26(c)(iv)**	**–**	**–**	**–**	**(109,818)**	**–**	**–**	**(109,818)**
Share issued under the share option scheme	**26(c)(v)**	**–**	**–**	**13,213**	**(6,933)**	**–**	**–**	**6,280**
Share granted under the share award scheme	**25(c)**	**–**	**–**	**–**	**2,232**	**–**	**–**	**2,232**
Equity-settled share-based transactions		**–**	**–**	**–**	**11,321**	**–**	**–**	**11,321**
Balance at 31 December 2022		**83**	**–**	**4,164,154**	**(541,104)**	**260,925**	**(346,105)**	**3,537,953**

26 Capital and reserves (continued)

(b) Dividends

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

(c) Share capital

Authorised

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

On 15 January 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	
	Note	No. of share '000	RMB'000	No. of share '000	RMB'000
Balance at 1 January 2021		60,595	43	24,212	17
Effect of the share subdivision	26(c)	1,151,293	—	460,036	—
Share issued upon the completion of initial public offering, net of transaction costs	26(c)(i)	205,620	7	—	—
Share issued upon exercise of the over-allotment option, net of transaction costs	26(c)(ii)	30,843	1	—	—
Conversion of preferred shares into ordinary shares	26(c)(iii)	948,659	32	(484,248)	(17)
Share issued under the share option scheme	26(c)(v)	6,554	—	—	—
Balance at 31 December 2021 and 1 January 2022		**2,403,564**	**83**	**–**	**–**
Share issued under the share option scheme	26(c)(v)	**5,821**	**–**	**–**	**–**
Balance at 31 December 2022		**2,409,385**	**83**	**–**	**–**

26 Capital and reserves (continued)

(c) Share capital (continued)

Issued and fully paid (continued)

(i) On 4 February 2021, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing"). 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 capitalised 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 5 February 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 10 February 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.

26 Capital and reserves (continued)

(c) Share capital (continued)

Issued and fully paid (continued)

(iv) Purchase of own shares

During the year ended 31 December 2022 and 2021, the Company purchased its own ordinary shares through the designated trustee under the share award scheme (note 25(c)) 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 31 December 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 in accordance with policies set out in note 1(s)(ii).

26 Capital and reserves (continued)

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Companies Act of the Cayman Islands.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Company and certain subsidiaries within the Group. The reserve is dealt with in accordance with the accounting policies set out in note 1(w).

(iii) Capital reserve

The capital reserve primarily comprises the following:

— the fair value of the actual or estimated number of unexercised share options granted to executives and employees of the Group in accordance with the accounting policy adopted for share-based payments in note 1(s)(ii);

— the consideration paid for the purchase of the Company's shares under the share award scheme;

— the historical book value of the share capital and share premium of MP CardioFlow when the 100% equity interests of MP CardioFlow were transferred to the Group under the restructuring, less consideration the Group has paid to acquire the 100% equity interests of MP CardioFlow under the restructuring; and

— the liabilities of the Group waived by related parties.

26 Capital and reserves (continued)

(e) 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 defines "capital" as including all components of equity and redeemable preferred shares recognised as financial liabilities as at the end of each of the reporting period and "debt" as including interest-bearing borrowings and lease liabilities. On this basis, the amount of capital employed at 31 December 2022 was RMB2,753,715,000 (2021: RMB3,096,474,000) and the debt-to-capital ratio is 3.5%, (2021: 4.1%).

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.

27 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are state-owned banks or reputable commercial banks for which the Group considers to represent low credit risk. The Group's exposure to credit risk arising from refundable rental deposits is considered to be low taking into account the remaining lease term and the period to be covered by the rental deposits.

27 Financial risk management and fair values of financial instruments (continued)

(a) Credit risk (continued)

Management has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit period. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 60 to 90 days from the date of billing. Debtors with balances that are overdue are requested to settle all outstanding balances before any further credit is granted. The Group does not obtain collateral from customers.

The Group has significant concentrations of credit risk primarily arise from the significant exposure to individual customers. At the end of the reporting period, 30% (2021: 54%), 7% (2021: 30%) and 89% (2021: 99%) of the total trade receivables was due from the Group's largest customer, the second largest customer and the five largest customers respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs. The management has assessed as at 31 December 2022, the default risk of trade receivable is insignificant and no loss allowance provision for trade receivables was recognised.

The management has assessed that during the year ended 31 December 2022, other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management. The management of the Company expect the occurrence of losses from non-performance by the counterparties of other receivables was remote and loss allowance provision for other receivables was immaterial.

27 Financial risk management and fair values of financial instruments (continued)

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	As at 31 December 2022 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Trade and other payables	115,609	–	–	–	115,609	115,609
Lease liabilities	31,784	28,380	42,569	–	102,733	95,468
	147,393	28,380	42,569	–	218,342	211,077

27 Financial risk management and fair values of financial instruments (continued)

(b) Liquidity risk (continued)

	As at 31 December 2021 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Trade and other payables	126,778	—	—	—	126,778	126,778
Lease liabilities	35,486	29,301	71,871	—	136,658	125,635
	165,092	29,301	71,871	—	263,436	252,413

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises primarily from cash at banks, deposits with banks and lease liabilities. The Group's interest-bearing financial instruments at variable rates as at 31 December 2022 are primarily the cash at bank except for fixed deposits, and the cash flow interest risk arising from the change of market interest rate on these balances is not considered significant. The Group's exposure to interest rate risk is not significant.

27 Financial risk management and fair values of financial instruments (continued)

(c) Interest rate risk (continued)

The Group's interest rate risk profile as monitored by management is set out below.

	2022 Effective interest rate	2022 Amount RMB'000	2021 Effective interest rate	2021 Amount RMB'000
Net fixed rate instruments:				
Deposits with banks	**1.75%—3.38%**	**209,263**	0.60%—1.75%	192,027
Cash at banks	**1.80%**	**30,000**	2.03%	60,000
Lease liabilities	**4.90%—5.37%**	**(95,468)**	4.90%—5.37%	(125,635)
		143,795		126,392
Net variable rate instruments:				
Cash at banks	**0.25%—0.35%**	**1,836,319**	0.1%—0.35%	2,151,560
		1,980,114		2,277,952

(d) Currency risk

The Group is exposed to currency risk primarily through purchases which give rise to receivables and payables, deposits with bank and derivative financial instruments that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Hong Kong dollars ("HK$"), Euros, CHF and US$.

27 Financial risk management and fair values of financial instruments (continued)

(d) Currency risk (continued)

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of the entities into the Group's presentation currency are excluded.

Exposure to foreign currencies (expressed in RMB)

	2022				2021		
	HK$ RMB'000	**Euros RMB'000**	**CHF RMB'000**	**US$ RMB'000**	HK$ RMB'000	Euros RMB'000	US$ RMB'000
Cash and cash equivalents	**13,128**	**–**	**–**	**237**	23,643	—	217
Trade and other payables	**–**	**(4,008)**	**–**	**(2,691)**	—	(3,835)	(2,118)
Trade receivables	**–**	**2,272**	**1,509**	**13,906**	—	—	542
Derivative financial instruments	**–**	**–**	**–**	**(22,719)**	—	—	(7,898)
Net exposure arising from recognised assets and liabilities	**13,128**	**(1,736)**	**1,509**	**(11,267)**	23,643	(3,835)	(9,257)

27 Financial risk management and fair values of financial instruments (continued)

(d) Currency risk (continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after tax (and accumulative losses) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2022		2021	
	Increase/ (decrease) in foreign exchange rates	**Effect on loss after tax and accumulated losses RMB'000**	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses RMB'000
HK$ (against RMB)	**3%**	**394**	3%	709
	(3)%	**(394)**	(3)%	(709)
Euros (against RMB)	**3%**	**(52)**	3%	(115)
	(3)%	**52**	(3)%	115
US$ (against RMB)	**3%**	**(338)**	3%	(278)
	(3)%	**338**	(3)%	278
CHF (against RMB)	**3%**	**45**	3%	—
	(3)%	**(45)**	(3)%	—

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' loss after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of each of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of each of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of the entities into the Group's presentation currency. The analysis has been performed on the same basis for the years ended 31 December 2022 and 2021.

27 Financial risk management and fair values of financial instruments (continued)

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

— Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has engaged Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an external valuer to perform valuations for the financial instruments, including unlisted equity securities, Witney Put Option. A valuation report with analysis of changes in fair value measurement is prepared by the external valuer at each reporting date, and is reviewed and approved by the Group's management.

	Fair value at 31 December 2022 RMB'000	Fair value measurements as at 31 December 2022 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial assets:				
— Convertible instruments issued by Valcare (note 15)	**12,490**	**—**	**—**	**12,490**
Financial liabilities:				
Derivative financial instruments				
— Witney Put Option (note 24)	**(22,719)**	**—**	**—**	**(22,719)**

27 Financial risk management and fair values of financial instruments (continued)

(e) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

	Fair value at 31 December 2021 RMB'000	Fair value measurements as at 31 December 2021 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial assets:				
— Convertible instruments issued by Valcare (note 15)	21,052	—	21,052	—
Financial liabilities:				
Derivative financial instruments				
— Witney Put Option (note 24)	(7,898)	—	—	(7,898)

During the year ended 31 December 2022, there were no transfers between Level 1 and Level 2. Convertible instruments issued by Valcare transfers into Level 3 due to change of valuation technique. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of each of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of the unlisted debt securities in Level 2 is determined by the recent transaction price.

(Expressed in Renminbi unless otherwise indicated)

27 Financial risk management and fair values of financial instruments (continued)

(e) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Information about Level 3 fair value measurement

	Valuation techniques	Significant unobservable inputs	Range
Witney Put Option	Black-Scholes model (2021: Black-Scholes model) (Note a)	Expected probability of the exercise of option	90% (2021: 50%)
	Market approach (2021: recent transaction price) and equity allocation model to determine the underlying equity value (Note b)	Implied lack of marketability discount ("DLOM")	44% (2021: not applicable)
		Equity volatility	37%–44% (2021: 39%)
Convertible Instruments	Default risk method (2021: recent transaction price) (Note c)	Event probability	15%
		Probability of default of underlying asset	42%

Note a As at 31 December 2022, it is estimated that with all other variables held constant, an increase/decrease in the expected probability of event by 10% would have increased/decreased the Group's loss by RMB2,524,000/RMB2,524,000,

Note b As at 31 December 2022, it is estimated that with all other variables held constant, an increase/decrease in the equity volatility by 5% would have increased/decreased the Group's loss by RMB409,000/RMB402,000 and an increase/decrease in the DLOM by 5% would have increased/decreased the Group's loss by RMB851,000/RMB801,000.

Note c As at 31 December 2022, it is estimated that with all other variables held constant, an increase/decrease in the Probability of Default of underlying equity by 10% would have increased/decreased the Group's loss by RMB1,181,000/RMB1,181,000 and an increase/decrease in the probability of event by 5% would have increased/decreased the Group's loss by RMB2,020,000/RMB2,020,000.

27 Financial risk management and fair values of financial instruments (continued)

(e) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

The movements during the year ended 31 December 2022 in the balance of these Level 3 fair value measurements are as follows:

	Financial assets RMB'000	Financial liabilities RMB'000
At 1 January 2021	49,508	(74,027)
Exchange adjustments	(1,296)	594
Exercise of Series D Adjustment	—	61,023
Transferred into interests in associates	(66,420)	—
Changes in fair value recognised in profit or loss during the year	18,208	4,512
At 31 December 2021 and at 1 January 2022	**—**	**(7,898)**
Transfer into Level 3 due to change of valuation technique	**21,052**	**—**
Additions	**7,306**	**—**
Exchange adjustments	**1,708**	**(1,102)**
Settled	**—**	**3,208**
Changes in fair value recognised in profit or loss during the year	**(17,576)**	**(16,927)**
At 31 December 2022	**12,490**	**(22,719)**

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2022 and 2021.

28 Commitments

Commitments outstanding at 31 December 2022 not provided for in the financial statements were as follows:

	2022 RMB'000	2021 RMB'000
Contracted for		
— acquisition of property, machinery and equipment	**110,629**	44,083
Authorised but not contracted for		
— acquisition of property, machinery and equipment	**100,000**	133,853
	210,629	177,936

29 Material related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid individuals as disclosed in note 8, is as follows:

	2022	2021
	RMB'000	RMB'000
Salaries and other benefits	**3,049**	3,231
Discretionary bonuses	**1,642**	1,970
Equity-settled share-based payment expenses	**4,005**	5,336
	8,696	10,537

(b) List of related parties

Particulars of the Group's related parties which the Group had transactions with during the year ended 31 December 2022 and 2021 are as follows:

Name of party	**Relationship**
MPSC	Ultimate controlling party of the Group
AccuPath Medtech (Jiaxing) Co., Ltd. ("AccuPath")	Equity-accounted investee of MPSC (Note)
Medical Product Innovation, Inc. ("MPI")	Fellow subsidiary of the Group
MicroPort Sorin CRM (Shanghai) Co., Ltd.	Fellow subsidiary of the Group
Shanghai Safeway Medtech Co., Ltd. ("Safeway")	Fellow subsidiary of the Group
Shanghai MicroPort Medical (Group) Co., Ltd. ("Shanghai MicroPort Medical")	Fellow subsidiary of the Group
MicroPort Sinica Co., Ltd.	Fellow subsidiary of the Group
Shanghai MicroPort Cova-cloud Medtech Co., Ltd.	Fellow subsidiary of the Group
MicroPort Brasil Produtos Medicos Ltda.	Fellow subsidiary of the Group
MicroPort Medical B.V. ("MPMBV")	Fellow subsidiary of the Group
Jiaxing MicroPort Medtech Co., Ltd.	Fellow subsidiary of the Group
SuZhou ProSteri Medical Technology Co., Ltd.	Equity-accounted investee of MPSC
MicroPort D-pulse Medtech (Jiaxing) Co., Ltd.	Fellow subsidiary of the Group
Rosefinch Swallow (Shanghai) Medtech Co., Ltd.	Fellow subsidiary of the Group
Shanghai MicroPort ZuoQuan Health Technology Co., Ltd.	Fellow subsidiary of the Group
Shanghai HuaRui Bank Co., Ltd. ("SHRB")	Equity-accounted investee of MPSC
Yinchuan Conscience Care Internet Hospital Co., Ltd	Equity-accounted investee of MPSC

29 Material related party transactions (continued)

(c) Leasing arrangement with related parties

In January 2018, the Group entered into five-year leases in respect of certain leasehold properties from Shanghai MicroPort. At the commencement date of the lease, the Group recognised a right-of-use asset of RMB11,690,000 and a lease liability of RMB11,690,000. The leases had been terminated in October 2022.

In January 2021, the Group entered into five-year leases in respect of certain leasehold properties from Shanghai MicroPort. At the commencement date of the lease, the Group recognised a right-of-use asset of RMB132,938,000 and a lease liability of RMB124,090,000.

(d) Cash deposited in a related party

As at 31 December 2022, the Group has deposited cash amounted to RMB1,000 in SHRB, with interest rate of 0.35% per annum during the year ended 31 December 2022.

(e) Other transactions with related parties

	2022 RMB'000	2021 RMB'000
Purchase of goods from subsidiaries of MPSC	**3,107**	776
Purchase of goods from an equity-accounted investee of MPSC	**1,051**	485
Purchase of equipment from subsidiaries of MPSC	**1,480**	—
Service fee charged by subsidiaries of MPSC	**25,885**	7,172
Service fee charged by equity-accounted investees of MPSC	**1,298**	500
Sales of goods to subsidiaries of MPSC	**697**	—
Short-term operating lease charges by a subsidiary of MPSC	**11**	129

(f) Applicability of the Listing Rules relating to connected transactions

Except for the transactions with equity-accounted investees of the Group, the above related party transactions with MPSC and its subsidiaries and equity-accounted investees constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided under the paragraph "Continuing Connected transactions" in the reports of the directors.

30 Company-level statement of financial position

	Note	2022 RMB'000	2021 RMB'000
Non-current asset			
Investment in subsidiaries		**3,266,105**	3,206,845
Interests in an associate		**209,096**	94,998
Financial assets measured at fair value through profit or loss	15	**12,490**	21,052
		3,487,691	3,322,895
Current assets			
Other receivables		**1,885**	265
Cash and cash equivalents		**69,752**	72,955
		71,637	73,220
Current liabilities			
Other payables		**21,375**	17,074
		21,375	17,074
Net current assets		**50,262**	56,146
Total assets less current liabilities		**3,537,953**	3,379,041
NET ASSETS		**3,537,953**	3,379,041
CAPITAL AND RESERVES	26		
Share capital		**83**	83
Reserves		**3,537,870**	3,378,958
TOTAL EQUITY		**3,537,953**	3,379,041

31 Immediate and ultimate controlling parties

As at 31 December 2022, the directors consider the immediate parent to be Shanghai MicroPort Limited, which is incorporated in British Virgin Islands and does not produce financial statements available for public use.

As at 31 December 2022, the directors consider the ultimate controlling party is MicroPort Scientific Corporation, which is incorporated in Cayman Islands. MicroPort Scientific Corporation is listed on the Main Board of The Stock Exchange of Hong Kong Limited and produces financial statements available for public use.

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32 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2022

Up to the date of issue of the financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 17, Insurance contracts	1 January 2023
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*	1 January 2023
Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023
Amendments to HKFRS 16, *Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to HKAS 1, *Non-current Liabilities with Covenants*	1 January 2024
Amendments to HKFRS 10 and HKAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.


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