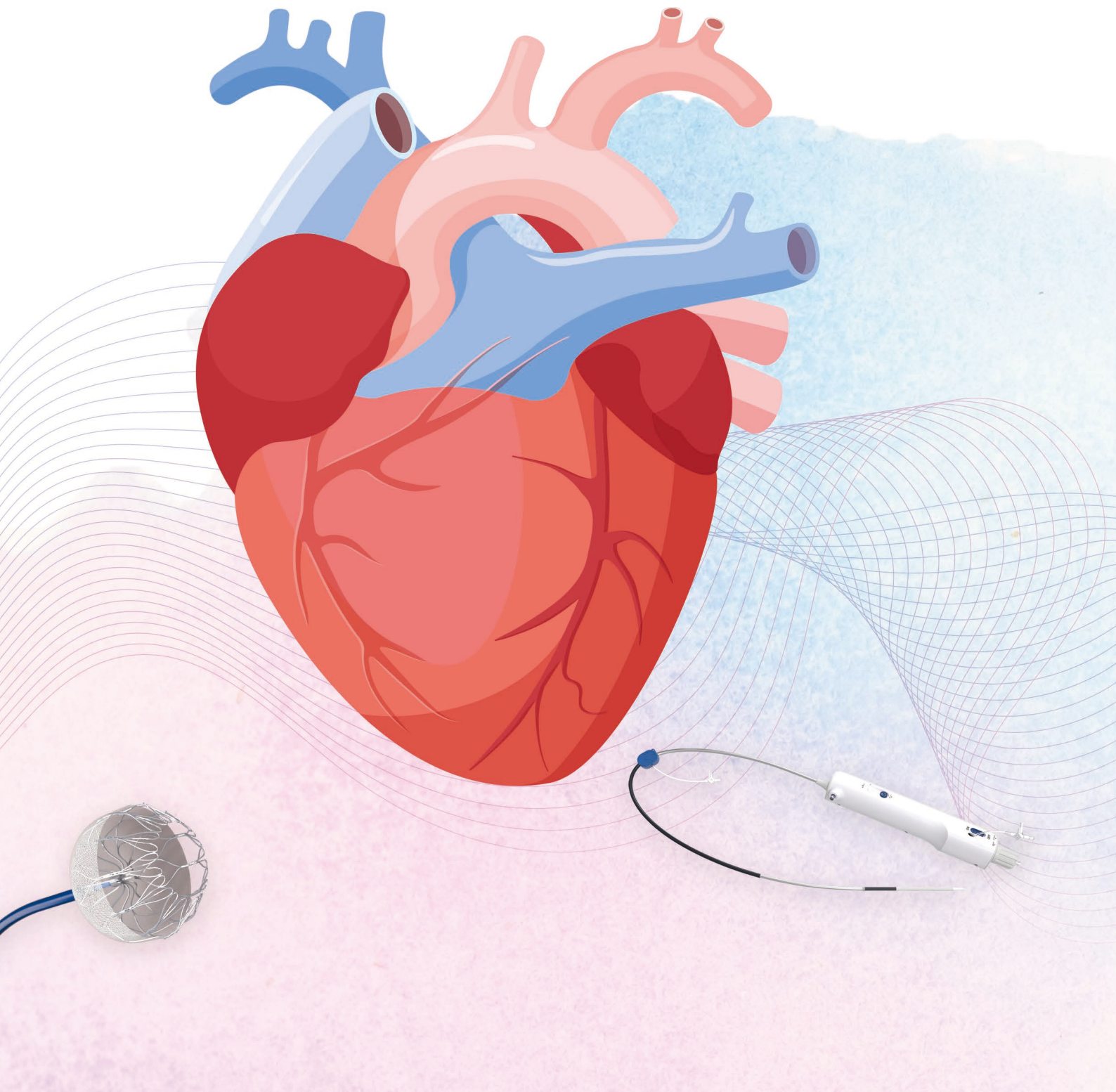
MicroPort™
心通医疗

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 2023



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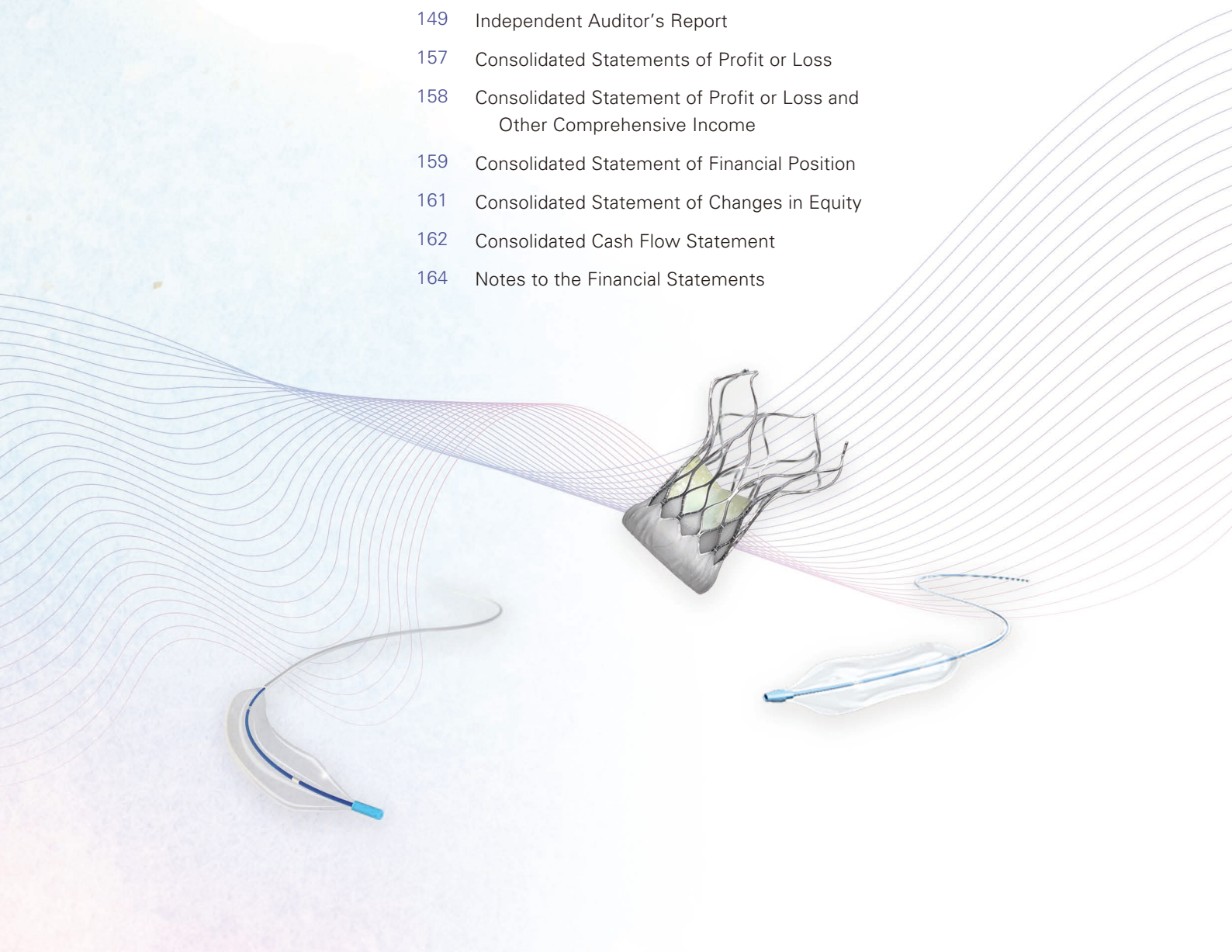


DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"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 for a term commencing from June 23, 2022 till December 31, 2024
"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 for a term commencing from June 22, 2022 till December 31, 2023
"2023 Distribution Framework Agreement"	the 2023 Distribution Framework Agreement dated December 6, 2023 between the Company (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 other things, grant a non-exclusive right to the Retained MicroPort® Group to market and distribute the Group's products overseas for a term commencing from January 1, 2024 till December 31, 2026
"2023 Master Raw Materials Procurement Agreement"	the 2023 Master Raw Materials Procurement Agreement dated December 6, 2023 between the Company (for itself and on behalf of its subsidiaries) and MicroPort® (for itself and on behalf of the Retained MicroPort® Group and its joint ventures and associates), pursuant to which we agreed to, among others, procure raw materials from the Retained MicroPort® Group and its joint ventures and associates for a term commencing from January 1, 2024 till December 31, 2026
"2023 Master Service Procurement Agreement"	the 2023 Master Service Procurement Agreement dated December 6, 2023 between the Company (for itself and on behalf of its subsidiaries) and MicroPort® (for itself and on behalf of the Retained MicroPort® Group and its joint ventures and associates), pursuant to which we agreed to, among others, procure animal test services, balloon processing services, sterilization services, product testing services and numerical simulation service from the Retained MicroPort® Group for a term commencing from January 1, 2024 till December 31, 2026
"2023 Promotion and Patient Health Management Service Procurement Framework Agreement"	the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement dated December 6, 2023 between the Company (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 promotion and health management services from the Retained MicroPort® Group for a term commencing from January 1, 2024 till December 31, 2026

"2024 MP CardioAdvent Service Procurement Framework Agreement"	the 2024 service procurement framework agreement dated April 15, 2024 between the Company (for itself and on behalf of its subsidiaries, joint ventures and associates, excluding MP CardioAdvent) and MP CardioAdvent, pursuant to which, MP CardioAdvent agreed to procure certain supporting services for its R&D and commercialization activities from the Company for a term commencing from April 15, 2024 till December 31, 2025
"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
"AccuSniper™"	AccuSniper™ double-layer balloon catheter
"AGM"	the annual general meeting to be held on Wednesday, June 26, 2024 at No. 1601 Zhangdong Road, Zhangjiang Hi-Tech Park, Pudong New District, Shanghai, China or any adjournment thereof
"AltaValve™"	AltaValve™ mitral valve replacement medical device product
"Alwide®"	Alwide® balloon catheter
"Alwide® Plus"	Alwide® Plus balloon catheter
"AnchorMan® LAA Access System"	AnchorMan® left atrial appendage access system
"AnchorMan® LAAC System"	AnchorMan® left atrial appendage closure system
"Angelguide®"	our first-generation tip-preshaped super stiff guidewire
"aortic valve"	the valve that prevents blood flowing back from aorta to left ventricle
"Articles of Association" or "Articles"	the fifth amended and restated Memorandum and Articles of Association of our Company adopted on June 27, 2023, as amended or supplemented from time to time
"Assets Transfer Agreement"	the assets transfer agreement entered into between MP CardioFlow and MicroPort EP on March 31, 2023
"associate(s)"	has the meaning as defined in the Listing Rules
"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

"Business Day"	a day on which banks in the PRC are generally open for business to the public and which is not a Saturday, Sunday or other days on which banks are required by law or authorized to suspend business in the PRC
"Catering Services Framework Agreement"	the catering services framework agreement dated January 17, 2023 entered into between MP CardioFlow and MicroPort Sinica for a term commencing from January 17, 2023 till December 31, 2025
"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 C1 (formerly 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 industry 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 (2023 Revision) 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
"connected person"	has the meaning as defined in the Listing Rules
"connected transaction"	has the meaning as defined in the Listing Rules
"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

"Equity Transfer Agreement"	the equity transfer agreement dated January 1, 2024 among MicroPort Sinica, Shanghai Zuoqing, MP CardioAdvent and MP CardioFlow in respect of the MP CardioAdvent Acquisition
"FDA"	the U.S. Food and Drug Administration
"FIM"	first-in-human, a stage of clinical trial
"GFA"	gloss floor area
"Global Offering"	the offer of the Shares for subscription as described in the Prospectus
"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
"IDE"	Investigational device exemptions
"Independent Physicians"	physicians who can perform TAVI with our products independently
"Independent Third Party(ies)"	persons who are not the connected person(s) of the Group
"KOL(s)"	doctors that influence their peers' medical practice, including but not limited to prescribing behavior
"LAA"	left atrial appendage
"LAAC"	left atrial appendage closure
"Latest Practicable Date"	April 18, 2024, being the latest practicable date prior to the printing of this annual report for the purpose of ascertaining the information contained herein
"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
"Master Raw Materials Procurement Agreement"	the Master Raw Materials Procurement Agreement dated January 21, 2021, between the Company (for itself and on behalf of its subsidiaries) and Shanghai MicroPort Medical (for itself and on behalf of its subsidiaries), pursuant to which the Group will procure certain raw materials, such as evacuation tubes, outer tubes, inner tubes, nitinol tubes and PTFE (polytetrafluoroethylene) sheathes, from the Retained MicroPort® Group for a term commencing from Listing Date till December 31, 2023
"Master Service Procurement Agreement"	the Master Service Procurement Agreement dated January 21, 2021, between the Company (for itself and on behalf of its subsidiaries) and Shanghai MicroPort Medical (for itself and on behalf of its subsidiaries), pursuant to which the Group will procure animal test services, balloon processing services, sterilization services, product testing services and numerical simulation service from the Retained MicroPort® Group for a term commencing from Listing Date till December 31, 2023
"Medical Product Innovation"	Medical Product Innovation, Inc, a company incorporated in the California, 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
"MicroPort Sinica"	MicroPort Sinica Co., Ltd. (微創投資控股有限公司), (formerly known as MicroPort Group Co., Ltd. (上海微創投資控股有限公司)), a limited liability company established in the PRC on April 9, 2013 and a wholly-owned subsidiary of MicroPort®
"MicroPort Sinica Group"	MicroPort Sinica, its subsidiaries, associates and joint ventures
"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 C3 (formerly Appendix 10) to the Listing Rules
"MP CardioAdvent"	Shanghai MicroPort CardioAdvent Co., Ltd, (上海佐心醫療科技有限公司), a limited liability company established in the PRC on September 10, 2019
"MP CardioAdvent Acquisition"	the acquisition of the equity interest in MP CardioAdvent under the Equity Transfer Agreement
"MP CardioFlow"	Shanghai MicroPort CardioFlow Medtech Co., Ltd. (上海微创心通医疗科技有限公司), 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
"Property Management Services Framework Agreement"	the property management services framework agreement dated January 17, 2023 entered into between MP CardioFlow and MicroPort Sinica for a term commencing from January 17, 2023 till December 31, 2025
"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
"Retained MicroPort® Group"	MicroPort® and its subsidiaries, excluding the Group
"Remuneration Committee"	the remuneration committee of our Company
"Renminbi" or "RMB"	the lawful currency of the PRC
"Reporting Period"	the year ended December 31, 2023
"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 MicroPort"	Shanghai MicroPort Limited, a company incorporated in the British Virgin Islands 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 Zuoqing"	Shanghai Zuoqing Enterprise Management Consulting Service Centre (Limited Partnership) (上海佐擎企業管理諮詢服務中心(有限合夥)), a limited partnership established in the PRC on May 12, 2020 and an employee shareholding platform of MP CardioAdvent
"Share(s)"	ordinary share(s) in the share capital of our Company of US$0.000005 each
"Shareholder(s)"	holder(s) of our Share(s)
"Share Award Scheme"	the share award scheme adopted by our Company on March 30, 2021, as amended from time to time
"Share Option Scheme"	the share option scheme adopted by our Company on March 13, 2020 and terminated and replaced by the Share Scheme on June 27, 2023
"Share Scheme"	the share scheme adopted by our Company on June 27, 2023, 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 replacement, a catheter-based technique to implant a new mitral valve in an interventional procedure that does not involve open-chest surgery
"TMVr"	transcatheter mitral valve repair, a catheter-based technique to repair the 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 repair, a catheter-based technique to implant a new tricuspid valve in an interventional procedure that does not involve open-chest surgery
"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$"	United States dollars, the lawful currency of the United States
"Valcare"	Valcare, Inc., a company incorporated under the laws of the State of Delaware and mainly engaged in the R&D of mitral valve and tricuspid valve medical devices
"VitaFlow®"	unless the context indicates otherwise, "VitaFlow®" refers to the VitaFlow® transcatheter aortic valve implantation system, which comprises of a PAV, a motorized delivery system and certain procedural accessories
"VitaFlow Liberty®"	unless the context indicates otherwise, "VitaFlow Liberty®" refers to the VitaFlow Liberty® transcatheter aortic valve implantation system, which comprises of a PAV, a motorized delivery system and the tip-preshaped super stiff guidewire Angelguide®
"Witney Put Option"	the put option granted to Witney Global Limited
"%"	per cent

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Jeffrey R Lindstrom *(appointed on August 29, 2023)*
Mr. Zhao Liang
Ms. Yan Luying
Mr. Chen Guoming *(re-designated from an executive Director to a non-executive Director on August 29, 2023)*

Non-Executive Directors

Mr. Chen Guoming *(Chairman of the Board) (appointed as the chairman of the Board and re-designated from an executive Director to a non-executive Director on August 29, 2023)*
Mr. Zhang Junjie
Ms. Wu Xia
Dr. Luo Qiyi *(resigned on August 29, 2023)*

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

Mr. Chen Guoming *(appointed on August 29, 2023)*
Ms. Chan Lok Yee
Dr. Luo Qiyi *(resigned on August 29, 2023)*

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Ms. Sun Zhixiang *(Chairwoman)*
Mr. Chen Guoming *(appointed on August 29, 2023)*
Mr. Jonathan H. Chou
Dr. Luo Qiyi *(resigned on August 29, 2023)*

NOMINATION COMMITTEE

Mr. Chen Guoming *(Chairman) (appointed on August 29, 2023)*
Ms. Sun Zhixiang
Dr. Ding Jiandong
Dr. Luo Qiyi *(resigned on August 29, 2023)*

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

PRINCIPAL BANKS

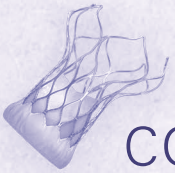
Shanghai Pudong Development Bank
Zhangjiang Innovation Sub-branch
56 Boyun Road
Pudong New District
Shanghai, PRC

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



COMPANY PROFILE

OVERVIEW

We are a medical device company focusing on the R&D and commercialization of innovative transcatheter and surgical solutions for structural heart diseases, dedicated to providing universal access to state-of-the-art total solutions to physicians and patients for the treatment 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. Deeply rooted in the vast, rapid-growing and substantially underpenetrated structural heart diseases medical device market, we have developed a comprehensive product pipeline for the treatment of structural heart diseases. We attach great importance to R&D and innovation and have created a technological innovation system integrating industry-university-research cooperation to profoundly involve in the field of structural heart diseases with higher standards and better practice to provide high-quality products and services to the global market.

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 medical group ranking as a global leader of evolving and emerging medical technologies.

OUR PIPELINE

Currently, the Company's self-developed TAVI series products have entered into more than 500 hospitals in China, and have successfully landed in nearly 100 hospitals overseas in Argentina, Colombia, Thailand and Russia. The AnchorMan® LAAC product, independently developed by our subsidiary MP CardioAdvent, has been approved by the NMPA, realizing a strategic pipeline in the non-valve area of structural heart disease by introducing innovative therapies into the field of stroke prevention. In addition, through in-house R&D and joint R&D with global partners, we have established a comprehensive and innovative R&D layout covering TAVI products, LAA products, TMV products, TTV products and procedural accessories. We are dedicated to building our product core competitiveness and providing universal access to state of-the-art total solutions to physicians and patients for the treatment of structural heart diseases.

CHAIRMAN'S STATEMENT

Mr. Chen Guoming
Chairman

In 2023, the global field of interventional treatment of structural heart diseases had developed rapidly. With more evidence-based medical evidence being published, it had been proved that the long-term clinical performance of TAVI procedures is not inferior to other surgeries and such procedures possess significant socio-economic benefits. Meanwhile, aortic valve, mitral valve, tricuspid valve, LAAC and other fields of interventional treatment of structural heart diseases had achieved significant progress in many technical aspects, accompanied by the emergence of more innovative techniques and products, leading to an increasing attention of the industry to the interventional treatment techniques of structural heart diseases. In China, as the effect of the pandemic dissipated, the medical institutions fully resumed normal operation, the demand for TAVI procedures that had been constrained during the pandemic was partially released. In addition, by virtue of the collaborative endeavors of all TAVI industry participants in China in academic exchanges, propaganda and education among doctors and patients, medical insurance coverage and payment support, the TAVI procedures have become widely accepted and developed. The number of qualified medical centers has increased, the penetration rate of TAVI procedures has been further enhanced, and the industry has accelerated its growth.

During the Reporting Period, we further expanded our business scale, improved our operational efficiency and strengthened our competitive advantages. With the respective functions, including market promotion, products sales, medical technology and patient support, cooperate closely while performing their own duties, our Total Solutions Team was committed to facilitate the penetration of products and provide the opportunity of minimally invasive interventional therapy for more patients of aortic valve diseases. As for the China market, facing an increasing market competition, we actively expanded our market coverage through leveraging 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, with an accumulated coverage of 554 hospitals as of the end of the Reporting Period, representing an increase of approximately 27% as compared to the number as of December 31, 2022, and achieved steady growth in implantation volume and sales revenue of 45% and 34% as compared to that of 2022 respectively. In overseas markets, we continue to gradually increase the presence of VitaFlow Liberty® in the global structural heart disease academic community through participation in international academic conferences. Our TAVI products had cumulatively entered nearly a hundred hospitals in Argentina, Colombia, Thailand, and Russia by the end of the Reporting Period, and completed 120 commercial implants during the Reporting Period, representing an increase of approximately 90% compared to 2022.

We adhere to the original intention and are committed to innovation-driven development, continue to improve and optimise our pipeline layouts, make fully efforts for all products including TAVI, TMV, TTV and procedural accessory products, pay more attention to 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 relationship with global strategic partners and work together to develop, collaborate and license new TMV and TTV products. In addition, through the acquisition of a 51% equity interest in MP CardioAdvent, we have successfully entered into the field of stroke prevention and realised strategic pipeline in the non-valve area of structural heart disease. We have been profoundly involved in the field of structural heart diseases with higher standards and better practice, continue to be committed to the innovation and R&D of world-leading technologies, creating a technological innovation system integrating production, education and research, and providing high-quality products and services to the global market, which will give the strongest driving force for the sustainable development of the Company.

We have steadfastly deepened our globalization strategy, and have orderly pushed forward the CE registration of VitaFlow Liberty®, Alwide® Plus, AnchorMan® LAAC System and AnchorMan® LAA Access System, as well as the registration in a number of emerging markets. 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.

Adhering to the vision of "building a people-centric medical group ranking as a global leader of evolving and emerging medical technologies" and actively practicing our mission "to provide trustworthy and universal access to state-of-the-art total solutions to treat structural heart diseases", we promote our structural heart disease treatment solutions to more patients around the world, to save their lives or improve their quality of life. We insist on green and sustainable development, abide by business ethics, and focus on risk management; we adhere to the people-oriented concept, safeguard the safety and health of employees, and share the benefits with them; we practice high standards of corporate governance to create a model of compliance in the industry. In the future, we will persistently broaden our business scope, advance the R&D process, and strengthen our internationalization strategy. At the same time, with the robustness of the financial statements as our priority, we will further minimize our losses by focusing on our business, increasing revenue, reducing costs and expenses, and strive to achieve breakeven as soon as possible while maintaining a steady growth in revenue. While providing trustworthy and universal access to state-of-the-art total solutions to global patients, we will also create long-term shared values for stakeholders.

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.

Mr. Chen Guoming
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 STATEMENTS OF PROFIT OR LOSS

	For the year ended December 31,				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**336,215**	251,026	200,813	103,934	21,502
Gross profit	**229,931**	162,130	118,701	45,380	6,302
Loss before taxation	**(463,582)**	(451,299)	(182,651)	(398,087)	(144,522)
Loss for the year and attributable to equity shareholders of the Company	**(471,534)**	(454,395)	(183,264)	(398,087)	(144,522)
Loss per share — Basic and diluted (in RMB)	**(0.20)**	(0.19)	(0.08)	(0.23)	(0.08)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of December 31,				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**535,772**	729,493	762,193	392,213	362,171
Current assets	**2,041,336**	2,271,768	2,599,799	719,968	183,729
Total assets	**2,577,108**	3,001,261	3,361,992	1,112,181	545,900
Non-current liabilities	**48,662**	70,317	101,084	25,671	26,315
Current liabilities	**193,583**	177,229	164,434	1,431,694	387,741
Total liabilities	**242,245**	247,546	265,518	1,457,365	414,056
Total equity/(deficit)	**2,334,863**	2,753,715	3,096,474	(345,184)	131,844

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. Chen Guoming (陳國明), aged 39, is the chairman of the Board and a non-executive Director. He was re-designated as a non-executive Director and appointed as the chairman of the Board and the chairman of the board of directors of MP CardioFlow on August 29, 2023. He joined the Group as a vice president on September 1, 2016 and was mainly responsible for R&D since then and participating in the management and strategic development of our Group. He served as an executive Director, President of the Company and general manager of MP CardioFlow from September 29, 2020 to August 29, 2023.

Mr. Chen focused on R&D, clinical application and supply chain management of devices in the field of valves for more than 10 years. Mr. Chen has served as senior vice president of project & knowledge management and technology development of MicroPort® since August 29, 2023. Before joining the Group in September 2016, he 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 Latest Practicable Date.

EXECUTIVE DIRECTORS

Mr. Jeffrey R Lindstrom, aged 58, is an executive Director and the President of our Company, and a director and the general manager of MP CardioFlow since August 29, 2023. He joined our Group in January 2022 as the vice president (R&D) of our Company and was mainly responsible for the R&D of our Group since then.

Mr. Lindstrom has over 26 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 electric 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.

Mr. Zhao Liang (趙亮), aged 45, 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 Group's total solutions of 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 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 43, 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 quality management, and participating in the management and strategic development of our Group.

Ms. Yan has more than 19 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 August 2016.

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 DIRECTOR

Mr. Zhang Junjie (張俊傑), aged 47, is a non-executive Director. 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 20 years of experience in the healthcare investment industry. He is currently 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 April 9, 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 June 23, 2021 (stock code: 688690) since November 2019. From July 2018 to November 2023, he served as 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).

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 42, is a non-executive Director. 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 12 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) ("**CICC Capital**") 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 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 United Kingdom in January 2005. She was honored "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 59, is an independent non-executive Director. 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 management executive with more than 32 years of professional experience. 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 joined UTAC Group in February 2021 as its Chief Financial Officer. UTAC is a leading independent provider of semiconductor package and test services, providing package and test services for a wide range of semiconductor chips.

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 China Feihe Limited (a company listed on the Stock Exchange in November 2019 with stock code of 6186), during which period he led the company's listing application. Prior to joining China Feihe Limited, 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 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 56, is an independent non-executive Director. 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 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. Since May 2023, she has been serving as an independent non-executive director of Shanghai Baosight Software Co., Ltd. (上海寶信軟件股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600845).

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 59, is an independent non-executive Director. He was appointed as an independent non-executive Director 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 R&D 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 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 Latest Practicable Date, 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. Jeffrey R Lindstrom, aged 58, is an executive Director and the President of our Company. Please refer to "Board of Directors — Mr. Jeffrey R Lindstrom" for his biography.

Mr. Zhao Liang (趙亮), aged 45, 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.

Ms. Yan Luying (閆璐穎), aged 43, is an executive Director and a Vice President of our Company. Please refer to "Board of Directors — Ms. Yan Luying" for her biography.

Ms. Yao Yao (姚瑤), aged 39, joined the Group as Advanced Director of R&D on 1 February, 2024, and the executive director and general manager of MP CardioAdvent.

Ms. Yao has focused on R&D, clinical application and project management of Class III medical devices in the field of high-risk cardiovascular implants for over 10 years. Before joining the Group on 1 February, 2024, she joined the MicroPort® Group in April 2010 and acted as general manager of MP CardioAdvent since September 2019.

Ms. Yao obtained her bachelor's degree in materials science from Tianjin University of Technology (天津理工大學) in China in June 2007. She obtained master's degree in materials from Shanghai Jiao Tong University (上海交通大學) in China in March 2010. She is also the inventor or a co-inventor of over 100 invention patents in China and overseas as of the Latest Practicable Date.

Ms. Ni Nuan (倪暖), aged 42, is the Advanced Financial Director of the Group. 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 (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 41, is the Advanced Director of Supply Chain of the Group, 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).

Mr. 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.

Dr. Qin Rui (秦瑞), aged 36, is the Advanced Director of Corporate Development and Project Management of the Group. She joined the Group in December 2022 and is responsible for project management, corporate strategy and business development. Dr. Qin has nearly ten years of experience in general management, business development and investment and financing management in the field of medical device. Prior to joining the Group, she served as a chief operating officer at Shanghai Psytech Electronic Technology Co., Ltd. from September 2021 to October 2022, Deputy General Manager at Hangzhou Oway Medical Technology Co., Ltd. from March 2019 to August 2021, and worked at Berlin headquarter of Neuromotion Group from March 2016 to February 2019 as a senior manager of project management and business development.

Dr. Qin obtained her bachelor's degree in international Chinese language from Wu Yuzhang Honors College of Sichuan University (四川大學吳玉章榮譽學院) in China in August 2010. She obtained her master's degre and doctoral degree in clinical linguistics and neuroscience from the University of Groningen in the Netherlands in August 2012 and January 2016, respectively.

Ms. He Xiaoyan (何小燕), aged 41, is the Advanced Director of Human Capital and Integrated Management of the Group. She joined our Group in October 2023. Ms. He has nearly 20 years of experience in human resources management with profound understanding of medical devices industry. Prior to joining our Group, Ms. He worked at Johnson & Johnson China Medical Devices Co., Ltd. for more than ten years, and held different core human resources positions supporting various business segments such as orthopedics and surgery, and accumulated solid experience. Before joining Johnson & Johnson, Ms. He worked at P&G China.

Ms. He obtained her bachelor's degree in English from Nanjing Normal University (南京師範大學) in China in June 2005.

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 Latest Practicable Date.

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 SECRETARY

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 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 senior manager of Corporate Services of Vistra Corporate Services (HK) Limited, a professional provider of corporate services. She has had over nine 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 known 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

On August 29, 2023, (i) Dr. Luo Qiyi resigned as a non-executive Director, the chairman of the Board, the chairman of the Nomination Committee, a member of the Remuneration Committee, an authorized representative of our Company and a director and the chairman of MP CardioFlow; (ii) Mr. Chen Guoming has resigned as the President of the Company and general manager of MP CardioFlow and re-designated from an executive Director to a non-executive Director, and has been appointed as the chairman of the Board, the chairman of the Nomination Committee, a member of the Remuneration Committee, an authorized representative of our Company and the chairman of the board of directors of MP CardioFlow; and (iii) Mr. Jeffrey R Lindstrom has been appointed as an executive Director, President of the Company, and a director and the general manager of MP CardioFlow.

In November 2023, Mr. Zhang Junjie resigned as 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).

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

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, dedicated to providing universal access to state-of-the-art total solutions to physicians and patients for the treatment 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. Deeply rooted in the vast, rapid-growing and substantially underpenetrated structural heart diseases medical device market, we have developed a comprehensive product pipeline for the treatment of structural heart diseases. We attach great importance to R&D and innovation and have created a technological innovation system integrating industry-university-research cooperation to profoundly involve in the field of structural heart diseases with higher standards and better practice to provide high-quality products and services to the global market.

In 2023, as China emerged from the pandemic and medical institutions fully resumed normal operation, the demand for TAVI procedures that had been constrained during the pandemic was partially released. Meanwhile, by virtue of the collaborative endeavors of TAVI industry participants in academic exchanges, propaganda and education among doctors and patients, medical insurance coverage, and payment support, the TAVI procedures have become widely accepted and developed. The number of qualified medical centers has increased, the penetration rate of TAVI procedures has been further enhanced, and the industry has accelerated its growth.

Leveraging the Group's extensive presence in different regions across China and our close collaboration with MicroPort® Group, we continued to carry out high-quality hospital coverage and newly entered 117 medical centers during the Reporting Period, representing an increase of approximately 27% as compared to the number as of December 31, 2022. At the same time, the Company focused on consolidating and enhancing patient discovery and procedure support in existing medical centers, achieving rapid growth in implantation volume and sales revenue in over 500 medical centers we covered. During the Reporting Period, implantation of our TAVI products in China grew by approximately 45% compared to 2022. In overseas markets, we continue to gradually increase the presence of VitaFlow Liberty® in the global structural heart disease academic community through participation in international academic conferences. Our TAVI products had cumulatively entered nearly a hundred hospitals in Argentina, Colombia, Thailand, and Russia by the end of the Reporting Period, and completed 120 commercial implants during the Reporting Period, representing an increase of approximately 90% compared to 2022.

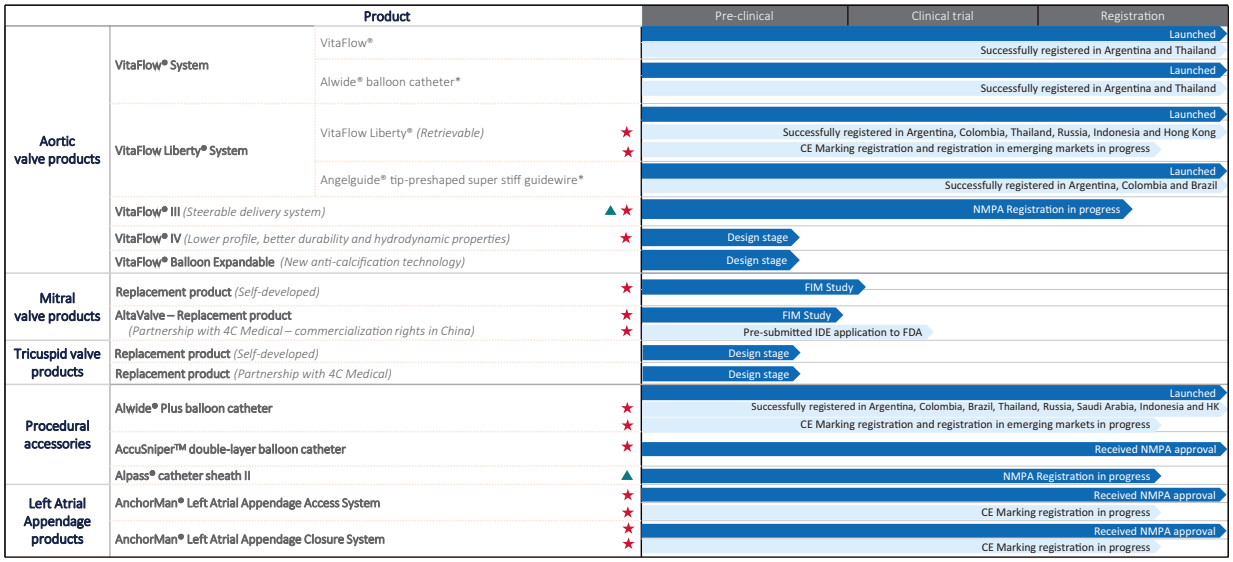
Our global registrations are also progressing steadily during the Reporting Period: VitaFlow Liberty® received registration approvals in Thailand, Russia and Indonesia; Alwide® Plus received registration approvals in Thailand, Russia, Indonesia and Saudi Arabia; the CE mark registration of VitaFlow Liberty® has entered the final approval process, the CE mark registration of Alwide® Plus has entered the key stage of review, and the registration of VitaFlow Liberty® and Alwide® Plus in emerging markets such as India, South Korea, and Mexico has also reached a milestone achievement. With the successive registrations of our products in overseas markets, we will further expand our business coverage and accelerate global business development by continuously leveraging on the global visibility of the MicroPort® brand and the existing sales network of the MicroPort® Group.

While accelerating the pace of commercialization, we have continued 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, providing continuous momentum for the Group's rapid and healthy development. We pay close attention to the technical bottlenecks and clinical pain points of the existing TAVI products, and have designed and planned to launch our third-generation TAVI product which is equipped with an upgraded steerable delivery system, in order to further enhance the immediate and long-term therapeutic effects of TAVI procedures. The product has already been submitted to the NMPA for registration. In August 2023, our AccuSniper™ Double-Layer Balloon Catheter received NMPA registration approval, making it the world's only double-layer balloon catheter with excellent release stability and puncture resistance and further enriching our TAVI total solutions. In respect of mitral valve therapy, the Group's self-developed TMVR product completed several human applications, achieved successful at least one-year postoperative follow-up, and officially initiated the type examination.

In addition to in-house development, we have been actively seeking opportunities to collaborate with advanced products and technologies, both domestic and overseas, in the field of structural heart disease in order to expand our product portfolio. During the Reporting Period, AltaValve™, one TMVR product developed by us in collaboration with our business partners, has completed patient enrollment in its early feasibility study overseas and has pre-filed its IDE application with the FDA, which is expected to be the world's first mitral regurgitation treatment option with atrium-only fixation. On January 1, 2024, we acquired 51% equity interest in MP CardioAdvent. The self-developed AnchorMan® LAAC System of MP CardioAdvent was approved by the NMPA on January 5, 2024, making it the only approved semi-closed type LAAC product in China so far. As of the Latest Practicable Date, the Group has completed its first commercial implantations of AnchorMan® LAAC System. The self-developed AnchorMan® LAA Access System of MP CardioAdvent was also approved by the NMPA during the Reporting Period. The MP CardioAdvent Acquisition provides the Company with the opportunity to enter a new market segment with high growth potential in the field of structural heart disease, thereby expanding its revenue sources and providing universal access to state-of-the-art total solutions to treat structural heart diseases and further enhance its competitiveness.

Our Pipeline

As of the Latest Practicable Date, our in-house developed product portfolio consists of six registered products — VitaFlow®, VitaFlow Liberty® (including procedural accessories as supporting supply), Alwide® Plus, AccuSniper™, AnchorMan® LAAC System and AnchorMan® LAA Access System, and various TAVI products, TMV products, TTV products, LAA products and procedural accessories at different development stages. In addition to our in-house developed product portfolio, we also collaborated with our business partner, namely 4C Medical, 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 comprised of the products that we developed in house and in collaboration with our business partners as of the Latest Practicable Date:



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®, obtained the NMPA approval for registration in July 2019 and started to commercialize in China in August 2019. VitaFlow® primarily consists of a PAV, a motorized delivery system and certain procedural accessories. 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 STS Score of 8.8%. The 5-year follow-up results of the clinical trial were released in July 2022, 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%; during the Reporting Period, the 7-year follow-up results of the clinical trial were released, in which the all-cause mortality rate at 7-year follow-up was 31.4%. Compared with other commercially available TAVI products in China, VitaFlow® performed better in terms of all-cause mortality rate and postoperative complications (including moderate/severe PVL, major stroke and vascular complications). This 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.

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 our 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 ensuring excellent navigability, which helps to traverse challenging anatomical structures. 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® has won the German Red Dot Award: Product Design and the Italy A' Design Award for its innovative design concept and outstanding product performance, showing the international recognition of our innovative product design and the CardioFlow brand and laying a solid foundation for the internationalization of VitaFlow Liberty®.

VitaFlow Liberty® obtained the NMPA approval for registration in August 2021 and started to commercialize in China in September 2021. In December 2021, VitaFlow Liberty® was registered in Argentina and submitted registration application for CE Mark. In August 2022, February 2023, September 2023, October 2023 and March 2024, VitaFlow Liberty® was registered in Colombia, Thailand, Russia, Indonesia and Hong Kong, respectively. We are also in the process of registering VitaFlow Liberty® in emerging markets, such as India, Brazil, South Korea, Mexico, and Saudi Arabia, and plan to apply for its registration in other regions and countries that recognize the CE Mark after obtaining the same.

Third-Generation TAVI Product

Our third-generation TAVI product, which is currently in the design stage, inherits all the advantages of VitaFlow Liberty®. Its delivery system will feature with steerable function designed to help physicians increase the accuracy of positioning, and the profile will be further reduced. The third-generation TAVI product will provide physicians with excellent ease-of-use and further improve procedure efficiency and release accuracy. We have submitted the registration application for this product to the NMPA during the Reporting Period.

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

Fourth-Generation TAVI Product

We are developing the fourth-generation product of the VitaFlow series, which will continue the technical features of this series, such as controllable bending, full retrievability, and strong support. At the same time, we are continuously focusing on enhancing safety, effectiveness, and usability, such as providing better choices for physicians in terms of low profile, durability, and hydrodynamics to provide patients with products that are both reliable and affordable. The product is currently in the R&D and design stage.

We may not be able to successfully develop and commercialize the fourth-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 design and dry tissue, and equips with other unique technical features to optimize hemodynamics and maintain valve performance. The product is currently in the R&D and design stage.

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

TMVR Product

We are developing a TMVR product for the treatment of patients with mitral regurgitation, which is featured with large orifice, low subvalvular height and dry tissue technology, and the operation of which is simple and physician-friendly. We have now completed several human applications of the TMVR product and postoperative follow-ups of relevant patients for up to one year and are rapidly advancing the human application and validation of the product in multiple centers, so as to accumulate clinical experience for the subsequent large scale clinical trials of the product. We have initiated type testing of this product.

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

R&D

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 deeply rooting ourselves in the field of structural heart disease with higher standards and better practices and committing ourselves to innovation and R&D of the world-leading structural heart disease 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 Group'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 approximately 90 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, 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 our 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 newly registered 20 patents and submitted 36 pending patent applications in China. Meanwhile, we added a total of 21 patents in South Korea, Japan, Australia, America and Europe. As of the end of the Reporting Period, we owned 153 patents in China, including 27 invention patents, 118 utility models and 8 industry designs, and 179 pending patent applications, including 161 invention patents and 18 utility models. To drive our internationalization strategy, as of the end of the Reporting Period, we also owned 118 patents in Japan, Switzerland, Portugal, the United Kingdom, Italy, Germany, France, Spain, America, South Korea, Australia, Brazil and India, among others. All of the patents that we owned or applied for are related to technologies of our products or product candidates and are self-developed by our R&D team. As of the end of the Reporting Period, with 14 newly registered ones, the total number of our approved trademarks worldwide reached 89.

Supply Chain

Our production plant with a total GFA of approximately 13,000 sq.m. in Shanghai is able to provide an annual production capacity of 25,000 sets of products, providing a solid supply guarantee for the continuous improvement of our sales and supporting our Group's rapid development in the future. Our production facilities and equipment follow the U.S., European and Chinese GMP regulations and adhere to strict production quality control standards.

Through close communication and collaboration with global suppliers based on the concept of win-win cooperation, we accelerate the diversified supplier development and the local sourcing of raw materials while maintaining a stable supply of raw materials to enhance supply chain resilience and agility, and continuously optimize product costs. During the Reporting Period, we have achieved a breakthrough by successfully implementing in-house production of certain key imported raw materials, which not only significantly reduced costs but also broke the foreign monopoly on these critical raw materials, thereby eliminating the potential risks associated with exclusive supply. In addition, we have established an advanced quality control system, further introduced the concept of Operational Excellence (OPEX), and continued to strengthen the construction of the lean manufacturing system to realize the continuous improvement on production efficiency.

Commercialization

As of the end of the Reporting Period, we had commercialized our TAVI products in China, Argentina, Colombia, Thailand and Russia. We focused on the cultivation of qualified TAVI hospitals and Independent Physicians and took it as a key link in the implementation of our market strategy. As of the end of the Reporting Period, there were over 500 hospitals in China that had performed TAVI procedures with VitaFlow® and VitaFlow Liberty®, and the number of our Independent Physicians in China increased to more than 260. Further, our products had been used in nearly 100 overseas centers with around 20 Independent Physicians as of the end of the Reporting Period.

We have a dedicated in-house team (the "**Total Solutions Team**") with professional medical background to promote our medical solutions, which aims to promote the Group's innovative transcatheter and surgical solutions for structural heart diseases. As of the end of the Reporting Period, our Total Solutions Team had nearly 200 full-time employees. Leveraging on the resources and advantages of MicroPort® Group in the field of cardiac and cardiovascular disease treatment, which bring 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. 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, and helped more TAVI patients complete their diagnosis and treatment conveniently.

We carry out logistics, dispatch, warehousing and other works with the help of 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.

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, continuing to enhance the Group's global visibility and reputation. During the Reporting Period, we continued to jointly organize the third "AP-SHD • China Structural Week • VitaFlow® Classics Competition" with the Youth Club of Asia Pacific Structural Heart Diseases, which has become the most influential competition among young-and-middle-aged physicians in the TAVI field, and thereby continuously cultivating TAVI Independent Physicians and forming a good foundation for accelerating popularization and penetration of the TAVI procedure. In terms of overseas market activities, we participated in well-known international academic conferences such as CSC Conference (Spain), VALVE in Rio, SOLACI/SBHCI, TCT and EuroPCR, shared the latest clinical information 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.

Significant Investments, Material Acquisitions and Disposals during the Reporting Period

During the Reporting Period, we did not make any significant investments or material acquisitions or disposals of subsidiaries, associates and joint ventures.

Employees and Remuneration

As of December 31, 2023, our Group had a total of 592 full-time employees (as of December 31, 2022: 558 full-time employees), of which 15% 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 Scheme, the Share Award Scheme and Share Option Scheme (terminated on June 27, 2023) to provide incentives for the eligible participants.

Future Development

We intend to capitalize our strengths to pursue our 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 our sales of our TAVI products in China through the following:

- **Deepen multi-level hospital coverage and procedure penetration.** With the positive clinical trial results of VitaFlow® and VitaFlow Liberty® and positive feedback from physicians and patients in real-world applications, we will accelerate the penetration of qualified medical centers in China, use layered management onto the hospitals covered according to the volume of TAVI procedures and the number of Independent Physicians, achieve/consolidate advantages by formulating differentiated sales strategies and training programs, and continue to enhance the penetration of TAVI procedures and the market share of our TAVI products.

- **Enhance patient discovery and referral.** We believe that with the deepening of the clinical application of TAVI products, the improvement of physicians' familiarity with devices and their procedure skills, and the expansion of the accessibility of TAVI treatment, there are 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.

- **Build academic brand to achieve professional education and promotion.** We fully explore the highlights of differentiated products, develop targeted training programs by discipline, and increase our influence among young-and-middle-aged physicians through academic competition. We have built the KOLs and physician network in the professional field of structural heart diseases and maintained frequent communications with several leading medical associations in these fields to fully build a bright academic brand and achieve professional physician education and product promotion.

- **Conduct long-term postoperative follow-ups and efficacy evaluation.** We continue to conduct follow-up evaluations after TAVI procedures to further monitor the long-term safety and efficacy of VitaFlow® and VitaFlow Liberty®. We believe that we are well-positioned to further boost our product and brand recognition through these valuable long-term clinical data and provide inspiration for the R&D of the next generation of our products.

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, Thailand, Russia and Indonesia and its CE registration application has also entered the final approval process. We have selected European and other emerging markets, especially countries that recognize CE mark or the NMPA approval, 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 the R&D of new products

Capitalizing our market position and extensive know-how in structural heart diseases, and working closely with our international scientific advisory board and KOLs to understand the clinical demands, market trends and technology breakthroughs, we continue our focus on the development of other pipeline products to expand our product portfolio, including TAVI, TMV, TTV, LAAC and next-generation procedural accessories designated to strengthen our leading market position in medical devices for structural heart diseases.

Seek external cooperation to expand product portfolio

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

Enhance data collection to improve insight and decision making

We fully embrace the digital transformation and take data collection, management, insight and decision support as a key cornerstone of our business. We will continue to enhance the professional education service platform of the Company to enhance the reach and depth of the Company's products and TAVI procedure through digital content distribution and dissemination. We will also explore new ways to help enhance the efficiency of medical treatment and improve diagnosis and treatment process through digital patient management tools.

Strengthen full life cycle management of products, and improve operational efficiency

We will fully initiate the full life cycle management of products by introducing a cross-functional team from the planning and pre-research stage of new products to accelerate the development process of new products through close cooperation with the cross-functional team, to continuously improve the design for assembly and design for manufacturability during product design, to help achieve the smooth transition between new product R&D and mass production, further improve our production efficiency, and continuously lower the manufacturing costs under the premise of ensuring product quality, so as to cope with increasingly fierce market competition and support the long-term growth of our Company. At the same time, we will also start to introduce advanced information technology systems to further enhance and improve the quality and efficiency of our operations and management.

Focus on costs reduction and expenditures control to accelerate the profitability process

With the robustness of the financial statements as our priority, we will further minimize our losses by focusing on our business, increasing revenues, cutting costs and reducing expenses, and strive to achieve breakeven as soon as possible while maintaining a steady growth in revenues.

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, 2023, the Group recorded revenue of RMB336.2 million, representing an increase of 33.9% compared to RMB251.0 million for the year ended December 31, 2022, primarily attributable to the increased sales from our TAVI products in the PRC owing to the rapid increase in the number of procedures brought by the increased hospital penetration of our TAVI products in the PRC. Meanwhile, our revenue from overseas sales of our TAVI products in 2023 increased by 58.9% from previous year, along with the market expansion of our TAVI products overseas in Argentina, Colombia, Thailand and Russia.

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 19.6% from RMB88.9 million for the year ended December 31, 2022 to RMB106.3 million for the year ended December 31, 2023, primarily due to the increase in raw materials costs, staff costs and overhead expenses as a result of the enlarged sales volumes of VitaFlow® and VitaFlow Liberty®.

Gross Profit and Gross Profit Margin

Our gross profit increased by 41.8% from RMB162.1 million for the year ended December 31, 2022 to RMB229.9 million for the year ended December 31, 2023, and the gross profit margin increased by 3.8 percentage points from 64.6% for the year ended December 31, 2022 to 68.4% for the year ended December 31, 2023, primarily due to our effective costs reduction and expenditures control measures and the economies of scale we achieved in line with our business growth.

Other Net Income

For the year ended December 31, 2023, we recorded RMB91.8 million in other net income, compared to RMB50.3 million for the year ended December 31, 2022, primarily due to an increase in interest income arising from the bank deposits.

R&D Costs

Our R&D costs increased by 6% from RMB223.8 million for the year ended December 31, 2022 to RMB237.3 million for the year ended December 31, 2023, primarily due to our continued investment in our R&D. The following table provides information regarding the breakdown of the R&D costs of the Company for the years indicated:

	For the year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Staff costs	**80,746**	56,912
Cost of materials and consumables	**60,714**	72,305
Third-party contracting costs	**43,112**	45,880
Depreciation and amortization	**38,967**	40,711
Share-based compensation expenses	**3,949**	3,384
Others	**9,854**	4,592
Total	**237,342**	223,784

Distribution Costs

Our distribution costs increased by 38.7% from RMB160.8 million for the year ended December 31, 2022 to RMB223.0 million for the year ended December 31, 2023, primarily due to the increased staff costs and marketing activities expenses for VitaFlow® and VitaFlow Liberty®.

Administrative Expenses

Our administrative expenses decreased by 2.5% from RMB72.0 million for the year ended December 31, 2022 to RMB70.2 million for the year ended December 31, 2023, primarily due to the Company's efforts in reducing costs and improving efficiency.

Fair Value Changes in Financial Instruments

The loss on fair value changes in financial instruments was RMB50.2 million for the year ended December 31, 2023, compared to RMB35.6 million for the year ended December 31, 2022, which mainly arose from the fair value changes of the Witney Put Option and convertible instruments issued by 4C Medical.

Other Operating Costs

Our other operating costs increased from RMB47.8 million for the year ended December 31, 2022 to RMB54.6 million for the year ended December 31, 2023, which was primarily due to the increase in donations we made during the Reporting Period.

Finance Costs

Our finance costs decreased from RMB5.4 million for the year ended December 31, 2022 to RMB4.1 million for the year ended December 31, 2023, which was primarily attributable to a decrease in interests of lease liabilities.

Share of Losses of Associates

Our share of losses of associates slightly increased from RMB48.2 million for the year ended December 31, 2022 to RMB49.7 million for the year ended December 31, 2023, which was primarily attributable to the losses incurred by 4C Medical under the equity method during the Reporting Period.

Share of Losses of a Joint Venture

Our share of losses of a joint venture decreased from RMB21.1 million for the year ended December 31, 2022 to RMB14.7 million for the year ended December 31, 2023, which was primarily attributable to the fair value changes from the financial assets measured at fair value through profit or loss recorded by Rose Emblem.

Impairment Loss on Investment in an Associate

The impairment loss on investment in an associate was RMB81.3 million for the year ended December 31, 2023 (2022: nil), representing the impairment loss for our investment on 4C Medical.

Inventories

Our inventories increased from RMB114.1 million as of December 31, 2022 to RMB122.9 million as of December 31, 2023, reflecting our preparation for anticipated future production demands.

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; (iii) interest receivables; (iv) prepayments to suppliers and services providers; and (v) deposits and other debtors.

Our trade and other receivables increased from RMB82.1 million as of December 31, 2022 to RMB144.8 million as of December 31, 2023, which was primarily due to an increase in trade receivables and interests receivables from banks.

Interests in Associates

Our interest in associates decreased from RMB271.2 million as of December 31, 2022 to RMB143.1 million as of December 31, 2023, mainly due to the losses recognized from 4C Medical under equity method as well as the impairment losses of our investment in 4C Medical.

Other Financial Assets

Our financial assets increased from RMB12.5 million as of December 31, 2022 to RMB24.3 million as of December 31, 2023, mainly due to the investment in the convertible instruments issued by 4C Medical during the Reporting Period.

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 increased from RMB115.6 million as of December 31, 2022 to RMB152.9 million as of December 31, 2023, primarily due to an increase in the accrued payroll and other payables and accrued charges.

Derivative Financial Liabilities

Our derivative financial liabilities decreased from RMB22.7 million as of December 31, 2022 to nil as of December 31, 2023, primarily due to the exercise of the Witney Put Option.

Capital Expenditure

Our capital expenditure amounted to RMB14.1 million during the 2023, reflecting an increase of property, plant, equipment and software.

Foreign Exchange Exposure

During the Reporting Period, 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, 2023, a portion of the Group's bank balances was denominated in U.S. 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, 2023.

Contingent Liabilities

As of December 31, 2023, 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 make adjustments to the capital structure in light of changes in economic conditions.

Liquidity and Financial Resources

Our cash, cash equivalents and time deposits decreased from RMB2,075.6 million as of December 31, 2022 to RMB1,773.7 million as of December 31, 2023, 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, 2023 and 2022. As of December 31, 2023, the gearing ratio of the Group (calculated as total lease liabilities divided by total equity as of the same date) decreased to 3.0%, compared to 3.5% as of December 31, 2022, which was mainly due to a decrease in lease liabilities.

Net Current Assets

The Group's net current assets as of December 31, 2023 were RMB1,847.8 million, as compared to the net current assets of RMB2,094.5 million as of December 31, 2022. Such decrease was mainly attributable to a decrease in cash and cash equivalents.

Charge on Asset

As of December 31, 2023, there was no charge on assets of the Group.

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, 2023.

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, 2023 and up to the date of the Latest Practicable Date are:

Executive Directors

Mr. Jeffrey R Lindstrom *(appointed on August 29, 2023)*
Mr. Zhao Liang
Ms. Yan Luying
Mr. Chen Guoming *(re-designated from an executive Director to a non-executive Director on August 29, 2023)*

Non-Executive Directors

Mr. Chen Guoming *(Chairman of the Board) (appointed as the chairman of the Board and re-designated from an executive Director to a non-executive Director on August 29, 2023)*
Mr. Zhang Junjie
Ms. Wu Xia
Dr. Luo Qiyi *(resigned on August 29, 2023)*

Independent Non-Executive Directors

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

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on January 10, 2019 as an exempted limited liability company 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, dedicated to providing universal access to state-of-the-art total solutions to physicians and patients for the treatment of 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, 2023 are set out in the consolidated statement of profit or loss on page 157 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 financial year 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 "Relationships 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 our six commercial products, VitaFlow®, VitaFlow Liberty®(including procedural accessories as supporting supply), Alwide® Plus and AccuSniper™ as well as the self developed AnchorMan® LAAC System and AnchorMan® LAA Access System of MP CardioAdvent, 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 2023, 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 "Environment, Social and Governance Report" from page 100 to page 148 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, 2023, 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, 2023, the Group had a total of 592 employees (as of December 31, 2022: 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 has adopted the Share Scheme, the Share Award Scheme and Share Option Scheme (terminated on June 27, 2023) to provide incentives for the eligible participants. Please refer to the section headed "Share Incentive Schemes" in this annual report for further details. For the year ended December 31, 2023, 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, 2023, purchases from the Group's five largest suppliers amounted to RMB68.5 million (2022: RMB117.6 million), accounting for approximately 19.76% (2022: 31.2%) 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, 2023 amounted to RMB27.5 million (2022: RMB38.6 million), accounting for approximately 2.16% (2022: 10.2%) of the Group's total purchase amount for the same year.

None of the Directors, their respective close associates, or any shareholder of the Company who, to the knowledge of the Directors, owns more than 5% of the Company's issued capital, has any interest in any of the Group's five largest suppliers (except for the MicroPort® Group).

For the year ended December 31, 2023, the Group did not experience any significant disputes with its suppliers.

MAJOR CUSTOMERS

At the end of the Reporting Period, we owned four in-house developed commercialized products, VitaFlow®, VitaFlow Liberty® (including procedural accessories as supporting supply), Alwide® Plus and AccuSniper™ During the Reporting Period, substantially all of our revenues were generated from the sale of VitaFlow® and VitaFlow Liberty® (in China, Argentina, Colombia, Thailand and Russia). 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 Latest Practicable Date, we had nine 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, 2023, we had engaged one local distributor in Argentina and one in Thailand, and we had engaged the subsidiaries of MicroPort® in Colombia and Russia to serve as our local distributors.

For the year ended December 31, 2023, revenue from the Group's five largest customers amounted to RMB305.7 million (2022: RMB237.7 million), accounting for approximately 91.9% (2022: 94.7%) of the Group's total revenue amount in the same year. The Group's largest customer for the year ended December 31, 2023 amounted to RMB81.8 million (2022: RMB87.8 million), accounting for approximately 24.3% (2022: 35.0%) 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, 2023, the Group did not experience any significant disputes with its suppliers.

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. Our Company is committed to providing as much opportunities as possible for employees' skills enhancement and career development. We aim at cultivating talents in the long run, encouraging employees to realize 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 "Environmental, Social and Governance Report" from page 100 to page 148 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 is enhanced greatly.

Shareholders

The Company considers that effective communication with 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 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 15 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, 2023 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, 2023 are set out in note 25 to the consolidated financial statements.

DONATION

For the year ended December 31, 2023 the Group made charitable donations of RMB53.5 million.

DEBENTURE ISSUED

The Group did not issue any debenture for the year ended December 31, 2023.

EQUITY-LINKED AGREEMENTS

Save for the Share Scheme, 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, 2023.

DIVIDENDS

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

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, 2023. 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 December 31, 2023, the Company's reserves available for distribution amounted to approximately RMB3,694.6 million (2022: RMB3,818.0 million).

Details of movements in the reserves of the Group and the Company during the year ended December 31, 2023 are set out in the consolidated statement of changes in equity on page 161 and in note 25 to the consolidated financial statements, respectively.

BANK LOANS AND OTHER BORROWINGS

As of the Latest Practicable Date, the Company has no bank loans and other borrowings.

CONVERTIBLE BONDS

As of the Latest Practicable Date, the Company has not issued any convertible bonds.

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

As of the Latest Practicable Date, the Company has not entered into any loan agreement which contains covenants requiring specific performance of the Controlling Shareholders.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service contract or a letter of appointment with the Company, respectively, for an initial term of three years.

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, 2023.

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, 2023.

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, 2023.

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, 2023, 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 underlying Shares of the Company

Name of Directors/Chief Executive	Nature of interest	Number of underlying Shares in respect of the options granted under the Share Options Scheme and Share Scheme	Approximate percentage of shareholding interest
Mr. Chen Guoming	Beneficial owner	8,905,892	0.37%
Mr. Zhao Liang	Beneficial owner	7,644,236	0.32%
Mr. Jeffrey R Lindstrom	Beneficial owner	6,000,000	0.25%
Ms. Yan Luying	Beneficial owner	5,935,272	0.25%
Dr. Ding Jiandong	Beneficial owner	479,683	0.02%
Ms. Sun Zhixiang	Beneficial owner	449,683	0.02%
Mr. Jonathan H. Chou	Beneficial owner	449,683	0.02%

Notes:

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

(2) The calculation is based on the total number of 2,412,478,212 Shares in issue as at December 31, 2023.

Save as disclosed above, as of the Latest Practicable Date, 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, 2023, 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
Shanghai MicroPort[1]	Beneficial owner	1,112,855,680	46.13%
CICC Kangrui[2]	Beneficial owner	181,592,220	7.53%

(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. (中金資本運營有限公司), 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. (中金資本運營有限公司) 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) All the above Shares are held in long position.

(4) The calculation is based on the total number of 2,412,478,212 Shares in issue as at December 31, 2023.

Save as disclosed above, as of the Latest Practicable Date, 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 Scheme

The Share Scheme was adopted by ordinary resolution passed by shareholders of the Company on June 27, 2023 (the "**Adoption Date of the Share Scheme**") in compliance with the amendments of Chapter 17 of the Listing Rules that came into on January 1, 2023 to replace the Share Option Scheme. The terms of the Share Scheme are governed by Chapter 17 of the Listing Rules. A summary of the principal terms of the Share Scheme is set out below:

(a) Purpose

The purpose of the Share Scheme is to provide incentive to the eligible participants in order to promote the development and success of the business of our Group. The Share Scheme will give the eligible participants an opportunity to have a personal stake in our Company and will help motivate the eligible participants in optimizing their performance and efficiency and attract and retain the eligible participants whose contributions are important to the long-term growth of our Group.

(b) The Eligible Participants

The eligible participants are the employee participants, the related entity participants and the service provider participants.

In determining the basis of eligibility for employee participants, the factors in assessing whether any person is eligible to participate in the Share Scheme include:

(i) the performance of the employee participant;

(ii) the skill, knowledge, experience, expertise and other personal qualities of the employee participant;

(iii) the time commitment, responsibilities or employment conditions of the employee participant according to the prevailing market practice and industry standard;

(iv) the length of employment with our Group; and

(v) the contribution or potential contribution of the employee participant to the development and growth of our Group.

In determining the basis of eligibility for related entity participants, the Board would take into account, among others:

(i) the experience of the related entity participant on the Group's businesses;

(ii) his/her expertise and skill, the actual degree of involvement in and/or cooperation with the Group and length of collaborative relationship the related entity participant has established with the Group;

(iii) the positive impacts brought by, or expected from, the related entity participant on the Group's business development in terms of an increase in turnover or profits and/or an addition of expertise to the Group;

(iv) whether the related entity participant has assisted the Group in tapping into new markets and/or increased its market share;

(v) the amount of support, assistance, guidance, advice, efforts and contributions the related entity participant has exerted and given towards the success of the Group in research, product development or commercialization, and/or the amount of other potential support, assistance, guidance, advice, efforts and contributions the related entity participant is likely to be able to give or make towards the success of the Group in the future; and

(vi) the materiality and nature of the business relation of the holding companies, fellow subsidiaries or associated companies with the Group and the related entity participant's contribution in such holding companies, fellow subsidiaries or associated companies which may benefit the core business of the Group through a collaborative relationship.

A service provider participant refers to a person who provides services to any member of the Group on a continuing and recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group, and fall into (1) consultants and advisers or (2) suppliers, contractors, distributors and agents, provided that placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions, and auditors or valuers who provide assurance or are required to perform their services with impartiality and objectivity shall be excluded. The Board shall use its absolute discretion to decide eligible service provider participants.

(c) Exercise Price and Issue Price and Exercise of Awards

(i) The exercise price shall, subject to any adjustment made pursuant to the terms of the Share Scheme, be determined by the Board at its absolute discretion, provided that it shall be not less than the highest of:

(a) the closing price of the shares as shown in the daily quotations sheet of the Stock Exchange on the offer date, which must be a Business Day;

(b) the average of the closing prices of the shares as shown in the daily quotations sheets of the Stock Exchange for the five (5) consecutive days on which the shares are traded on the Stock Exchange immediately preceding the offer date; and

(c) the nominal value of the share on the offer date.

(ii) The issue price shall be such price determined by the Board in its absolute discretion and notified to the grantee in the offer letter. For the avoidance of doubt, the Board may determine the issue price to be nil.

(iii) Where an award is to be granted under the Share Scheme, the date of the meeting of the Board (or its authorized committee for the administration of the Share Scheme) or the remuneration committee thereof (as the case may be) at which the grant was proposed shall be taken to be the offer date for the relevant award, and the provisions as set above shall apply mutatis mutandis.

(iv) Subject to the terms of the Share Scheme, an award shall be exercisable in whole or in part by the grantee (or, in the case of death of the grantee, by the grantee's personal representative) giving notice in writing to the Company stating that the award is thereby exercised and the number of award shares in respect of which it is so exercised.

(a) Each of such notice must be accompanied by a remittance for the full amount of the exercise price or the issue price (as applicable) for the award shares in respect of which the notice is given.

(b) Within twenty-one (21) days (or such longer period if the Company in its sole discretion considers it appropriate due to applicable legal or regulatory restrictions) after receipt of the notice and the remittance, the Company shall, at its discretion, arrange for the exercised award shares to be satisfied in the following methods:

(1) allot and issue the relevant number of Shares to the grantee (or the grantee's estate in the event of an exercise by the grantee's personal representative) credited as fully paid and instruct the share registrar to issue to the grantee (or the grantee's estate in the event of an exercise by the grantee's personal representative) a share certificate for the shares so allotted and issued;

(2) arrange for the exercised award shares to be transferred to the grantee (or the grantee's estate in the event of an exercise by the grantee's personal representative) credited as fully paid and issue to the grantee (or the grantee's estate in the event of an exercise by the grantee's personal representative) a share certificate in respect of the shares so transferred;

(3) pay to the grantee (or the grantee's estate in the event of an exercise by the grantee's personal representative) by remittance to the bank account designated and provided by the grantee (or the grantee's personal representative), the actual selling price from on-market sale of the exercised award shares through the facilities of the Stock Exchange at prevailing market prices; and

(4) arrange for exercised award shares to be issued or designated as vested shares held for the economic benefit of the grantee (or the grantee's estate in the event of an exercise by the grantee's personal representative), following which, the grantee (or the grantee's estate in the event of an exercise by the grantee's personal representative) shall be entitled to future dividends paid or payable on the exercised award shares and the grantee (or the grantee's personal representative) will have a one-time option to request the Company to cause payment to the grantee (or the grantee's estate in the event of an exercise by the grantee's personal representative) by remittance to the bank account designated and provided by the grantee, the difference in the prevailing market prices of the Exercised Award Shares between the vesting date and the date that the grantee notifies the Company of exercising the one-time option.

(d) Vesting Period

Save for the circumstances prescribed below, an award must be held by the grantee for a period that is not shorter than the minimum period before the award can be exercised.

The Board may at its absolute discretion grant awards to employee participants only with a vesting period shorter than the minimum period in the following circumstances:

(i) grants of "make-whole" awards to new joiners to replace the share options or award shares they forfeited when leaving the previous employers;

(ii) grants to an employee participant whose employment is terminated due to death or occurrence of any out of control event;

(iii) grants that are made in batches during a year for administrative and compliance reasons, which include awards that should have been granted earlier if not for such administrative or compliance reasons but had to wait for subsequent batch;

(iv) grants of awards with a mixed or accelerated vesting schedule such as where the awards may vest evenly over a period of twelve (12) months; or

(v) grants with performance-based vesting conditions in lieu of time-based vesting criteria.

(e) Scheme Limits and Additional Approvals

The Scheme Mandate Limit

(i) The total number of Shares which may be issued in respect of all awards which may be granted at any time under the Share Scheme together with options and awards which may be granted under any other schemes of our Company shall not exceed such number of Shares as equals 10% of the Shares in issue as at the Adoption Date of the Share Scheme (the "**Scheme Mandate Limit**") (i.e. 241,106,331). Awards lapsed in accordance with the terms of the Share Scheme (and other schemes of the Company) will not be regarded as utilized for the purpose of calculating the Scheme Mandate Limit.

As of the Latest Practicable Date, 239,659,715 Shares are available for issue underlying options under the Share Scheme, representing approximately 9.93% of the total number of Shares in issue as of the same date.

The Service Provider Participant Sublimit

(ii) Subject to paragraph (i) above, the total number of awards which may be issued in respect of all awards which may be granted at any time under the Share Scheme together with options and awards which may be granted under any other share schemes for the time being of our Company to service provider participants shall not exceed such number of Shares as equals to 1% of the Shares in issue as at the Adoption Date of the Share Scheme (the "**Service Provider Participant Sublimit**") within the Scheme Mandate Limit. Awards lapsed in accordance with the terms of the Share Scheme (and other schemes of the Company) will not be regarded as utilized for the purpose of calculating the Service Provider Participant Sublimit.

Refreshment

(iii) (a) our Company may seek approval of the Shareholders in a general meeting of our Company to refresh the Scheme Mandate Limit and/or the Service Provider Participant Sublimit under the Share Scheme on or after the third anniversary of the date of the Shareholders' approval for the last refreshment or the Adoption Date of the Share Scheme. The total number of Shares which may be issued upon exercise of all (1) the awards under the Share Scheme and (2) the options and awards to be granted under any other schemes of our Company as "refreshed" must not exceed 10% of the Shares in issue as at the date of approval of the refreshment. For the purpose of seeking approval of the Shareholders under this paragraph, our Company must send a circular to the Shareholders containing the information required under the Listing Rules; and

(b) any refreshment within any three-year period shall be subject to independent Shareholders' approval.

Grant in excess of the Scheme Mandate Limit

(iv) Our Company may seek separate approval of the Shareholders in a general meeting of our Company for granting awards exceeding the Scheme Mandate Limit provided that the awards in excess of the Scheme Mandate Limit are granted only to eligible participants specifically identified by our Company before such approval is sought. For the purpose of seeking approval of the Shareholders under this paragraph, our Company must send a circular to the Shareholders containing a generic description of the specified eligible participants who may be granted such awards, the number and terms of the awards to be granted, the purpose of granting awards to the specified eligible participants with an explanation as to how the terms of the awards serve such purpose, and such other information as required under the Listing Rules. The number and terms (including the exercise price or the issue price) of the awards to be granted to such eligible participant must be fixed before Shareholders' approval. For the grant of share options, the date of Board meeting for proposing such grant should be taken as the date of grant for the purpose of calculating the exercise price.

(f) Grant of Awards to a Director, Chief Executive or Substantial Shareholder of the Company or Any Their Respective Associate

(i) Any grant of an award to a Director, a chief executive of the Company or substantial shareholder (as defined under the Listing Rules), or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who or whose associate is the proposed grantee of the award).

(ii) (a) Where any grant of an award to an independent non-executive Director or a substantial shareholder (as defined in the Listing Rules), or any of their respective associates, would result in the shares issued and to be issued in respect of all options and awards granted (excluding any options and awards lapsed in accordance with the terms of the relevant schemes) to such person in the twelve (12)-month period up to and including the date of such grant representing in aggregate exceeding 0.1% of the shares in issue, or

(b) where any grant of share awards (i.e., excluding grant of share options) to any Director (other than an independent non-executive Director) or chief executive of the Company, or any of their respective associates, would result in the shares issued and to be issued in respect of all awards granted (excluding any awards lapsed in accordance with the terms of the relevant schemes) to such person in the twelve (12) month period up to and including the date of such grant representing in aggregate over 0.1% of the shares in issue at the date of such grant.

Such grant of award must be approved by the shareholders in a general meeting of the Company.

(iii) The Company must send a circular to the shareholders. The circular must contain such information required by the Listing Rules.

(iv) The grantee, his/her associates and all the core connected persons must abstain from voting in favour of the proposed grant at such general meeting. Parties that are required to abstain from voting in favour of the proposed grant at the general meeting of the Company pursuant to the Listing Rules may vote against the resolution at the general meeting of the Company, provided that their intention to do so has been stated in the relevant circular to the shareholders.

(v) Any vote taken at the general meeting of the Company to approve the grant of such award must be taken on a poll and comply with the requirements under the Listing Rules.

(vi) Any change in the terms of awards granted to an eligible participant who is a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company, or any of their respective associates must be approved by the shareholders in the manner as set out in the Listing Rules if the initial grant of the award requires such approval (except where the changes take effect automatically under the existing terms of the Share Scheme).

(g) Maximum Entitlement of Each Eligible Participant

Where any grant of an award to an eligible participant would result in the Shares issued and to be issued in respect of all options and awards granted to such eligible participant (excluding any options and awards lapsed in accordance with the terms of the relevant schemes) in the twelve (12)-month period up to and including the date of such grant representing in aggregate exceeding 1% of the Shares in issue, such grant must be separately approved by the Shareholders in a general meeting of the Company with such eligible participant and the person's close associates (or associates if the eligible participant is a connected person) abstaining from voting.

The Company must send a circular to the Shareholders and the circular must disclose the identity of the eligible participant, the number and terms of the awards to be granted (and awards previously granted to such eligible participant during the twelve (12)-month period), the purpose of granting the awards to the eligible participant, an explanation as to how the terms of the awards serve such purpose and such information as may be required by the Stock Exchange from time to time. The number and terms (including the exercise price or issue price) of the award to be granted to such eligible participant must be fixed before the general meeting of the Company. For the grant of share options, the date of the meeting of the Board for proposing such grant should be taken as the offer date for the purpose of calculating the exercise price.

(h) Performance Targets and Clawback Mechanism

Save as determined by the Board and provided in the offer letter of the grant of an award, the Share Scheme does not stipulate any performance target a grantee is required to achieve before the relevant award can be exercised nor any clawback mechanism for the Company to recover or withhold any awards granted to any eligible participants.

The Board believes that this will provide the Board with more flexibility in setting out the terms and conditions of the awards under particular circumstances of each grant and facilitate the Board to offer suitable incentives to attract and retain quality personnel that are valuable to the development of the Group.

(i) Time of Exercise of Options

Subject to the terms of the Share Scheme, an award may be exercised in whole or in part at any time during the period stipulated in the offer, provided that such period shall not go beyond the day immediately prior to the tenth anniversary of the offer date with respect of the relevant award.

The Board may at its discretion specify any condition in the offer letter at the grant of the relevant award which must be satisfied before an award may be exercised. Save as determined by the Board and provided in the offer of the grant of the relevant award, there is no performance target which must be achieved before an award can be exercised under the terms of the Share Scheme nor any clawback mechanism for the Company to recover or withhold any awards granted to any eligible participant.

(j) Remaining Life of the Share Scheme

The Share Scheme shall be valid and effective until the Business Day on which falls on the date immediately prior to the tenth anniversary of the Adoption Date of the Share Scheme (the "**Termination Date**"), after which period no further awards will be granted but the provisions of the Share Scheme shall remain in force to the extent necessary to give effect to the exercise of any awards granted on or prior to the Termination Date or otherwise as may be required in accordance with the provisions of the Share Scheme. Subject to the early termination, the remaining life of the Share Scheme is approximately nine years and two months as of the Latest Practicable Date.

(k) Outstanding Options Granted as of December 31, 2023

As of the beginning of the Reporting Period, no options or awards are available for grant under the Share Scheme as the Adoption Date of the Share Scheme is June 27, 2023. As of the Adoption Date of the Share Scheme, the number of Shares underlying the options and awards available for grant under the Share Scheme was 241,106,331. During the Reporting Period, the number of Shares underlying the options granted under the Share Scheme by the Company was 12,883,977. As of December 31, 2023, the aggregate number of Shares underlying the options and awards available for grant under the Share Scheme is 228,222,354. The status of the share options under the Share Scheme granted as of December 31, 2023 is as follows:

Name	Position	Number of Shares underlying the outstanding granted options under the Share Scheme as of December 31, 2022	Granted options under the Share Scheme during the Reporting Period	Exercised options under the Share Scheme during the Reporting Period	Lapsed options under the Share Scheme during the Reporting Period	Cancelled options under the Share Scheme during the Reporting Period	Exercise Price	Number of Shares underlying the outstanding granted options under the Share Scheme as of December 31, 2023	Date of grant	Vesting period	Exercise period	Closing Price of the Company immediately before the date of grant of share options under the Share Scheme	Weighted Average Share price of the Company immediately before the exercise date of share options under the Share Scheme	Fair value of options granted under the Share Scheme during the Reporting Period at the date of grant[1] (RMB'000)
EMPLOYEE PARTICIPANTS														
Directors and chief executive of our Company														
Mr. Chen Guoming	Non-executive Director and Chairman of the Board	–	1,209,992	–	–	–	HK$2.054	1,209,992	July 11, 2023	July 11, 2023–July 11, 2026	July 11, 2024–July 10, 2033	HK$2.00	N/A	653
Mr. Jeffrey R Lindstrom	Executive Director and President	–	4,000,000	–	–	–	HK$1.91	4,000,000	August 30, 2023	August 30, 2023–August 30, 2028	August 30, 2024–August 29, 2033	HK$1.91	N/A	2,689
Ms. Yan Luying	Executive Director and Vice President	–	391,499	–	–	–	HK$2.054	391,499	July 11, 2023	July 11, 2023–July 11, 2026	July 11, 2024–July 10, 2033	HK$2.00	N/A	211
Mr. Zhao Liang	Executive Director and First Vice President	–	1,624,933	–	–	–	HK$2.054	1,624,933	July 11, 2023	July 11, 2023–July 11, 2026	July 11, 2024–July 10, 2033	HK$2.00	N/A	877
Subtotal			7,226,424	–	–	–		7,226,424						
Other employee participants of our Company		–	5,057,553	–	–	234,899	HK$2.054	4,822,654	July 11, 2023	July 11, 2023–July 11, 2026	July 11, 2024–July 10, 2033	HK$2.00	N/A	2,730
		–	600,000	–	–	–	HK$2.054	600,000	July 11, 2023	July 11, 2024-July 11, 2028	July 11, 2024–July 10, 2033	HK$2.00	N/A	379
Subtotal		–	5,657,553			234,899		5,422,654						
Total		–	12,883,977	–	–	234,899		12,649,078						

Notes:

(1) The fair value was determined using the binomial lattice model. The measurement date is the date on which the share options were granted.

(2) The vesting of above options is not subject to any performance targets. The purpose of the Share Scheme is to provide incentive to eligible participants in order to promote the development and success of the business of the Group. The options granted under the Share Scheme will give the grantees an opportunity to have a personal stake in the Company and will help motivate such grantees in optimizing their performance and efficiency. The number of options to be granted are based on the work performance and potential of the grantees and no additional performance target is imposed before the options are vested to the grantees. In view of the above, the Remuneration Committee considered the grant of options aligned with the purpose of the Share Scheme.

Save as disclosed above, none of the grantees for options and awards granted and to be granted under the Share Scheme during the year ended December 31, 2023 (i) are the Directors, chief executive or substantial Shareholders of the Company, or their respective associates; (ii) are awarded with options or awards granted and to be granted in excess of the 1% individual limit; and (iii) are related entity participants or service providers with options or awards granted and to be granted in any 12-month period exceeding 0.1% of the Shares in issue. No options or awards were granted or to be granted to any related entity participants, service providers or other employees during the year ended December 31, 2023.

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 of the Share Option Scheme**") and amended on March 17, 2022. The terms of the Share Option Scheme are governed by Chapter 17 of the Listing Rules. The Share Option Scheme was terminated by ordinary resolution passed by Shareholders on June 27, 2023 and replaced by the Share Scheme adopted on the same date. Options granted under the Share Option Scheme prior to its termination shall remain valid in accordance with its items.

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 and Time of Exercise 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 our 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.

As the Share Option Scheme was terminated and replaced by the Share Scheme on June 27, 2023, no more options will be granted under the Share Option Scheme. As of the Latest Practicable Date, 65,137,461 Shares underlying the outstanding options already granted under the Share Option Scheme are available for issue, representing approximately 2.70% of the total number of Shares in issue as of the same date.

(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) Exercise 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 Share Option Scheme

The Share Option Scheme is valid and effective for a period commencing on the date of the Adoption Date of the Share Option Scheme and ending on June 27, 2023 (the "**Termination Date of the Share Option Scheme**"). No further options shall be granted under the Share Option Scheme upon the Termination Date of the Share Option Scheme but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(h) Outstanding Options Granted as of December 31, 2023

As of January 1, 2023, the number of options available for grant under the Share Option Scheme was 235,641,374. And no options under the Share Option Scheme were granted after the Termination Date of the Share Option Scheme. The status of the share options granted during the Reporting Period is as follows:

Name	Position	Number of Shares underlying the outstanding options under the Share Option Scheme as of December 31, 2022	Granted options under the Share Option Scheme during the Reporting Period	Exercised options under the Share Option Scheme during the Reporting Period	Lapsed options under the Share Option Scheme during the Reporting Period	Cancelled options under the Share Option Scheme during the Reporting Period	Exercise Price	Number of Shares underlying the outstanding options under the Share Option Scheme as of December 31, 2023	Date of grant	Vesting period	Exercise period	Closing Price of the Company immediately before the date of grant of share options under the Share Option Scheme	Weighted Average Share price of the Company immediately before the exercise date of share options under the Share Option Scheme	Fair value of options granted under the Share Option Scheme during the Reporting Period at the date of grant[1] (RMB'000)
EMPLOYEE PARTICIPANTS														
Directors and chief executive of our Company														
Dr. Luo Qiyi (Resigned on August 29, 2023)	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	N/A
Mr. Chen Guoming	Non-executive Director and Chairman of our Board	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	N/A
		1,209,992	–	–	–	–	HK$3.754	1,209,992	January 19, 2022	January 19, 2022–January 30, 2026	January 19, 2024–January 18, 2032	HK$3.65	N/A	N/A
		332,654	–	–	–	–	HK$2.63	332,654	March 30, 2022	March 30, 2027	March 30, 2027–March 29, 2032	HK$2.54	N/A	N/A
		–	410,300	–	–	–	HK$2.534	410,300	March 30, 2023	March 30, 2028	March 30, 2028–March 29, 2033	HK$2.57	N/A	377

Name	Position	Number of Shares underlying the outstanding options under the Share Option Scheme as of December 31, 2022	Granted options under the Share Option Scheme during the Reporting Period	Exercised options under the Share Option Scheme during the Reporting Period	Lapsed options under the Share Option Scheme during the Reporting Period	Cancelled options under the Share Option Scheme during the Reporting Period	Exercise Price	Number of Shares underlying the outstanding options under the Share Option Scheme as of December 31, 2023	Date of grant	Vesting period	Exercise period	Closing Price of the Company immediately before the date of grant of share options under the Share Option Scheme	Weighted Average Share price of the Company immediately before the exercise date of share options under the Share Option Scheme	Fair value of options granted under the Share Option Scheme during the Reporting Period at the date of grant[1] (RMB'000)
Mr. Jeffrey R Lindstrom	Executive Director and President	2,000,000	–	–	–	–	HK$3.754	2,000,000	January 19, 2022	January 19, 2022–January 19, 2027	January 19, 2023–January 18, 2032	HK$3.65	N/A	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	N/A
		391,499	–	–	–	–	HK$3.754	391,499	January 19, 2022	January 19, 2022–January 30, 2026	January 19, 2024–January 18, 2032	HK$3.65	N/A	N/A
		318,924	–	–	–	–	HK$2.63	318,924	March 30, 2022	March 30, 2027	March 30, 2027–March 29, 2032	HK$2.54	N/A	N/A
		–	257,213	–	–	–	HK$2.534	257,213	March 30, 2023	March 30, 2028	March 30, 2028–March 29, 2033	HK$2.57	N/A	377
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	HK$6.24	N/A	N/A
		1,624,933	–	–	–	–	HK$3.754	1,624,933	January 19, 2022	January 19, 2022–January 30, 2026	January 19, 2024–January 18, 2032	HK$3.54	N/A	N/A
		117,039	–	–	–	–	HK$2.63	117,039	March 30, 2022	March 30, 2027	March 30, 2027–March 29, 2032	HK$2.54	N/A	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	N/A
		–	750,000	–	–	–	HK$2.534	750,000	March 30, 2023	March 30, 2023–March 30, 2028	March 30, 2024–March 29, 2033	HK$2.57	N/A	526
		–	355,146	–	–	–	HK$2.534	355,146	March 30, 2023	March 30, 2028	March 30, 2028–March 29, 2033	HK$2.57	N/A	326
Mr. Jonathan H. Chou	Independent non-executive Director	–	449,683	–	–	–	HK$2.534	449,683	March 30, 2023	March 30, 2023–March 31, 2027	March 30, 2025–March 29, 2033	HK$2.57	N/A	310
Dr. Ding Jiandong	Independent non-executive Director	–	449,683	–	–	–	HK$2.534	449,683	March 30, 2023	March 30, 2023–March 31, 2027	March 30, 2025–March 29, 2033	HK$2.57	N/A	310
Ms. Sun Zhixiang	Independent non-executive Director	–	449,683	–	–	–	HK$2.534	449,683	March 30, 2023	March 30, 2023–March 31, 2027	March 30, 2025–March 29, 2033	HK$2.57	N/A	310
Subtotal		23,695,041	3,121,708	–	–	–		26,816,749						

Name	Position	Number of Shares underlying the outstanding options under the Share Option Scheme as of December 31, 2022	Granted options under the Share Option Scheme during the Reporting Period	Exercised options under the Share Option Scheme during the Reporting Period	Lapsed options under the Share Option Scheme during the Reporting Period	Cancelled options under the Share Option Scheme during the Reporting Period	Exercise Price	Number of Shares underlying the outstanding options under the Share Option Scheme as of December 31, 2023	Date of grant	Vesting period	Exercise period	Closing Price of the Company immediately before the date of grant of share options under the Share Option Scheme	Weighted Average Share price of the Company immediately before the exercise date of share options under the Share Option Scheme	Fair value of options granted under the Share Option Scheme during the Reporting Period at the date of grant[1] (RMB'000)
Other Employee Participants in our Group														
		17,305,728	–	2,793,088	–	3,350,456	US$0.16	11,162,184	March 31, 2020	March 31, 2020–March 31, 2025	March 31, 2021–March 30, 2030	N/A	HK$2.42	N/A
		5,020,000	–	–	–	1,080,000	HK$13.72	3,940,000	March 31, 2021	March 31, 2021–March 31, 2026	March 31, 2022–March 30, 2031	HK$14.08	N/A	N/A
		1,100,000	–	–	–	300,000	HK$6.406	800,000	October 4, 2021	October 4, 2021–October 4, 2026	October 4, 2021–October 3, 2031	HK$6.24	N/A	N/A
		8,482,567	–	–	–	1,189,913	HK$3.754	7,292,654	January 19, 2022	January 19, 2022–January 30 , 2026	January 19, 2023–January 18, 2032	HK$3.65	N/A	N/A
		2,370,000	–	–	–	611,000	HK$2.802	1,759,000	June 22, 2022	June 22, 2022–June 22, 2027	June 22, 2023–June 21, 2032	HK$2.9	N/A	N/A
		–	6,958,008	–	–	250,000	HK$2.534	6,708,008	March 30, 2023	March 30, 2028	March 30, 2024–March 29, 2033	HK$2.57	N/A	4,917
Subtotal		34,278,295	6,958,008	2,793,088	–	6,781,369		31,661,846						
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	N/A
Other employees of MicroPort®		3,166,000	–	300,000	–	–	US$0.16	2,866,000	March 31, 2020	March 31, 2020–March 31, 2025	March 31, 2021–March 30, 2030	N/A	N/A	N/A
		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	N/A
Subtotal		9,466,000	–	300,000	–	–	–	9,166,000						
Total		67,439,336	10,079,716	3,093,088	–	6,781,369	–	67,644,595						

Notes:

(1) The fair value was determined using the binomial lattice model. The measurement date is the date on which the share options were granted.

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

Save as disclosed above, none of the grantees for options granted and to be granted under the Share Option Scheme during the year ended December 31, 2023 (i) are the Directors, chief executive or substantial Shareholders of the Company, or their respective associates; (ii) are awarded with options granted and to be granted in excess of the 1% individual limit; and (iii) are related entity participants or service providers with options granted and to be granted in any 12-month period exceeding 0.1% of the Shares in issue. No options were granted or to be granted to any related entity participants, service providers or other employees during the year ended December 31, 2023.

Share Award Scheme

The Share Award Scheme was adopted by the Company on March 30, 2021 and amended on August 29, 2023. As no new Shares could be issued under the Share Award Scheme, the Share Award Scheme constitutes a share scheme that is funded by existing Shares as referred to under Rule 17.01(1)(b) of the Listing Rules and shall be subject to the applicable requirements under Rule 17.12 of the Listing Rules. A summary of the principal terms of the Share Award Scheme is set out below:

(a) Purpose

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) Scheme Limit and Total Number of Shares Available for Issue under the Share Award Scheme

The Board shall not make any further grant of award Shares which will result in the number 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. 241,259,283 Shares as of the Latest Practicable Date). The Company revised the scheme rules of the Share Award Scheme on August 29, 2023, after which the Share Award Scheme will constitute a share scheme that is funded only by existing Shares and no Shares are available for issue under the Share Award Scheme as of the Latest Practicable Date.

(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 six years and 11 months as of the Latest Practicable Date.

(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).

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.

Prior to the year 2023, the Company had granted 1,030,424 share awards pursuant to the Share Award Scheme to then Directors and senior management of the Group, details of which are set out below:

Name	Position	Number of Shares underlying the unvested share awards under the Share Award Scheme as of December 31, 2021	Granted awards under the Share Award Scheme during the Reporting Period	Vested awards under the Share Award Scheme during the Reporting Period	Lapsed awards under the Share Award Scheme during the Reporting Period	Cancelled awards under the Share Award Scheme during the Reporting Period	Subscription Price	Number of Shares underlying the unvested share under the Share Award Scheme as of December 31, 2023	Date of grant	Vesting date	Closing price of the Shares immediately before the date of grant	Weighted average closing price of the Shares immediately before the vesting date	Fair value of awards under the Share Award Scheme at the date of grant[1] (RMB'000)
Directors and chief executive of our Company													
Mr. Chen Guoming	Non-executive Director and Chairman of our Board	—	332,654	332,654	—	—	HK$2.63	—	March 30, 2022	March 30, 2022	HK$2.54	HK$2.54	711
Mr. Yan Luying	Executive Director and Vice President	—	318,924	318,924	—	—	HK$2.63	—	March 30, 2022	March 30, 2022	HK$2.54	HK$2.54	681
Mr. Zhao Liang	Executive Director and First Vice President	—	117,039	117,039	—	—	HK$2.63	—	March 30, 2022	March 30, 2022	HK$2.54	HK$2.54	250
Mr. Wu Guojia (Resigned on April 30, 2022)		—	228,620	228,620	—	—	HK$2.63	—	March 30, 2022	March 30, 2022	HK$2.54	HK$2.54	488
		—	6,344	6,344	—	—	HK$2.62	—	January 19, 2022	April 30, 2022	HK$3.65	HK$2.77	19
		—	7,034	7,034	—	—	HK$3.27	—	February 15, 2022	April 30, 2022	HK$3.21	HK$2.77	22

Name	Position	Number of Shares underlying the unvested share awards under the Share Award Scheme as of December 31, 2021	Granted awards under the Share Award Scheme during the Reporting Period	Vested awards under the Share Award Scheme during the Reporting Period	Lapsed awards under the Share Award Scheme during the Reporting Period	Cancelled awards under the Share Award Scheme during the Reporting Period	Subscription Price	Number of Shares underlying the unvested share under the Share Award Scheme as of December 31, 2023	Date of grant	Vesting date	Closing price of the Shares immediately before the date of grant	Weighted average closing price of the Shares immediately before the vesting date	Fair value of awards under the Share Award Scheme at the date of grant[1] (RMB'000)
		—	11,067	11,067	—	—	HK$2.08	—	March 15, 2022	April 30, 2022	HK$2.17	HK$2.77	34
		—	8,742	8,742	—	—	HK$2.64	—	April 19, 2022	April 30, 2022	HK$2.78	HK$2.77	27
Total		—	1,030,424	1,030,424	—	—		—					2,232

Notes:

(1) The fair value of the Awarded Shares was calculated based on market prices of the Company's Shares as at the respective grant dates.

(2) The vesting of above awards is not subject to any performance targets.

During the Reporting Period, the Company had granted 1,386,223 share awards pursuant to the Share Award Scheme to Directors and senior management of the Group, representing 0.06% of the issued share capital of the Company, details of which are set out below:

Name	Position	Number of Shares underlying the unvested share awards under the Share Award Scheme as of December 31, 2022	Granted awards under the Share Award Scheme during the Reporting Period	Vested awards under the Share Award Scheme during the Reporting Period	Lapsed awards under the Share Award Scheme during the Reporting Period	Cancelled awards under the Share Award Scheme during the Reporting Period	Subscription Price	Number of Shares underlying the unvested share under the Share Award Scheme as of December 31, 2023	Date of grant	Vesting date	Closing price of the Shares immediately before the date of grant	Weighted average closing price of the Shares immediately before the vesting date	Fair value of awards under the Share Award Scheme at the date of grant[1] (RMB'000)
Directors and chief executive of our Company													
Mr. Chen Guoming	Non-executive Director and Chairman of our Board	—	410,300	410,300	—	—	HK$2.534	—	March 30, 2023	March 30, 2023	HK$2.57	HK$2.57	875
Ms. Yan Luying	Executive Director and Vice President	—	257,213	257,213	—	—	HK$2.534	—	March 30, 2023	March 30, 2023	HK$2.57	HK$2.57	549
Mr. Zhao Liang	Executive Director and First Vice President	—	355,146	355,146	—	—	HK$2.534	—	March 30, 2023	March 30, 2023	HK$2.57	HK$2.57	757
Subtotal		—	1,022,659	1,022,659	—	—		—					2,181
Five highest paid individuals during the Reporting Period in aggregate[2]		—	1,022,659	1,022,659	—	—	HK$2.534	—	March 30, 2023	March 30, 2023	HK$2.57	HK$2.57	2,181
Other grantees in aggregate		—	363,564	363,564	—	—	HK$2.534	—	March 30, 2023	March 30, 2023	HK$2.57	HK$2.57	775
Total[2]		—	1,386,223	1,386,223	—	—		—					2,956

Notes:

(1) The fair value of the Awarded Shares was calculated based on market prices of the Company's shares as at the respective grant dates.

(2) The five highest paid individuals of the Group during the Reporting Period included Mr. Chen Guoming, Ms. Yan Luying and Mr. Zhao Liang and the totals do not double-calculate the granted/vested/lapsed share awards from them.

(3) The vesting of above awards is not subject to any performance targets.

Save as disclosed above, none of the grantees for awards granted and to be granted under the Share Award Scheme during the year ended December 31, 2023 (i) are the Directors, chief executive or substantial Shareholders of the Company, or their respective associates; (ii) are awarded with awards granted and to be granted in excess of the 1% individual limit; and (iii) are related entity participants or service providers with awards granted and to be granted in any 12-month period exceeding 0.1% of the Shares in issue. No awards were granted or to be granted to any related entity participants, service providers or other employees during the year ended December 31, 2023.

The number of Shares that may be issued in respect of options and awards granted under all share incentive schemes of the Company during the Reporting Period divided by weighted average number of Shares in issue for the Reporting Period is 0.95%.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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 C1 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 Incentive Schemes.

The Company has adopted the Share Scheme, the Share Award Scheme and Share Option Scheme (terminated on June 27, 2023) 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 28 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 the related party transactions do not fall under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) in Chapter 14A of the Listing Rules. The Company further confirmed that it complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules. The following transactions constitute the connected transaction or continuing connected transactions (each defined in the Listing Rules) for the Company and are required to be disclosed in this annual report in accordance with Chapter 14A of the Listing Rules.

The Connected Relationships

The relevant parties to the below connected transaction and continuing connected transaction with the Group and a description of their connected relationships with the Group during the Reporting Period and up to the Latest Practicable Date are as follows:

Connected Person	Connected Relationship
MicroPort®	through its wholly-owned subsidiary Shanghai MicroPort is one of our Controlling Shareholders and therefore a connected person of the Company
MicroPort EP	a 32.71% owned associated corporation of MicroPort® and therefore a connected person of the Company
Shanghai MicroPort Medical	a wholly-owned subsidiary of MicroPort® and therefore a connected person of the Company
MicroPort Sinica	a wholly-owned subsidiary of MicroPort® and therefore a connected person of the Company
Medical Product Innovation	a wholly-owned subsidiary of MicroPort® and therefore a connected person of the Company

Connected Transaction — Assets Transfer Agreement

On March 31, 2023, MP CardioFlow entered into the Assets Transfer Agreement with MicroPort EP, pursuant to which MP CardioFlow shall transfer the supporting equipment, plant, machinery, fixtures, fittings, movables, tools and spare parts and other tangible assets related to the operation and decoration of facilities ("**Subject Assets**") to MicroPort EP at a total consideration of approximately RMB4.4 million (excluding the VAT), which was determined through commercial negotiations between the parties with reference to the net book value of the assets under the Assets Transfer Agreement as of December 31, 2022.

Pursuant to the Assets Transfer Agreement, MP CardioFlow shall transfer the supporting equipment, plant, machinery, fixtures, fittings, movables, tools and spare parts and other tangible assets related to the operation and decoration of facilities to MicroPort EP.

Since the Group commenced the operation of new facility, the Subject Assets under the Assets Transfer Agreement are no longer needed for our production and operation, and the additional maintenance costs would be incurred if such assets are kept holding on. In order to avoid the impairment losses on assets, we seek to transfer such assets to MicroPort EP at net book value to supplement our general operating capital. The Directors (including independent non-executive Directors) are of the view that the terms of the Assets Transfer Agreement are on normal commercial terms, fair and reasonable, and are in the interest of the Company and its Shareholders as a whole.

Please refer to the announcement of the Company dated March 31, 2023 for details.

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.

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, 2023 was RMB9,217,000.

Please refer to the section headed "Connected Transaction" in the Prospectus for details.

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, 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.

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, 2023 was RMB15,025,000.

Please refer to the section headed "Connected Transaction" in the Prospectus for details.

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 from June 22, 2022 and ended 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, 2023 was RMB40,886,000.

Please refer to the announcement and circular of the Company dated June 7, 2022 and June 8, 2022 for details.

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 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, 2023 was nil.

Please refer to the announcement the Company dated June 23, 2022 for details.

Catering Service Framework Agreement

MP CardioFlow and MicroPort Sinica entered into the Catering Services Framework Agreement on January 17, 2023, which sets out the principal terms for the provision of catering services and beverages by the MicroPort Sinica Group and/or any third party engaged by the MicroPort Sinica Group at its staff canteens and other internal dining areas to the employees and guests of the Group such as (i) provision of breakfast, lunch, dinner and beverages; and (ii) provision of catering services for conferences, banquets and business meals.

The Catering Services Framework Agreement has an initial term commencing from January 17, 2023 to December 31, 2025 (both dates inclusive).

The entering into of the Catering Services Framework Agreement allows the Group to provide subsidized quality food and beverage services for its employees as part of their benefit package and to ensure quality food to be offered to the guests of the Group during its business functions. The Directors (including the independent non-executive Directors) are of the view that the terms of the Catering Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps thereof) are fair and reasonable, on normal commercial terms and are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

The annual caps for the transactions under the Catering Services Framework Agreement for the years ended December 31, 2023, 2024 and 2025 are RMB3,000,000, RMB3,500,000 and RMB4,000,000, respectively. The aggregate transaction amount incurred in accordance with the Catering Services Framework Agreement for the year ended December 31, 2023 was RMB2,850,000.

Please refer to the announcement the Company dated January 17, 2023 for details.

Property Management Services Framework Agreement

MP CardioFlow and MicroPort Sinica entered into the Property Management Services Framework Agreement on January 17, 2023, which sets out the principal terms for the provision of property management services for the production facilities and offices of the Group including but not limited to (i) common areas management and maintenance services; (ii) public facilities management and maintenance services (excluding settlement of utility fees in these common areas such as (i) water; (ii) electricity; and (iii) industrial gas); and (iii) purification plant equipment and facilities maintenance and repair services.

The Property Management Services Framework Agreement has an initial term commencing from January 17, 2023 to December 31, 2025 (both dates inclusive).

The Group requires property management services for its premises. The entering into of the Property Management Services Framework Agreement can ensure a safe working environment for the employees of the Group. The Directors (including the independent non-executive Directors) are of the view that the terms of the Property Management Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps thereof) are fair and reasonable, on normal commercial terms and are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

The annual caps for the transactions under the Property Management Services Framework Agreement for the years ended December 31, 2023, 2024 and 2025 are RMB4,000,000, RMB4,000,000 and RMB4,000,000, respectively. The aggregate transaction amount incurred in accordance with the Property Management Services Framework Agreement for the year ended December 31, 2023 was RMB1,678,000.

Please refer to the announcement the Company dated January 17, 2023 for details.

2023 Master Raw Material Procurement Agreement (Renewal of Master Raw Materials Procurement Agreement)

To continue the transactions under the Master Raw Materials Procurement Agreement after December 31, 2023, the Company (for itself and on behalf of its subsidiaries) and MicroPort® (for itself and on behalf of the Retained MicroPort® Group and its joint ventures and associates) entered into the 2023 Master Raw Materials Procurement Agreement on December 6, 2023, pursuant to which, the Company will procure raw materials (the "**Raw Materials**") from the Retained MicroPort® Group and its joint ventures and associates.

The 2023 Master Raw Materials Procurement Agreement has an initial term commencing from January 1, 2024 and end on December 31, 2026 (both dates inclusive) after approval by the independent Shareholder at the extraordinary general meetings of the Company dated December 29, 2023. Subject to compliance with applicable laws and regulations (including but not limited to the Listing Rules) and requirements of securities regulatory authorities, the 2023 Master Raw Materials Procurement Agreement may be renewed for a further term of no longer than three years from time to time. Upon renewal, the parties may amend the terms of such agreement based on the then prevailing circumstances.

We plan to procure the Raw Materials from the Retained MicroPort® Group and its joint ventures and associates 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 Retained MicroPort® Group and its joint ventures and associates currently have such production capacity and offer 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 Retained MicroPort® Group and its joint ventures and associates or Independent Third Parties instead of building up our own production capacity. The Raw Materials produced by Retained MicroPort® Group and its joint ventures and associates with high quality, stable and quick delivery in reasonable prices could satisfy and ensure the efficient commercialized production of our products and further product candidates.

The annual caps for the transactions under the 2023 Master Raw Materials Procurement Agreement for the years ending December 31, 2024, 2025 and 2026 are RMB37,000,000, RMB45,000,000 and RMB67,000,000, respectively.

Please refer to the announcement and circular of the Company dated December 6, 2023 and December 12, 2023 for details.

2023 Promotion and Patient Health Management Service Procurement Framework Agreement (Renewal of 2022 Service Procurement Framework Agreement)

To continue the transactions under the 2022 Service Procurement Framework Agreement after December 31, 2023, the Company (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 2023 Promotion and Patient Health Management Service Procurement Framework Agreement on December 6, 2023, pursuant to which the Group will procure promotion and health management services from the Retained MicroPort® Group.

The 2023 Promotion and Patient Health Management Service Procurement Framework Agreement has an initial term commencing from January 1, 2024 and end on December 31, 2026 (both dates inclusive) after approval by the independent Shareholder at the extraordinary general meetings of the Company dated December 29, 2023. Subject to compliance with applicable laws and regulations (including but not limited to the Listing Rules) and requirements of securities regulatory authorities, the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement may be renewed for a further term of no longer than three years from time to time. Upon renewal, the parties may amend the terms of such agreement based on the then prevailing circumstances. The medical device industry which the Group operates in 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 and overseas TAVI markets, it is important for the Company to further strengthen the commercialization capabilities of the Company by, among others, leveraging the promotion services provided by external suppliers. Therefore, the services provided by the Retained MicroPort® Group under the 2023 Promotion and Patient Health Management 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 Retained 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 Retained 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 Retained MicroPort® Group to provide the promotion 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 Retained 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 markets.

The annual caps for the transactions under the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement for the years ending December 31, 2024, 2025 and 2026 are RMB53,000,000, RMB54,000,000 and RMB55,000,000, respectively.

Please refer to the announcement and circular of the Company dated December 6, 2023 and December 12, 2023 for details.

2023 Master Service Procurement Agreement (Renewal of Master Service Procurement Agreement)

To continue the transactions under the Master Service Procurement Agreement after December 31, 2023, the Company (for itself and on behalf of its subsidiaries) and MicroPort® (for itself and on behalf of the Retained MicroPort® Group and its joint ventures and associates) entered into the 2023 Master Service Procurement Agreement on December 6, 2023, pursuant to which the Group will procure sterilization services, product testing services, numerical simulation services, animal test services and administrative support services from the Retained MicroPort® Group.

The 2023 Master Service Procurement Agreement will commence from January 1, 2024 and end on December 31, 2026 (both days inclusive). Subject to compliance with applicable laws and regulations (including but not limited to the Listing Rules) and requirements of securities regulatory authorities, the 2023 Master Service Procurement Agreement may be renewed for a further term of no longer than three years from time to time. Upon renewal, the parties may amend the terms of such agreement based on the then prevailing circumstances.

As we are a biotechnology medical device company, the services provided by the Retained MicroPort® Group and its joint ventures and associates 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 Retained MicroPort® Group has been providing for our Group the sterilization services, product testing services, numerical simulation services, animal test services and administrative support services of good quality at reasonable fee rate previously. Due to the geographical proximity and long-term and stable cooperation relationship between the Retained MicroPort® Group and us, we believe the Retained MicroPort® Group and its joint ventures and associates 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 Retained MicroPort® Group and its joint ventures and associates are in the interest of our Company and our Shareholders as a whole and will be beneficial to our Group.

The annual caps for the transactions under the 2023 Master Service Procurement Agreement for the years ending December 31, 2024, 2025 and 2026 are RMB8,000,000, RMB8,000,000 and RMB8,000,000, respectively.

Please refer to the announcement of the Company dated December 6, 2023 for details.

2023 Distribution Framework Agreement

On December 6, 2023, the Company (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 2023 Distribution Framework Agreement, pursuant to which the Company agreed to grant a non-exclusive right to the Retained MicroPort® Group to market and distribute the Group's distribution products (the "**Distribution Products**") in the target markets set out in the 2023 Distribution Framework Agreement (the "**Target Markets**").

The 2023 Distribution Framework Agreement has an initial term commencing from January 1, 2024 and end on December 31, 2026 (both dates inclusive) after approval by the independent Shareholder at the extraordinary general meetings of the Company dated December 29, 2023. Subject to compliance with applicable laws and regulations (including but not limited to the Listing Rules) and requirements of securities regulatory authorities, the 2023 Distribution Framework Agreement may be renewed for a further term of no longer than three years from time to time. Upon renewal, the parties may amend the terms of such agreement based on the then prevailing circumstances.

The 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 line with the medical device industry norm, we adopt a distributorship model and we do not sell our products directly to hospitals. In order to gain access to or even a higher market share in TAVI market in the Target Markets, it is important for the Company to further strengthen the commercialization capabilities of the Company by, among others, leveraging the global distribution channels provided by external suppliers. The Retained MicroPort® Group has a proven record of successfully commercializing medical devices globally and has a well-established and experienced global sales and marketing team familiar with the Group's Distribution Products with global outreach. Benefiting from the synergy between our Distribution Products and the comprehensive products focusing on the treatment of heart-related diseases offered by the Retained MicroPort® Group, as well as the Retained MicroPort® Group's stable business relationships with eligible hospitals in the Target Markets, the Company will be able to facilitate the admission and penetration into such hospitals in the Target Markets. In addition, after years of cooperation with us, MicroPort® Group has developed an adequate understanding of our product portfolio and business operations. Through such arrangements under the 2023 Distribution Framework Agreement, the Group will be able to leverage MicroPort® Group's global distribution network to get access to a wide range of customers in the Target Markets. It is believed that engaging the Retained MicroPort® Group as distributor 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 Distribution Products. It will also help the Group to effectively control the transaction risk and communication costs during the sales process and is beneficial to the business development of the Group.

The Group will ascertain a final price (the "**Final Price**") to be charged by the Group in each purchase order based on the pricing policy under the 2023 Distribution Framework Agreement after considering the quantity of the order, the delivery schedule, the purpose for usage and the cost of transportation.

While the annual caps under the 2023 Distribution Framework Agreement are not presented in monetary form, given that (i) the Final Price shall be consistent with the pricing policy for the same Distribution Products that Group offers to independent third-party distributors and will be determined primarily based on the prevailing market price of similar products; (ii) the Company will adopt the price determination and review mechanism and the relevant internal control procedures which will effectively ensure the Final Price is fair and reasonable; (iii) the nature of the transactions under the 2023 Distribution Framework Agreement and the formula calculating the transaction amounts thereunder are clear and do not involve complex calculations or excessive management discretion; and (iv) the sufficient disclosure in relevant announcement and in the annual report which has already included or will include the key terms of the transactions to be contemplated under the 2023 Distribution Framework Agreement, the details of the Distribution Products and Target Markets, as well as the annual transaction amounts charged by us under the 2023 Distribution Framework Agreement, the Board considers that the current proposed annual caps in formular form could (i) provide the Shareholders and potential investors with all necessary information about the fees to be received from the Retained MicroPort® Group; and (ii) enable the Shareholders and potential investors to make a properly informed assessment of the subject transactions and/or hence an informed voting decision. The transaction amount the Group shall charge the Retained MicroPort® Group pursuant to the 2023 Distribution Framework Agreement will be determined by the following formula:

The transaction amount	**=**	**The sum of (The number of units of each Distribution Product ordered by the Retained MicroPort® Group in each Target Market**	**×**	**The Final Price of the relevant Distribution Product, which is determined primarily by the formula below:** ***The Final Price = The retail price of the Distribution Product in the relevant Target Market[1] – Distributor's gross profit[2]***

Notes:

(1) The retail price of our Distribution Product is determined based on the retail price of competing products in the Target Market and our production, shipping and insurance cost for the relevant Distribution Product, with reference to the market position and sales strategy for the relevant Distribution Product. The retail price is subject to adjustments in accordance with the market conditions from time to time.

(2) The distributor's gross profit is determined through arm's length negotiations between our Group and the Retained MicroPort® Group primarily based on the prevailing gross profit rate for distributing similar products in the relevant Target Market, which is expected to be 30%–50% of the retail price.

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 14A.53(1) of the Listing Rules to express annual caps for the Distribution Framework Agreement in terms of monetary value. As of the conditions under the waiver, the transactions contemplated under the Distribution Framework Agreement are subject to, among others, the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Please refer to the announcement and circular of the Company dated December 6, 2023 and December 12, 2023 for details.

The above connected transaction and 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, 2023.

Confirmation from the Auditor and Directors

The auditor was engaged to report on the above continuing connected transactions which conducted during the Reporting Period and provided the Board with a letter in accordance with Rule 14A.56 of the Listing Rules confirms that which 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 cap.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have confirmed that the above continuing connected transactions which conducted during the Reporting Period have been entered into, in the ordinary and usual course of business of our Group and on normal commercial terms or better to us and the terms of agreement (including the proposed annual caps, if applicable) are fair and reasonable and are in the interests 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, 2023, 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 28 to the consolidated financial statements for the year ended December 31, 2023 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, 2023.

CONTRACT OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" and "Significant Investments, Material Acquisitions and Disposals" 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, 2023.

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

Neither our Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of our Company during the period for the year ended December 31, 2023.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration for the year ended December 31, 2023. 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, 2023.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

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. On December 29, 2023, the Board has resolved to reallocate of unutilized net proceeds ("**Change of Use of Net Proceeds**") based on the reasons disclosed in the section headed "Reasons for the Change of Use of Net Proceeds from the Global Offering" below. The table below sets out the actual use of the net proceeds and the revised allocation of the unutilized net proceeds:

	Amount of net proceeds for the relevant use HK$ million	Percentage of total net proceeds as disclosed in the Prospectus (before Change of Use of Net Proceeds)	Actual amount of proceeds utilized as of January 1, 2023 HK$ million	Actual amount of proceeds utilized as of December 15, 2023[1] HK$ million	Amount of proceeds unutilized as of December 15, 2023[1] HK$ million	Use of proceeds after reallocation HK$ million	Revised percentage of unutilized net proceeds	Actual amount of proceeds utilized as of December 31, 2023 HK$ million	Amount of proceeds unutilized as of December 31, 2023 HK$ million	Percentage of proceeds from the Global Offering expected to be used by December 31, 2024	Expected timeframe for unutilized net proceeds
VitaFlow Liberty®											
— the ongoing R&D activities, clinical trial and product registration of VitaFlow Liberty®	423.9	15.6%	151.0	173.7	250.2	50.2	3.52%	175.0	48.9		2025
— the ongoing sales and marketing activities of VitaFlow Liberty® in China and overseas	391.3	14.4%	131.2	236.4	154.9	104.9	7.36%	252.7	88.6		2025
Subtotal	**815.2**	**30.0%**	**282.2**	**410.1**	**405.1**	**155.1**	**10.89%**	**427.7**	**137.5**	**17.2%–17.7%**	
VitaFlow®	**92.4**	**3.4%**	**42.3**	**73.2**	**19.2**	**19.2**	**1.35%**	**75.5**	**16.9**	**2.9%–3.0%**	**2024**
The remaining products											
— fund the research, preclinical, clinical trial and commercialization of VitaFlow™ III, and VitaFlow® Balloon Expandable	190.2	7.0%	59.9	91.7	98.5	98.5	6.91%	95.7	94.5		2025
— the ongoing and planned R&D of our TMV product candidates	312.5	11.5%	60.3	109.7	202.8	202.8	14.24%	116.2	196.3		2025
— the ongoing and planned R&D of our TTVR product candidates, surgical valves and procedural accessories	163.0	6.0%	25.8	35.9	127.1	75.0	5.27%	37.5	73.4		2025
— fund the planned commercialization activities after receiving the relevant regulatory approvals	67.9	2.5%	—	—	67.9	—	—				
Subtotal	**733.6**	**27.0%**	**146.0**	**237.3**	**496.3**	**376.3**	**26.42%**	**249.4**	**364.2**	**13.7%–13.9%**	

	Amount of net proceeds for the relevant use HK$ million	Percentage of total net proceeds as disclosed in the Prospectus (before Change of Use of Net Proceeds)	Actual amount of proceeds utilized as of January 1, 2023 HK$ million	Actual amount of proceeds utilized as of December 15, 2023[1] HK$ million	Amount of proceeds unutilized as of December 15, 2023[1] HK$ million	Use of proceeds after reallocation HK$ million	Revised percentage of unutilized net proceeds	Actual amount of proceeds utilized as of December 31, 2023 HK$ million	Amount of proceeds unutilized as of December 31, 2023 HK$ million	Percentage of proceeds from the Global Offering expected to be used by December 31, 2024	Expected timeframe for unutilized net proceeds
Fund the expansion of our product portfolio through collaboration with global enabler	407.6	15.0%	314.1	354.4	53.2	523.2	36.73%	354.4	523.2	16.5%–17.0%	2025
Expand our production capacity and strengthen our manufacturing capabilities for VitaFlow® and VitaFlow Liberty®	396.7	14.6%	70.9	97.5	299.2	299.2	21.00%	99.2	297.5	4.7%–4.8%	2025
Working capital and general corporate purposes	271.7	10.0%	90.9	120.2	151.5	51.5	3.62%	127.2	44.5	5.4%–5.7%	2025
Total	2,717.2	100.0%	946.4	1,292.7	1,424.5	1,424.5	100.00%	1,333.4	1,383.8	60.4%–62.1%	

Note:

(1) December 15, 2023, being the latest practicable date for calculating the use of net proceeds from the Global Offering prior to the Change of Use of Net Proceeds.

Before the Change of Use of Net Proceeds, the net proceeds from the Global Offering have been used in a manner consistent with the disclosure in the Prospectus. Going forward, the net proceeds will be applied in the manner as set out in announcement of the Company dated January 1, 2024. As of the Latest Practicable Date, saved as disclosed above, the Company does not anticipate any change to its plan on the use of proceeds. The Company expects that approximately HK$1,643.9 million to HK$1,689.3 million, accounting for approximately 60.4% to 62.1% of the net proceeds of the Global Offering, will be utilized by December 31, 2024 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.

REASONS FOR THE CHANGE OF USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

Our Company is a public company facing increasingly fierce competition in the field of valvular heart disease, which is one of the structural heart diseases. Therefore, the Group will continue the development of medical devices and/or seek for new investment opportunities in the field of structural heart diseases with high growth potential, thereby diversifying its revenue streams and expanding its strategic initiatives to deliver state-of-the-art total solutions for treating structural heart diseases to further enhance its competitiveness. The Board, after careful consideration of the above and detailed evaluation of the Company's operations and business strategy taking into account the reasons in relation to the MP CardioAdvent Acquisition set out in the section headed "Important Events after the Reporting Period" below, has therefore resolved to reallocate more unutilized net proceeds from the Global offering to fund the expansion of our product portfolio through collaboration with global enablers, including medical device companies and research institutes through merger and acquisition, in-licensing or equity investments, among others.

The Board considered that the development direction of the Group is still in line with the disclosures in the Prospectus in spite of the Change of Use of Net Proceeds. The Board is not aware that there are material changes in the nature of the businesses of the Group. The Board is of the view that the Change of Use of Net Proceeds is fair and reasonable as this would allow the Group to deploy its financial resources more effectively to expand the product portfolio of the Group. Such change would not have any material adverse effect on the existing business and operations of the Group. It is therefore in the best interests of the Group and the Shareholders as a whole. The Board will constantly evaluate the Group's business objective and may change or modify plans against the changing market conditions to ascertain the business growth of the Group. The Board will also take a cautious approach continually when considering using the net proceeds from the Global Offering, and closely monitor the changes of the market conditions from time to time.

Where the net proceeds from the Global Offering are not immediately applied to the above-mentioned purposes and to the extent permitted by the relevant law and regulations, so long as they are deemed to be in the best interests of our Company, we may hold such funds in short-term deposits with licensed banks or authorized financial institutions in Hong Kong.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the Latest Practicable Date, 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, Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance, who will retire and, being eligible, offer themselves for re-appointment at the AGM.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

On January 1, 2024, MicroPort Sinica and Shanghai Zuoqing (as the sellers), MP CardioFlow (as the purchaser) and MP CardioAdvent entered into the Equity Transfer Agreement, pursuant to which MP CardioFlow conditionally agreed to acquire, and MicroPort Sinica and Shanghai Zuoqing conditionally agreed to sell, 51% equity interest in MP CardioAdvent. Upon completion of the MP CardioAdvent Acquisition, MP CardioFlow held 51% equity interest in MP CardioAdvent and MP CardioAdvent became a subsidiary of the Company. Please refer to the announcement of the Company dated January 1, 2024 for details.

The MP CardioAdvent Acquisition is expected to enhance synergies among the Company's products and product candidates in the field of structural heart disease, especially in terms of R&D, manufacturing capabilities, distribution channels, therefore enhancing the cost control of our Group. Our Company is a public company facing increasingly fierce competition in the field of valvular heart disease, which falls within the range of structural heart diseases. The MP CardioAdvent Acquisition presents the Company an opportunity to enter new market segments within the field of structural heart diseases with high growth potential, thereby diversifying its revenue streams and expanding its strategic initiatives to deliver state-of-the-art total solutions for treating structural heart diseases so as to further enhance its competitiveness. This also adheres to the Company's mission to provide trustworthy and universal access to state-of-the-art total solutions to treat structural heart diseases. With the expected launch of AnchorMan® LAAC in Europe, our Company is expected to broaden our geographic coverage and further enhance our presence in the global market. The MP CardioAdvent Acquisition is also expected to increase the capital investment efficiency of our Company. The Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement and the transaction contemplated thereunder are fair and reasonable, on normal commercial terms and are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

On January 5, 2024, MP CardioAdvent received the approval from the NMPA regarding the registration application for the AnchorMan® LAAC System, the self-development product of MP CardioAdvent, which is also the only approved semi-closed type LAAC product in China so far. Please refer to the announcement of the Company dated January 7, 2024 for details.

On April 15, 2024, the Company (for itself and on behalf of its subsidiaries, joint ventures and associates, excluding MP CardioAdvent) entered into the 2024 MP CardioAdvent Service Procurement Framework Agreement with MP CardioAdvent for a period from the date of the 2024 MP CardioAdvent Service Procurement Framework Agreement to December 31, 2025 (both days inclusive), pursuant to which, MP CardioAdvent will procure certain supporting services for its R&D and commercialization activities, such as technical services, registration, clinical trials, quality control, supply chain and sales promotion from the Company and its subsidiaries, joint ventures and associates excluding MP CardioAdvent. The Company and MP CardioAdvent will endeavor to obtain independent fee quotes when negotiating separate implementation agreements under the 2024 MP CardioAdvent Service Procurement Framework Agreement. If available, these fee quotes will certainly be considered in setting prices for individual transactions. Furthermore, the Company has also implemented robust internal control measures, including comprehensive market research by the finance department to ensure that pricing is fair and adheres to commercial norms. This market research is not limited to obtaining independent fee quotes when feasible but also includes reviewing publicly available information about similar transactions and obtaining independent assessments of prevailing market prices from external consultants if necessary. Please refer to the announcement of the Company dated April 15, 2024 for details.

Save as disclosed above, no material events affecting the Group have occurred after the end of the Reporting Period and up to the Latest Practicable Date.

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 during the Reporting Period.

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

The register of members of the Company will be closed from Friday, June 21, 2024 to Wednesday, June 26, 2024, both days inclusive, in order to determine the eligibility of the Shareholders to attend and vote at the AGM to be held on Wednesday, June 26, 2024. In order to be eligible to attend and vote at the AGM, all transfer 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 Thursday, June 20, 2024.

By order of the Board
MicroPort CardioFlow Medtech Corporation
Mr. Chen Guoming
Chairman

Shanghai, PRC
March 27, 2024

GENERAL

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the financial year ended December 31, 2023.

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 during the Reporting Period, and has complied with all applicable Code Provisions as set out in the CG Code during the Reporting Period and up to the Latest Practicable Date.

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, 2023:

Executive Directors:

Mr. Jeffrey R Lindstrom *(appointed on August 29, 2023)*
Mr. Zhao Liang
Ms. Yan Luying

Non-Executive Directors:

Dr. Luo Qiyi *(resigned on August 29, 2023)*
Mr. Chen Guoming *(Chairman, re-designated on August 29, 2023)*
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 16 to 22 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 Latest Practicable Date, 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, Dr. Luo Qiyi resigned as a non-executive Director so as to devote more time to his other commitments, Mr. Chen Guoming was re-designated from an executive Director to a non-executive Director, and Mr. Jeffrey R Lindstrom was appointed as an executive Director with effect from August 29, 2023. Dr. Luo has confirmed to the Company that he does not have any disagreement with the Board and that there is no matter relating to his resignation that needs to be brought to the attention of the Shareholders and/or the Stock Exchange. Prior to Mr. Lindstrom's appointment becoming effective, he confirmed that (i) he fully understood the obligations, duties and responsibilities of an executive director of a company listed on the Hong Kong Stock Exchange; and (ii) he had read the directors' training materials prepared by the Hong Kong legal adviser of our Company. He also undertook to comply with such obligations, duties and responsibilities under the Hong Kong Listing Rules, and other applicable laws and provisions relating to securities as a director of our Company.

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. Any Director required to stand for re-election pursuant to Article 16.2 shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation.

In addition, pursuant to Article 16.2 of the Articles of Association, any new Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election.

Hence, Mr. Jeffrey R Lindstrom, Ms. Yan Luying, Mr. Jonathan H. Chou and Ms. Sun Zhixiang shall retire from office and being eligible, and will offer themselves for re-election pursuant to Article 16.2 and 16.19 of the Articles of Association at the 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.

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 discloseable transactions and connected transactions etc. under the Listing Rules, and the amendments of the Listing Rules.

All new Directors receive a comprehensive, formal and tailored induction upon their appointments to the Board with the key objective of assisting them in understanding their duties and responsibilities for being a Director, the Company's business, risks, governance and Board and committee dynamics.

The Company re-designated Mr. Chen Guoming as non-executive Director and appointed Mr. Jeffrey R Lindstrom as executive Director with effect from August 29, 2023. Each of Mr. Chen and Mr. Lindstrom had on August 29, 2023 obtained legal advice from our legal consultant, Kirkland & Ellis, a qualified solicitor as regards to the requirement under the Listing Rules, including but not limited to referring to Rule 3.09D of the Listing Rules that are applicable to them as a director of a listed company and the possible consequences of making a false declaration or giving false information to the Stock Exchange before his appointment becomes effective. Each of them confirmed that they understood their obligations as a director of a listed company.

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 of the of the independent non-executive Directors and the members of the Audit Committee are all independent non-executive Directors exceed 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. 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, 2023. The attendance records of each member at the Board meeting during the year ended December 31, 2023 are set out below:-

Name of Members	**Attendance/Number of meetings held during the term of office of the Board members**
Dr. Luo Qiyi *(resigned on August 29, 2023)*	4/4
Mr. Chen Guoming	5/5
Mr. Jeffrey R Lindstrom *(appointed on August 29, 2023)*	2/2
Mr. Zhao Liang	5/5
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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code during the Reporting Period.

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

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. Each Director can seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

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 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, 2022, interim results and interim report for the first half year of 2023, 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 Reporting Period. The attendance records of each member at the Audit Committee meetings during the year ended December 31, 2023 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 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 *(resigned on August 29, 2023)*
Mr. Chen Guoming *(appointed on August 29, 2023)*
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 the CG Code.

The Remuneration Committee held 3 meetings during the year ended December 31, 2023. The attendance records of each member at the Remuneration Committee meetings during the year ended December 31, 2023 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)*	3/3
Mr. Jonathan H. Chou	3/3
Dr. Luo Qiyi *(resigned on August 29, 2023)*	3/3
Mr. Chen Guoming *(appointed on August 29, 2023)*	0/0

The remuneration of the members of senior management by band for the year ended December 31, 2023 is set out below:

Remuneration bands (RMB)	Number of senior management
3,000,001–5,000,000	2
1,000,001–3,000,000	5
0–1,000,000	1
Total	8

Details of the remuneration of the Directors and senior management for the year ended December 31, 2023 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 *(resigned on August 29, 2023)*
Mr. Chen Guoming *(Chairman, appointed on August 29, 2023)*
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, 2 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 AGM.

The attendance records of each member at the Nomination Committee meetings during the year ended December 31, 2023 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 *(resigned on August 29, 2023) (Chairman)*	2/2
Mr. Chen Guoming *(Chairman, appointed on August 29, 2023)*	0/0
Ms. Sun Zhixiang	2/2
Dr. Ding Jiandong	2/2

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 three are executive Directors, three are non-executive Directors and three are independent non-executive Directors. Among which, three Directors are female and six Directors are male and one in the age group of 30–40; four in the age group of 41–50; four 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, four Directors are in executive leadership & strategy; one Director is accounting professionals/financial management expertise and four Directors 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 parity.

For the year ended December 31, 2023, the employees (including senior management) include 47.3% females and 52.7% 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 ensuring 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, 2023.

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.

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 149 to 156 in this annual report.

For the year ended December 31, 2023, the fees for audit services and non-audit services rendered by external auditor, KPMG were as follows:

During the year ended December 31, 2023, non-audit services performed by KPMG are primarily in relation to review of interim financial statement, the report on the discounted cashflows in connection with the business valuations of MP CardioAdvent and tax related services.

	RMB'000
Audit services	1,800
Non-audit services	1,076
Total	2,876

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 18 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 senior manager of Corporate Services of Vistra Corporate Services (HK) Limited, a professional provider of corporate services. She has had over nine 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 at the date of deposit of the requisition 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, 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 Cayman Islands 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 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 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 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 shareholders so as to enable them to engage actively with the Company and exercise their rights as 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 providing a forum for Shareholders to raise comments and exchanging 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 27, 2023 (the "**2023 AGM**"). Shareholders, including their proxies or representatives attended the 2023 AGM and shares voted was 51.72% of the total issued shares of the Company. All resolutions proposed at the 2023 AGM were passed.

The Company also held an extraordinary general meeting on December 29, 2023 (the "**2023 EGM**"). Shareholders, including their proxies or representatives attended the 2023 EGM. Excluding the Shareholder and its associates which had abstained from voting at the 2023 EGM, the shares voted was 25.40% 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 meetings held during the year, the Board is satisfied that the shareholders communication policy has been properly implemented during 2023 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, 2023, certain amendments to the Memorandum and Articles of Association of the Company have been made and approved at the 2023 AGM to (i) conform to the core standards for shareholder protections as set out in Appendix A1 to the Listing Rules; and (ii) incorporate certain housekeeping amendments. The Articles of Association with the amendments incorporated are available on the websites of the Company and the Stock Exchange on June 27, 2023.

Saved as disclosed above, there was no other change in the Company's constitutional documents for the year ended December 31, 2023.

At the Board meeting held on March 27, 2024, the Board resolved to amend the Articles of Association for the purposes of (i) bringing the existing Articles of Association in line with the amendments to the Listing Rules which mandates the electronic dissemination of corporate communications by listed issuers to their securities holders which came into effect from December 31, 2023; and (ii) making other consequential and house-keeping amendments. For further details, please refer to the announcement of the Company dated March 27, 2024.

A circular containing further information of the resolutions for the Shareholders' consideration and approval at the AGM by way of a special resolution, together with the respective notice of the AGM and proxy form, will be despatched to the Shareholders in accordance with the Listing Rules and the Articles of Association.

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 2023 to the Latest Practicable Date.

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

This report is the fourth 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 ESG 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 of Hong Kong Limited (hereinbelow referred to as "**the Stock Exchange**").

Reporting Cycle

This report is an annual report which covers the period from January 1, 2023 to December 31, 2023 (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 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 fourth 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 Company's Board 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.

Form of Report

This report is published in both printed and online versions. The online version of the report can be viewed or downloaded from the "HKEXnews" website (http://www.hkexnews.hk) and the Company's website (https://www.cardioflowmedtech.com).

BOARD STATEMENT

In accordance with the requirements of the ESG Guide issued by the Stock Exchange, the Company's Board 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

The Company's Board is ultimately responsible 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

The Company's Board continues to monitor ESG compliance requirements, trends and peer performance, and analyses material ESG issues taking into account the Company's development strategy 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 2023, which was reviewed and approved by the Board on March 27, 2024.

1. ESG GOVERNANCE

1.1 ESG Concepts

With the mission of "to provide trustworthy and universal access to state-of-the-art total solutions to treat structural heart diseases", CardioFlow endeavours to "global leading people-oriented emerging high-tech medical group". Adhering to sustainable development principles, CardioFlow incorporates ESG concepts into daily decision-making and operation to improve its ability to deliver sustainable outcomes that create value for customers, shareholders, employees, the environment and society.

1.2 ESG Governance

In order to implement the Company's ESG philosophy, CardioFlow has established a three-tier ESG governance structure with the Board as the highest decision-making body, and fully incorporated ESG responsibilities into the functions of all levels of the organization to ensure that all ESG related work is carried out in a standardized and orderly manner. In order to further promote the effective implementation of ESG work, the Group continues to optimize ESG management decisions and incorporate ESG indicators into the scope of management performance assessment, including energy saving and consumption reduction, talent retention, etc., so as to accelerate the organic integration of corporate governance and ESG concepts.

- **The Board:** as the top responsible and decision-making body for the Company's ESG governance matters, it is ultimately responsible for the Company's ESG strategy, objectives and performance. The Board is responsible for overseeing ESG risk opportunities and other important matters that may affect the Company's business and operations, the rights and interests of shareholders and other stakeholders, evaluating and reviewing the Company's materiality issues, identifying the Company's ESG priorities, making final decisions on ESG-related matters, and ensuring the effective implementation of ESG management.

- **ESG Work Team:** comprised of managers from key functional departments, it is responsible for assisting the Board in overseeing ESG issues and promoting ESG management matters, including ESG risk and opportunity analysis, stakeholder communication, and review of ESG-related policies and strategies, etc. The ESG Work Team reports to the Board on a regular basis to assist the Board in guiding and monitoring the progress and implementation of ESG work.

- **Functional Departments:** under the leadership of the ESG Work Team, Functional Department are responsible for the communication and implementation of specific ESG work.

1.3 Communication with Stakeholders

CardioFlow'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 priority for carrying out management of ESG matters, and respond to their concerns through this report.

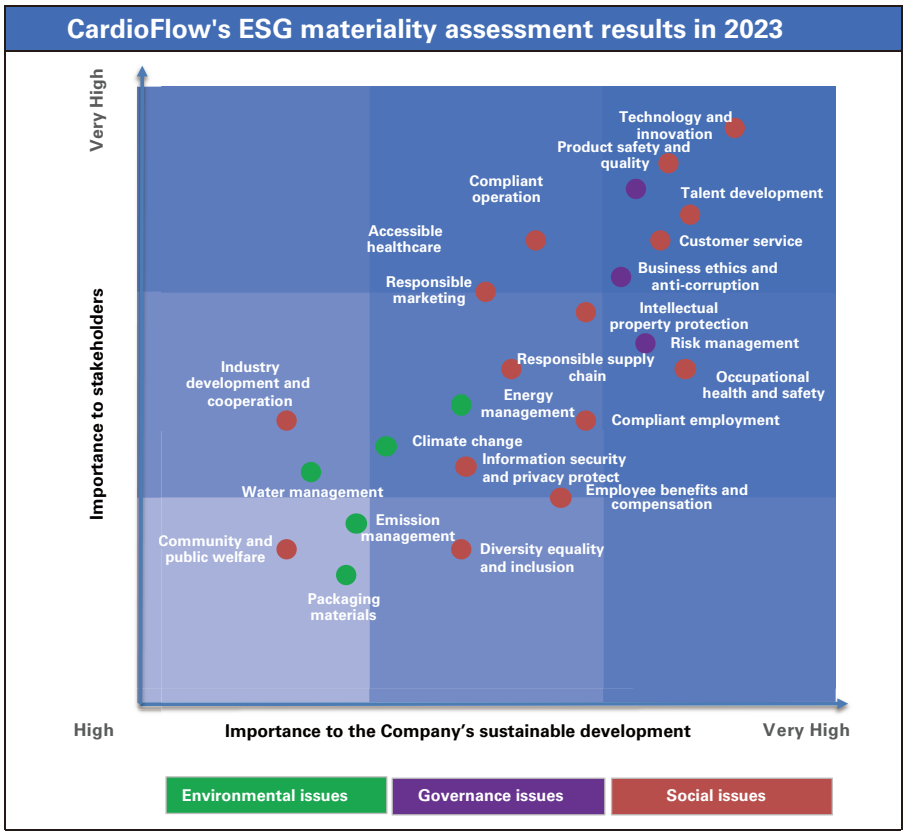
Category of stakeholders	Related parties	Issues of concern	Communication channels
Government and regulatory authorities	National and local governments, market regulators, tax regulators, environmental protection regulators, industry regulators, etc.	Compliance management Business ethics and anti-corruption Product safety and quality	Site visits to institution Official correspondence Policy implementation Information disclosure
Shareholders and investors	Shareholders and potential investors who make equity investments in the Company	Technology and innovation Product safety and quality Intellectual property protection Risk management	Investor relations website[1] General meeting Information disclosure Correspondence Conference calls Reception of visitors Roadshow
Customers	Global distributors, hospitals, physicians and surgeons	Information security and privacy protection 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, equality and inclusion Occupational health and safety	Labour 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	Volunteer service Community activities Media communication and interviews

[1] https://ir.cardioflowmedtech.com/en/investor-relations/corporate-governance/

1.4 Materiality Assessment

In light of industry dynamic analysis, key peer ESG concerns, stakeholder engagement and other means, CardioFlow regularly collects, analyses and evaluates issues that stakeholders focus on to determine our ESG management priorities.

Based on the ESG Guide and the list of ESG materiality issues of the peer group, we analysed 23 ESG materiality issues, including technology and innovation, product safety and quality, and compliance, through the questionnaire survey of materiality issues. On the basis of peer benchmarking and feedback from management, we have ranked each issue according to its importance to the Company's sustainable development and to stakeholders, forming a matrix of ESG materiality issues, which has become the focus of the Company's ESG management and information disclosure. During the Reporting Period, there were no significant changes in the Company's business operation model, and we have adjusted the presentation of some of the issues after evaluating the results of the analysis of ESG issues and materiality issues, and the specific materiality issues matrix is as follows:



2. COMPLIANCE OPERATION FOR SUSTAINABLE DEVELOPMENT

2.1 Business Ethics

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 has formulated policies such as the *Code of Business Conduct and Ethics*, the *Policies on Employee Honest Practices*, and the *Policies on Promotional Materials for Education of Medical Healthcare Professionals (HCPs) and Patients* to regulate conducts of employees and business activities and ensure compliant operation.

2.1.1 Business Ethics Standardization

The Company strictly prohibits corruption and bribery in any form. All employees and business partners are required to follow the same standards of business ethics, including compliance with laws and regulations and honest practices. To manage ethical risks arising from the operation, CardioFlow has established a series of business ethics management initiatives and a mechanism for dealing with misconducts.

- **Strengthen supervision of business ethics:** A supervision, reward and punishment mechanism was introduced in the *Policies on Employee Honest Practices*, clarifying responsibilities of the departments in charge of whistle-blowing handling and supervision, as well as the basis of recognition and handling of matters related to business ethics;

- **Regulate marketing activities:** The Company launched the *Policies on Promotional Materials for Education of Medical Healthcare Professionals (HCPs) and Patients* to standardise communication with HCPs, patients, and other parties in marketing and external interaction, and to prevent misconducts and violations such as fraud and corruption;

- **Foster integrity in cooperation:** The Company manages partners under the corporate compliance management system, and has formulated the *Anti-Corruption Compliance Standards* and requires all agents to sign it for building an integrity partnership;

- **Conduct business ethics training:** The compliance training covers both employees and external business partners. We organize employees to study the *Policies on Employee Honest Practices* and publicize the Company's compliance process regulations and reporting and supervision channels to ensure that business operation complies with laws and regulations. Distributors must make a commitment to follow the Company's compliance requirements by signing the *Confirmation Letter of Code of Business Conduct and Ethics,* the *Confirmation Letter of Anti-Bribery and Anti-Corruption,* and the *Confirmation Letter of Compliance Manual*. During the Reporting Period, all employees and distributors completed our online compliance training, and all board members and senior management attended the online anti-bribery training.

2.1.2 Whistle-Blowing and Complaint Management

We encourage employees and business partners to report suspected violations of laws and disciplines or any acts against business ethics. We have set up email, mailbox, hotline and other whistle-blowing channels, and the Legal and Compliance Department is responsible for handling complaints or whistle-blowing on integrity-related matters.

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

After the cases are verified, we will conduct integrity audit and inspection in accordance with relevant regulations, give handling recommendations based on the audit and inspection results and implement these recommendations after obtaining approval from the Company's management. This process ensures that all reports of violations and suspected violations of laws, regulations, standards as well as the Company's policies or procedures are handled in a timely and effective manner. We have also specified a whistle-blower protection mechanism in the *Policies on Employee Honest Practices*. Any retaliation against reporters, whistle-blowers or employees assisting in the investigation is prohibited.

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

2.2 Risk Management and Internal Control

2.2.1 Risk Management

CardioFlow strives to build an effective risk management system. The Company has formulated the *Risk Management Policy* and other policies to standardise the risk management process and clarify the risk management framework and division of responsibilities, continuously improving risk governance.

We have established a risk management system that covers prevention, in-process control, and post-supervision and clearly defines roles and responsibilities of the Board, the Internal Audit Department, relevant business departments, and subsidiaries. As the highest decision-making body for risk management, the Board is responsible for establishing relevant framework and policies, overseeing the firm-wide risk management practices and approving relevant decisions and annual reports. As a supervisory and management body, the Internal Audit Department conducts the internal control audits on business areas with significant risks and issues assessment reports on risk management. Relevant business departments and subsidiaries participate in the daily risk management practices to ensure effective implementation of relevant policies.

According to the *Risk Management Policy*, we have established a comprehensive and effective risk management process. During the Reporting Period, an annual risk survey was conducted through both interviews and questionnaires. Based on risks identified, management personnel assessed each risk from 4 dimensions of probability, impact, mitigation capability, and velocity, and created a risk heat map. Thus, a total of 7 high-risk items, including market competition, R&D projects, raw material supply, and human resources, have been identified for the current year, and detailed impact analysis has been conducted accordingly. By reviewing our existing management measures, we have enhanced our risk resilience and overall capability in risk control.

Risk management process		
Risk assessment	**Risk response**	**Risk reporting**
• Collect risk information • Conduct qualitative and quantitative assessment • Manage risk information dynamically	• Determine risk appetite and risk tolerance • Maintain risks within the tolerance level through internal controls • Establish an early warning and emergency response mechanism for major risks	• Establish and maintain a risk management reporting mechanism • Analyse risk sources, risk impact, and treatment plans to strengthen the early warning capability • Regularly update the risk framework for closed-loop risk management

2.2.2 Internal Control Compliance

Internal control compliance is crucial to CardioFlow. In accordance with the *Internal Audit Policy*, the Company conducts annual systematic reviews of the operating effectiveness and compliance of the internal control system, to prevent risks of violation and corruption. Under the supervision of the Audit Committee of the Board, the Internal Audit Department exercises its authority independently. Specifically, the Internal Audit Department evaluates the adequacy and effectiveness of the risk management procedures, and assists the Board and the executive management with supervision over the Company and its subordinate companies to further improve internal control management.

In 2023, the Internal Audit Department formulated an internal audit plan for and undertook internal audit on key business management processes such as procurement, sales, R&D and asset management, with improvement recommendations proposed in respect of internal audit findings, and improvement progress reviewed and tracked. During the Reporting Period, the internal audit findings for the current year were all rectified.

2.3 Responsible Marketing

In launching various marketing campaigns, CardioFlow strictly abides by 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. In addition, the *Code of Business Conduct and Ethics* have been developed to regulate marketing activities. We have developed the *Media Platform Press Release System* to establish a well-defined review process of advertising promotion and distribution, and have implemented a graded management mechanism. The corresponding review process is implemented according to the materiality of articles and needs to be approved by the Legal Department and the Marketing Department, to ensure that the advertising content related to the Company's products are provided in a consistent and truthful manner.

To ensure the compliance of marketing campaigns, CardioFlow organises a series of marketing compliance training on market development, solutions promotion and other topics for employees, distributors and other partners. By doing so, the Company further strengthens the compliance awareness of marketing personnel and effectively protects the rights and interests of consumers, striving to maintain market order and build a fair and competitive market environment.

By the end of the Reporting Period, the Company had not been involved in any complaints or legal proceedings related to marketing information that misleads or deceives consumers.

2.4 Intellectual Property

Recognising the importance of intellectual properties to the medical device industry, CardioFlow regard our intellectual properties and trade secrets as core assets. 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 robust intellectual property protection policies and management procedures, including the *Provisions for the Administration of Intellectual Property Work,* the *Provisions for the Administration of Intellectual Property Rights of Technological Innovation Achievements*, and the *Management Procedures for Intellectual Property Documentation*, to safeguard our intellectual properties from internal and external infringements.

During the Reporting Period, we held the GB/T 29490–2013 Intellectual Property Management System Certification, the scope of which includes the R&D of heart valve medical devices (valve prosthesis, delivery system and related accessories), the intellectual property management 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.

知识产权管理体系认证证书

证书号码：165IP210043ROM

兹证明

上海微创心通医疗科技有限公司

注册地址：中国（上海）自由贸易试验区张东路 1601 号 1 幢 1002 室，G 层（名义楼层 G 层，实际楼层 1 层）A 区、B 区，二层（名义楼层 2 层，实际楼层 3 层）A 区

经营地址：上海市浦东新区张江高科技园区张东路 1661 号

知识产权管理体系符合标准：

GB/T29490-2013

通过认证的范围如下：

心脏瓣膜医疗器械（瓣膜假体、输送系统及相关附件）的研发，Ⅲ类经导管主动脉瓣膜系统、经导管主动脉瓣膜及可回收输送系统、心脏瓣膜球囊扩张导管生产、销售的知识产权管理

注：认证注册范围不包括未获得有效的国家规定的相关行政许可、资质许可的产品/服务范围

初次发证日期：2021 年 01 月 19 日　　有效期至：2024 年 01 月 18 日

本证书持有者的管理体系持续符合上述标准的运行条件下，证书有效期为三年。证书有效性通过年度监督确认保持。证书有效信息可登陆国家认证认可监督委员会官方网站 www.cnca.gov.cn 或中知（北京）认证有限公司官方网站查询。

签发：

本次发证日期：2023 年 06 月 20 日

中知认证

中知（北京）认证有限公司

地址：北京市海淀区花园路5号133幢3层302室（100088）

http://www.zzbjrz.com

GB/T 29490–2013 Intellectual Property
Management System Certification

Intellectual property management initiatives

- **System management:** Use the digital system "WADE" to realise lifecycle management of intellectual properties and simplify management processes and ledgers by functions of proposal management, case management, expense management, agency collaboration and layout operation.
- **Incentive policy:** Formulate the *Regulations on Rewarding Intellectual Property Contributors*, the *Management Procedures for Intellectual Property Acquisition, Maintenance, Utilisation and Rewards* and other policies to encourage employees to lift the Company's competitiveness with more intellectual properties.
- **Internal training:** Conduct special trainings on "Documentation of Intellectual Property Management System" and "The Use of Database", to raise the awareness and skills of intellectual property protection of relevant employees.
- **Protection of confidential information:** Develop policies such as the *Confidentiality Management Procedures*, the *Provisions on the Management of Trade Secrets*, and the *Reward and Compensation Agreement for Resigned Patent Inventors* to prevent illegal theft, use or disclosure of trade secrets.

The Company is determined to keep improving its independent innovation capability. In 2023, CardioFlow held a total of 153 patents and 89 trademarks. 20 patents and 14 trademarks were newly granted, including two important patents of "Mitral Valve Prosthesis, Tricuspid Valve Prosthesis and Their Stents" and "Delivery Catheter and Delivery Device for Artificial Valve".

CardioFlow's patent application in 2023

Patent type	Accumulated holdings	In application (pending)
Invention patent	27	161
Utility model patent	118	18
Industrial patent	8	0
Total	153	179

2.5 Information Security

We attach great importance to information security and privacy protection. Strictly abiding 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, we continue to improve the information security and privacy management system with well-established policies, and constantly strengthen the ability of information security management to lower the risk of information security and privacy leakage. During the Reporting Period, the Company held the certification of ISO/IEC 27001:2013 (Information Security Management System) and ISO/IEC 27701:2019 (Privacy Information Management System).

bsi.

Certificate of Registration

信息安全管理体系

兹证明：

上海微创心通医疗科技有限公司
中国
上海
中国（上海）自由贸易试验区
张东路1601号
1幢1002室，
G层A区、B区，二层A区
邮编：201210

Shanghai MicroPort Xintong Medical Technology Co., Ltd.
Room 1002, Area A&B of G/F,
Area A of 2F, Floor G, Building 1
No. 1601, Zhangdong Road
China (Shanghai) Pilot Free Trade Zone
Shanghai
201210
China

此地点包含在主证书中，证书号为: IS 772954

BSI地址： 0047863650-044

运行的信息安全管理体系符合
ISO/IEC 27001:2013/GB/T 22080-2016
的要求，此体系覆盖了注册范围详细规定的活动内容。

BSI代表：

Michael Lam – Managing Director Assurance, APAC

首次发证日期： 2023-02-14

有效期至： 2025-10-31

...making excellence a habit.™

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信息查询及联系方式：BSI, Kitemark Court, Davy Avenue, Knowlhill, Milton Keynes MK5 8PP. 电话：+44 345 080 9000
BSI保证英国有限公司，注册地英国，注册号码7805321，地址：389 Chiswick High Road, London W4 4AL, UK
英标管理体系认证（北京）有限公司 北京市建国门外大街甲24号东海中心2008室 邮编：100004 电话：+86 10 85073000
BSI集团公司成员。

Information Security Management System Certification

bsi.

Certificate of Registration

隐私信息管理体系

兹证明：

上海微创心通医疗科技有限公司
中国
上海
中国（上海）自由贸易试验区
张东路1601号
1幢1002室，
G层A区、B区，二层A区
邮编：201210

Shanghai MicroPort Xintong Medical Technology Co., Ltd.
Room 1002, Area A&B of G/F,
Area A of 2F, Floor G, Building 1
No. 1601, Zhangdong Road
China (Shanghai) Pilot Free Trade Zone
Shanghai
201210
China

此地点包含在主证书中，证书号为: PM 772960

BSI地址： 0047863650-044

运行的隐私信息管理体系符合
ISO/IEC 27701:2019
的要求，此体系覆盖了注册范围详细规定的活动内容。

BSI代表：

Michael Lam – Managing Director Assurance, APAC

首次发证日期： 2023-02-14

有效期至： 2026-02-13

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BSI保证英国有限公司，注册地英国，注册号码7805321，地址：389 Chiswick High Road, London W4 4AL, UK
BSI集团公司成员。

Privacy Information Management System Certification

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. Internal policies regarding information security, including the *Information Security Policy*, the *Privacy Management Policy* and the *Management Process for Personal Information Protection*, are complied to regulate the information security management mechanism.

The Company's information assets are classified into five levels: top secret, restricted, confidential, internal and public. And we implement a graded management mechanism with different access control management authorities and management procedures to safeguard the Company's information assets and trade secrets. We also work hard to raise employees' awareness of information security and privacy protection, and organised training on "Information Security and Privacy Management Awareness" and "Phishing Drills" during the Reporting Period with 100% of employees involved.

3. VALUE CREATION WITH SHARED GOALS

3.1 Innovation-Driven Operation

3.1.1 Improved R&D Management

Regarding R&D and innovation as the driving force for our development, we uphold the mission of "to provide trustworthy and universal access to state-of-the-art total solutions to treat structural heart diseases" to continuously improve our R&D and innovation capabilities. Dedicated to treating structural heart disease, we continue our R&D efforts to work on world-leading technologies following higher standards and better practices, so as to provide patients with advanced medical technologies and accessible treatment solutions. Through the integration of scientific and technological innovation and commercialisation, we build an R&D and innovation system that covers production, education and research, optimise the R&D and innovation management mechanism and conduct high-quality R&D work leveraging industry, clinical, scientific research strengths, to drive the development of medical solutions in the field of structural heart disease.

Knowing that outstanding R&D talent is crucial to our R&D and innovation, we have established a core R&D team that comprises about 120 staff with expertise in areas including biomaterials, mechanical engineering, electrical engineering, biomedicine, structure design and processing technique. We have also established several cross-functional project teams encompassing project management, R&D, process, procurement and other business lines, to work toward the whole process management of developing new products through professional work of each function and cooperation of all parties and promote high-quality R&D of the Company.

On the basis of independent R&D, we actively maintain close communication and cooperation with the heads of major international cardiovascular associations and leading scientists. The International Scientific Advisory Committee, consisting of the world's top scientists and doctors in the field of cardiovascular diseases, was established to share the latest technologies of and trends in the treatment of heart valve diseases, providing references and guidelines for the Company's R&D efforts to speed up product incubation.

We actively propel the digitisation of R&D platforms to comprehensively enhance the R&D effectiveness of product. During the Reporting Period, we continued to promote the construction of modular handle and catheter polymer platform, thus building databases of catheter fabrication equipment and catheter design experience, catheter anatomy, and modular handle. We have established a polymer synthesis platform and are capable of producing polymer samples. Besides, we have introduced such digital R&D tools as 3mensio, Creo and Solidworks for 3D modelling of the heart and product design, to enhance the efficiency of product innovation and R&D.

3.1.2 Honours for Scientific Research and Innovation

We are increasingly engaged in national scientific research projects, with a focus on the application for special fund projects for the development of strategic emerging industries in Shanghai, obtaining resources for scientific research and innovation from multiple parties. During the Reporting Period, we were supported by several major special fund projects, including Shanghai Biomedical Science and Technology Support Special Fund, Pujiang Project of Shanghai Magnolia Talent Plan, the "list of national specialised, sophisticated, distinctive, and innovative 'little giant' enterprises that are recommended to be supported" announced by the Ministry of Industry and Information Technology, and Special Development Fund of Zhangjiang Science City for Growth Sci-Tech Enterprises.

Thanks to the Company's long-term emphasis on scientific research and innovation, as well as its sufficient human and financial resources, we have obtained a number of external R&D accreditation and innovation awards, and our R&D and innovation capability has been highly recognised. By the end of the Reporting Period, we had received the following accreditation and awards:

Accreditation obtained by CardioFlow

Time	Name	Issued by	Accreditation level
2023.03	National Intellectual Property Advantageous Enterprise	China National Intellectual Property Administration	National level
2023.03	Shanghai Innovative Small and Medium-sized Enterprises	Shanghai Municipal Commission of Economy and Informatisation	Municipal level
2023.02	Enterprises with Postdoctoral Innovation Practice Base	Pudong New Area Government of Shanghai	District level
2022.12	Foreign-Funded R&D Centre	Shanghai Municipal Commission of Commerce	Municipal level
2022.11	Shanghai Science and Technology Little Giant	Science and Technology Commission of Shanghai Municipality	Municipal level
2022.08	Shanghai Enterprise Technology Centre	Shanghai Municipal Commission of Economy and Informatisation	Municipal level
2022.06	Shanghai Enterprises with the Feature of Specialisation, Refinement, Uniqueness and Innovation	Shanghai Municipal Commission of Economy and Informatisation	Municipal level
2022.03	Pudong New District Enterprise R&D Organisation	Shanghai Pudong New District Commission of Science, Technology and Economy	District level

Awards obtained by CardioFlow

Time	Name	Issued by	Project
2023.07	2023 Recommended Catalogue of Shanghai Innovative Products	Shanghai Municipal Commission of Economy and Informatisation	VitaFlow Liberty® Transcatheter Aortic Valve and Retrievable Delivery System
2023.05	Recommended Catalogue of Innovative Drugs and Medical Products Drugs in Pudong New Area	Health Commission of Pudong New Area and Commission of Technology and Economy of Pudong New Area of Shanghai	VitaFlow® Transcatheter Aortic Valve System and VitaFlow Liberty® Transcatheter Aortic Valve and Retrievable Delivery System
2023.02	Shanghai Biomedical Catalogue of "New and Excellent Drugs and Medical Devices"	Shanghai Municipal Commission of Economy and Informatisation, Shanghai Municipal Health Commission, etc.	VitaFlow® Transcatheter Aortic Valve System and VitaFlow Liberty® Transcatheter Aortic Valve and Retrievable Delivery System
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
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
2022.04	A' Design Award and Competition	Italian OMC Design Studios	VitaFlow Liberty™ Transcatheter Aortic Valve and Retrievable Delivery System
2022.03	German Red Dot Design Award	German Design Council	VitaFlow Liberty™ Transcatheter Aortic Valve and Retrievable Delivery System

3.2 Quality Excellence

3.2.1 Strict Quality Control

Quality and safety of products are essential to patients' health. CardioFlow strictly complies with the *Law of the People's Republic of China on Product Quality*, the *Regulations on the Supervision and Administration of Medical Devices*, the *Measures for the Supervision and Administration of Medical Device Production*, the *Regulations on the Quality Management for Medical Device Production* and other laws and regulations, so as to ensure the product quality and safety with lean management.

The Company pursues continuous improvement in quality management by building a comprehensive quality management system covering the product life cycle and promoting the certification of the quality management system of each production line. During the Reporting Period, we obtained the 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, and the ISO/IEC 17025:2017 CNAS Laboratory Proficiency Certification for the Company's Testing Centre.

CardioFlow's quality management system certification

LRQA

认证证书

兹此证明下列公司之管理体系：

上海微创心通医疗科技有限公司

中国, 上海市浦东新区张东路1661号组冲之路2585号3幢6层和8层

统一社会信用代码：91310000342361914G

注册地址：中国（上海）自由贸易试验区张东路1601号

通过LRQA之认证，符合下列管理体系标准：

ISO 13485:2016

证书编号：ISO 13485 – 00024278

该管理体系适用于：

经导管主动脉生物瓣膜、输送系统、装载工具、导管鞘套件、导丝、球囊导管的设计、制造和销售。

管大红

大中华区运营总监、评审业务

劳德质量认证（上海）有限公司

颁证机构：劳德质量认证有限公司

ISO 13485:2016 Quality Management System Certification

ilac-MRA CNAS

中国合格评定国家认可委员会

实验室认可证书

（注册号：CNAS L18668）

兹证明：

上海微创心通医疗科技有限公司测试中心

（法人：上海微创心通医疗科技有限公司）

上海市浦东新区张江高科技园区张东路 1661 号转化楼

E8&E9，201203

符合 ISO/IEC 17025：2017《检测和校准实验室能力的通用要求》（CNAS-CL01《检测和校准实验室能力认可准则》）的要求，具备承担本证书附件所列服务能力，予以认可。

获认可的能力范围见标有相同认可注册号的证书附件，证书附件是本证书组成部分。

生效日期：2023-07-14

截止日期：2029-07-13

中国合格评定国家认可委员会授权人 陈朝华

ISO/IEC 17025:2017 CNAS Laboratory Proficiency Certification

CardioFlow abides by industry regulations such as the *Good Clinical Practice 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 Trial* and the *Supervision on Clinical Trials*. Stringent requirements have been set for the clinical trials at all stages. Thus, the trials can be implemented in line with standards and in high quality. To enhance the overall capability of the clinical trial team, we organise comprehensive training in various forms following the *Management System of Clinical Programme Training*. We require all clinical trial staff to be qualified in the "Online Training on Good Clinical Practice for Medical Devices (GCP)" to enhance the awareness of the standardisation and clinical management capabilities.

Clinical project of TMVR system

In June 2023, a TMVR system product was implanted for the first time in Henan Province. Led by the structural heart disease team of Henan Provincial Chest Hospital and gathering a multidisciplinary team of experts in cardiac surgery, medical imaging, ultrasound medicine and so on, the mitral valve replacement surgery was successfully completed for a patient with severe mitral insufficiency. According to the follow-up results, the patient's valve worked well with healthy morphology and no perivalvular leakage. No obstruction showed in the left ventricular outflow tract and mitral regurgitation also disappeared. Moreover, the left heart systolic function, pulmonary arterial pressure and the degree of tricuspid regurgitation all improved compared with the preoperative period, and so did symptoms of chest distress and shortness of breath.

Clinical project of VitaFlow® III Retrievable Steering Delivery System

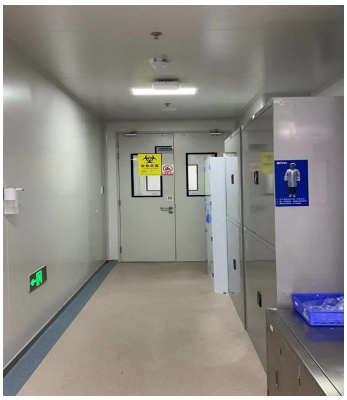
In September 2023, a total of two clinical cases of the VitaFlow® III Retrievable Steering Delivery System were successfully completed in Shanxi Cardiovascular Hospital for the first time in China. The surgeries were led by Fuwai Hospital of the Chinese Academy of Medical Sciences and Shanxi Cardiovascular Hospital, and the two patients with severe aortic stenosis recovered well and were transferred out of the ICU within three days and discharged from the hospital within a week. In October 2023, the first clinical follow-up of the VitaFlow® III Retrievable Steering Delivery System was completed, and so did the implantation of this product for six patients. Follow-ups for all patients were completed in November.

3.2.2 Quality Improvement

CardioFlow continues to optimise its internal quality management standards. The Company revised 30 system documents such as the *Quality Manual* and updated 12 procedure documents during the Reporting Period, involving a number of procedures such as product risk management and control procedures, control procedures for corrective and preventive measures, change control procedures. By doing so, CardioFlow can ensure that its business operations are in compliance with the latest laws and regulations and its quality management capabilities are enhanced.

The Company's quality assurance (QA) team and quality control (QC) team conduct quality management visualisation projects for statistical analysis and forewarning, as well as daily work management dashboard. Through data analysis and forewarning, we can monitor and analyse quality data and their anomalies in a timely manner. Through the daily work management dashboard, we can reasonably arrange employees, achieve efficient communication, and refine measures for more precise tracking. Meanwhile, we have set up the Testing Centre, which obtained the CNAS Laboratory Proficiency Certification. This helps enhance the Company's quality testing capabilities, optimise the inspection methods of the QC Department with less manual work, and improve the inspection quality and efficiency.

Chemistry Laboratory



Microbiology Laboratory

We highly value the construction of quality culture. Following the requirements of ISO 13485 Quality Management System for Medical Devices, we organised online and offline theme events of quality training sessions and workshops during the Reporting Period. These events included themes of the interpretation of systems and mechanisms and the popularisation of expertise and skills, aiming to raise employees' quality awareness and management capabilities. By the end of the Reporting Period, the Company's quality-related training had covered a total of 4,156 employees.

3.3 Dedicated Services

3.3.1 Customer Service Management

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 has internal policies in place, including the *Control Procedures Related* to *Customers*, the *Feedback Control Procedures*, the *Customer Complaint Management Standards*, and the *After-sales Service Management System* to regulate the identification of customers' needs, review of product requirements and the procedure of communication with customers. We have set up diverse channels for communication with customers, including official account, service hotline, e-mail, official website, monitoring system for adverse events. By doing so, we can monitor the use of marketed products, and respond to customer requests in a timely manner, thus ensuring the quality of customer service. By the end of the Reporting Period, we had received a total of 5 complaints related to products and services, which had been properly addressed.

For higher customer service quality, the Company has formulated such service management systems as the *Management System of After-sales Service* and the *Management Measures for the Training and Assessment of CardioFlow's Agents.* Systematic training sessions on customer service are provided to all front-line staff and agents, covering academic knowledge, product complaints and channel management, so as to standardise the after-sales service process and ensure the service quality.

3.3.2 Protection of Patients' Rights and Interests

CardioFlow highly values the protection of patients' health and rights and interests in clinical trials. The Company abides by laws and regulations such as the *Good Clinical Practice for Medical Devices* and sticks to experimental compliance for research ethics. The Company continues to promote the construction of its quality management system for clinical trials and has formulated internal management systems such as the *Continuous Safety Assessment of Clinical Trials* to standardise the management of the entire clinical trial process from research, initiation, implementation to assessment. In order to improve the quality management of clinical trials, we follow up on the reporting, assessment and handling of adverse events in clinical trials in a timely manner, and regularly monitor, analyse, summarise and report on the data of adverse events, so as to prevent the recurrence of similar events.

The Company pays continuous attention to the patient experience and safety of products after they are marketed, and complies with laws and regulations such as the *Measures for the Administration of Medical Device Adverse Event Monitoring and Re-evaluation*. We 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. When an adverse event occurs, we set up an interdepartmental assessment team with members from Clinical Department, R&D Department, Project Department, etc. to appropriately handle such an event with rapid response, standardised reporting, effective follow-up and timely correction. By the end of the Reporting Period, no recalls due to safety and health causes had been recorded.

3.4 Supply Chain Resilience

3.4.1 Supplier Management

CardioFlow believes that the quality and stability of the supply chain is crucial to the sustainable development of the Company's business. We formulate strict supplier management systems, implement the supplier selection and evaluation mechanism, actively control supply chain risks, and work with suppliers to build a clean, transparent and sustainable supply chain.

We strictly comply with the laws and regulations of the places where we operate, and have formulated and strictly implemented the *Supplier Management System,* the *Procurement Control Procedures* and other supplier management systems. We have also established a full-cycle management system for suppliers to standardise the supplier management and procurement management processes for the products or services required by the Company, thereby safeguarding the smooth operation of the Company's supply chain.

We have established a selection management mechanism for new suppliers, which includes qualification review, on-site review, and sample assessment. Key material suppliers are required to provide third-party management system certifications and relevant qualification documents to ensure that the selected suppliers are qualified and competent. Meanwhile, we have set up a standardised and efficient management process based on the *Supplier Management System*, which covers supplier classification, supplier development, supplier evaluation, qualified supplier management, supplier file management and supplier review management. In the procurement process, we require all suppliers to sign the *Procurement Framework Agreement*, which specifies quality standards and requires them to provide quality assurance for a secured supply chain.

For existing suppliers, we implement hierarchical management according to the importance of the products procured by the Company and set different review frequencies for suppliers at different levels. We arrange on-site review, background investigation and other assessments in accordance with the *Supplier Assessment Checklist* and the *Supplier Performance Tracking Sheet*. Besides, we keep monitoring suppliers' management capabilities by regularly reviewing key suppliers in terms of quality, price, delivery and service, and requiring them to rectify their problems identified in the review. During the Reporting Period, the Procurement Department conducted systematic reviews on a total of 21 suppliers, covering 100% of key suppliers.

By the end of the Reporting Period, CardioFlow had 113 suppliers, divided by region as follows:

CardioFlow's suppliers divided by region in 2023

Country	Number of suppliers
China	88
America	20
Europe	4
Other nations	1

3.4.2 Supply Chain Risk Management

We practice responsible sourcing by incorporating social responsibilities into supplier management requirements to improve the supply chain risk management mechanism. During the Reporting Period, we revised the *Procurement Framework Agreement* to include the *Commitment of Supplier for Corporate Social Responsibility*, regulating the supplier management from seven aspects: business ethics, laws and regulations, trade secrets, diversity and equality, occupational health and safety, labour rights and interests, and environmental protection. As a result, we can better fulfil social responsibilities while abiding by compliance requirements.

In the context of emerging global supply chain risks such as production disruptions, supply shortages and reduced logistics capacity, we identify and manage supply chain risks in all aspects of raw material procurement to systematically prevent, monitor and respond to supply chain risks. We have incorporated raw material supply risks into our risk database to ensure timely adjustment of production plans through market dynamics analysis. We also reserve inventory based on the supply risk level to reduce supply chain uncertainty and ensure stable production and on-time delivery.

During the Reporting Period, we actively promoted the "domestic replacement" and further deepened cooperation with local suppliers. By strengthening our production capacity, we have gradually been able to produce certain key raw materials independently. We take all necessary measures to ensure business continuity and supply stability, thereby boosting stable business growth through our quick response and risk insight.

3.5 Industry Cooperation

3.5.1 Integration of Production, Education and Research

Guided by our R&D direction and product demand, we carry out integrated projects of production, education and research. We combine the talent and technology advantages of universities and scientific research institutions with the market resource advantages of enterprises to promote product research and innovation and the popularization of high-quality medical technology. We have established long-term partnership with East China University of Science and Technology, University of Shanghai for Science and Technology, Guilin University of Electronic Technology and other universities and research institutions. Specifically, we work with these universities and institutions to carry out R&D and innovation projects such as the design of a prototype of handle inflation device, development of freeze-drying technology for bioprosthetic valve and preparation and development of TPU (Thermoplastic polyurethanes) valve. This cooperation promotes the application of innovative medical technologies and continuously provides patients with better medical technology services.

Major integrated projects of production, education and research		
Partner Institution	**Project Name**	**Project Description**
East China University of Science and Technology	Preparation and development of TPU valve	With the R&D advantages of both universities and enterprises, valve materials that meet the needs of ideal polymer valve prosthesis are designed and produced, and the application of those achievements in polymer valve are promoted. Polymer valve prosthesis are designed and produced with the characteristics of anti-calcification, long service life, sound bio-compatibility and easy processing.
University of Shanghai for Science and Technology	Development of freeze-drying technology for bioprosthetic valve	Combined with the research results of universities in low-temperature preservation and freeze-drying technology of cells, tissues and organs and the Company's experience in R&D and technique of bioprosthetic valve, the key technical problems in drying treatment of animal-derived materials are solved. Thus, the drying process of bioprosthetic valve, material diversity and durability of interventional bioprosthetic valve can be improved.
Guilin University of Electronic Technology	Design of prototype of handle inflation device	Based on the technical research of universities in electronic engineering and automation and the innovation and clinical application of the Company's products, the research of the handle inflation device technology has been launched to improve the performance of the handle of the transcatheter heart valve delivery system.

3.5.2 Industry Academic Exchange

We focus on major technical issues in the industry, and actively cooperate with industry experts and partners to carry out industry exchanges, in an effort to build an innovative ecology in the field of high-end medical devices. During the Reporting Period, we organised or participated in 222 domestic industry academic conferences. We also participated in several prestigious international academic exchanges, including one led by senior international experts in the field of interventional therapy for valvular heart disease, to share the latest clinical data, device features and procedure skills of our TAVI products. This accelerated the cooperation among enterprises, universities, research institutions and medical institutions in terms of medical devices and further increased the influence of the "CardioFlow" brand in the international academic community.

CardioFlow participated in the China Valve (Hangzhou) 2023

The China Valve (Hangzhou) 2023 was held in Hangzhou, Zhejiang Province in April 2023. The symposium co-organised by CardioFlow, with the theme of "Gathering in Hangzhou to Discuss Advanced TAVI Therapies" was held. With the aging of global population, the increasing incidence of valvular disease and the wider application of TAVI, the safety and effectiveness of TAVI in the treatment of aortic reflux ("**AR**") have gradually become a focus in the field. With TAVI for AR patients as the core topic, the symposium invited top surgeons in this field at home and abroad to share their unique surgical experience and cutting-edge research achievements, and explore the safety and effectiveness of the TAVI therapy for AR. The symposium aims to help clinicians further improve their understanding of micro-invasive therapy for AR and guide the future development of TAVR for AR patients.

CardioFlow participated in PCR-CIT China Chengdu Values 2023

PCR-CIT China Chengdu Values (PCRCCV 2023) was held in Chengdu, Sichuan Province in November 2023. We shared three of the latest evidence-based medical data during the conference, including the first release of 7-year follow-up research results of VitaFlow®. This made our transcatheter aortic valve system become the first domestic self-developed product with such a long period of follow-up data. In addition, the latest clinical progress in the VitaFlow® III retrievable steering delivery system and the TMVR system attracted the attention of many participants. During the conference, we organised a series of special activities, including seminars, surgical videos sharing, case sharing and training workshops. In this way, we hope to help first-line surgeons fully understand the latest advances in devices in the field of valvular heart disease and popularise advanced medical technology.

CardioFlow participated in PCR London Valves 2023

In November 2023, PCR London Valves 2023, a world's top structural heart disease event, was held in London, the United Kingdom. At the conference, we revealed the second generation TAVI product: VitaFlow Liberty® transcatheter aortic valve and retrievable delivery system, and the third generation TAVI product: VitaFlow® III retrievable steering delivery system. These products received great interest and recognition from interventional surgeons around the world.

We also officially revealed high-quality evidence-based data of the VitaFlow® transcatheter aortic valve during the conference. The VITAL trial principal investigator (PI) and the expert team of Zhongshan Hospital, Fudan University shared with scholars around the world the follow-up results of VitaFlow® valves implantation in high-risk patients and patients with severe aortic stenosis — the all-cause mortality rate at 7-year, cardiac mortality rate and permanent pacemaker implantation rate were significantly reduced compared with other similar studies. In this study, the all-cause mortality rate at 7-year was 31.4%, and the incidence of both structural valve degeneration (SVD) and bioprosthetic valve failure (BVF) were low. The effective orifice of the valve was still 1.88 cm^2, and the hemodynamic results were similar between the patients with bicuspid aortic valve and tricuspid aortic valve. This indicates that the long-term excellent clinical results of VitaFlow® valves have reached the international leading level. This is the first time that the 7-year long-term follow-up data of the domestically-made self-developed transcatheter aortic valve system has been published in the international authoritative academic arena in the field of interventional therapy for valvular heart disease, providing strong long-term data support for the safety and effectiveness of VitaFlow® valves.

While actively participating in industry exchanges, we continue to increase investment in industry talent training. During the Reporting Period, we, together with AP-SHD (Asia Pacific Structural Heart Disease) Club and China Structural Week, two top platforms for structural heart disease, held the 3rd "AP-SHD·China Structural Week. VitaFlow® Elite Competition" to promote the development of domestic structural heart disease diagnosis and treatment, facilitate the cultivation of industry talents, and accelerate the popularisation and application of TAVR therapy.

3.5.3 Accessible Healthcare

With its wide popularity and application, TAVR operation has become the preferred choice recommended by domestic and foreign guidelines for patients with aortic stenosis (AS). We have established commercial partnerships with more than 500 hospitals in China, so that more and more patients can benefit from minimally invasive interventional valve replacement therapy, which can save lives and improve patients' quality of life. We actively promote TAVR operation and supporting medical devices to be covered by the medical insurance. By the end of the Reporting Period, our core products had been incorporated into the medical insurance catalogue of many provinces, municipalities and autonomous regions, including Shanghai, Shenzhen, Guangdong, Guangxi, Henan, Anhui, Jiangxi, Shanxi, Fujian, Jilin and Ningxia, thereby reducing the burden of medical treatment for patients and continuously expanding the accessibility of advanced medical service technologies.

4 MUTUAL DEVELOPMENT

4.1 Diversified Employment

CardioFlow adheres to the "people-oriented" core value, continuously improves the Company's employment management mechanism based on strict compliance with employment laws. We also respect and protect the legitimate rights and interests of employees, improve their well-being and sense of gain, and support their career development. Moreover, we provide our employees with a safe working environment to realise the coordinated development of the Company and employees.

4.1.1 Rights and Interests of Employees

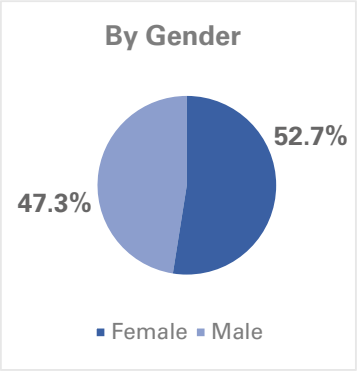
Strictly abiding by the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China*, the *Provisions on the Prohibition of Using Child Labour* and other relevant laws, regulations and international labour standards, we sign labour contracts with all full-time employees in accordance with regulations of the Company to ensure employment in compliance with laws and regulations and safeguard the legitimate rights and interests of employees.

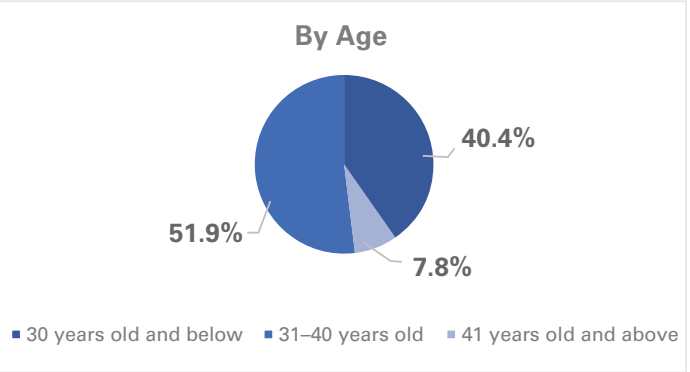
Our employment management system and process has been formulated in the light of the *Employee Handbook*, which states written mechanisms including procedures of recruitment and termination, working hours, leave periods, promotion channels, remuneration and performance, and code of conduct, so as to continuously improve the employment management system. 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 to promote an inclusive culture featured by equality, diversity and inclusiveness. During the Reporting Period, we revised the *Employee Handbook* to further optimise the relevant provisions on employees' leave periods and rights. Policies on various leave benefits, including maternity leave, pre-maternity leave, breastfeeding leave, parental leave, children-care leave, and nursing leave for male employees, are clarified to protect rights and interests of female employees and safeguard gender equality in the workplace. By the end of the Reporting Period, the Company had five female employees engaged in senior management, accounting for 62.5% of senior management team.

We firmly uphold our labour standards and prohibit child labour and any form of forced labour. During recruitment, we verify the identity documents of the candidates to prevent child labour. If violations are found, we will immediately investigate and cope with such cases according to relevant regulations. During the Reporting Period, there were no cases of child labour or forced labour.

4.1.2 Talent Attraction

We firmly believe that talents are vital to enterprise scientific research, innovation and business development. To this end, we have formulated the *Recruitment and Employment Management System*, which standardises the process of talent employment and recruitment management, so as to improve the management mechanism of talent development and the efficiency of recruitment. We actively expand recruitment channels, and attract talents through campus recruitment, internal referral, online platform and headhunting service to drive the Company's development and innovation. By the end of the Reporting Period, CardioFlow had a total of 592 full-time employees, including three employees from overseas regions. The detailed staff distribution and turnover rate are as follows:

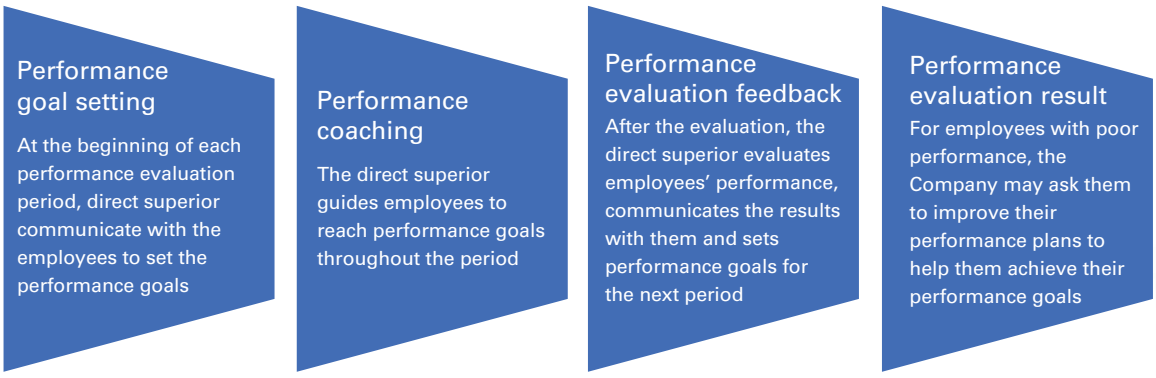




Turnover rate		
Category	**2023**	2022
Total turnover rate	**19.1%**	24%
By gender		
Male	**19.8%**	25%
Female	**18.5%**	23%
By age		
30 years old and below	**19.8%**	24%
31–40 years old	**18.8%**	23%
41 years old and above	**17.9%**	28%
By region		
China	**19.1%**	24%
Overseas	**25.0%**	20%

4.1.3 Remuneration and Performance

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



Performance management process

4.2 Talent Empowerment

Adhering to the talent development policy of "building a mechanism for cultivating global management talents based on corporate culture, with a focus on job skill improvement and market success", we encourage employees to keep learning, fully tap their potential, and grow together with the Company.

Based on training management systems such as the *Training Management System*, the *Internal Lecturer Management System* and the *New Employee Induction Guide*, we have built a sound training system and a systematic training platform. While providing all employees with training resources regarding general skills, leadership and professional competence, we have launched a number of talent development programmes. In addition, we have supported them with external training and subsidies for further study to promote their career development. During the Reporting Period, we carried out a number of key training projects to continuously improve employees' occupational competence.

Key training projects in 2023	
Professional training	We have developed a total of 120 professional training courses for engineers in R&D Department, Quality Department and Engineering Department, and carried out professional training covering professional knowledge/skills, general knowledge/skills, system standards and operation procedures both online and offline.
Joint training in partnership with external parties	We conducted joint training in partnership with universities and consulting agencies. The topics covered include pathology, polymer textiles and nitinol. The purpose was to promote internal and external exchange and enhance professional competence and skills of employees.

During the Reporting Period, statistics on the training received by employees of the Company are as follows:

Trainee data

Category	2023	2022
Trainee breakdown in percentage		
By gender		
Male	**48%**	52%
Female	**52%**	48%
By ranking of the staff		
Senior management	**2%**	2%
Middle management	**11%**	4%
General staff	**87%**	94%
Trainee's average training hours		
By Gender		
Male	**39.6**	29.3
Female	**41.7**	36.7
By ranking of the staff		
Senior management	**118.0**	75.6
Middle management	**57.5**	64.8
General staff	**37.5**	28.5

We have established a "Two Career Paths and Eighteen Ranks" talent development path and a "One Check, Two Paths, Three Programmes" 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 and specified the qualification standards for employees in different positions taking into account their own strengths, aiming to help them plan career properly and ultimately achieve their career goals.

"One Check, Two Paths, Three Programmes" 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 Programmes" 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 withdrawal and admission of personnel. The Company also provides more training and benefits for those talents based on the Implementation Rules for Talent Programmes. During the Reporting Period, the Company had 12 employees enrolled in the three talent programmes.

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, CardioFlow established the "Jinpeng Talent Programme" and "Yinpeng Talent Programme" with detailed implementation rules in place. Employees selected into the programmes were awarded with annual subsidy, which helped retain and attract more talents to the Company. During the Reporting Period, the Company had two employees enrolled in the "Jinpeng Talent Programme" and "Yinpeng Talent Programme".

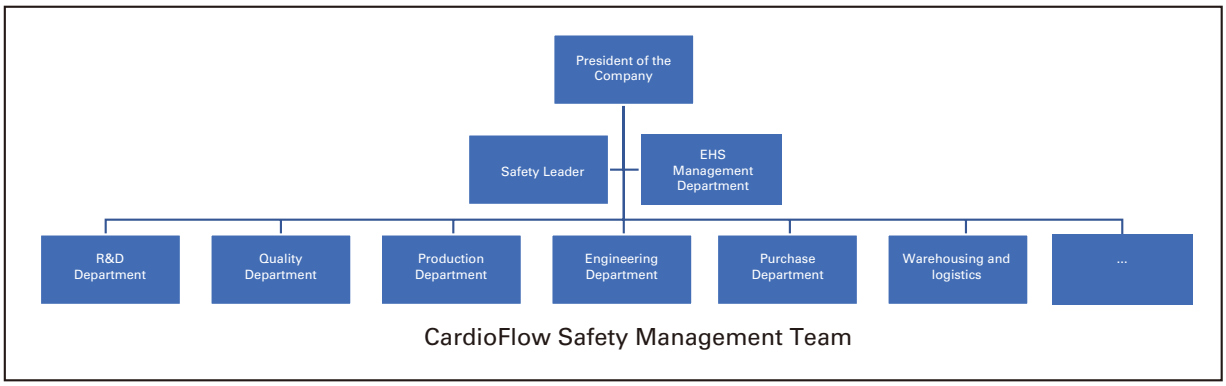
Jinpeng Talents: Talents with significant influence in areas of study at PRC and abroad or more than ten years of working experience in overseas companies/research institutions.

Yinpeng Talents: Employees ranking M/P7–M/P11 with more than five years of working experience in the related industry and outstanding contributions to projects and business.

4.3 Health Care

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 safety management principle of "people-oriented and safety first; prevention as priority and integrated management; full participation and continuous improvement", CardioFlow endeavours to establish a sound health and safety management system, aiming to provide a safe and healthy working environment for employees.

We have established a CardioFlow Safety Management Team, headed by the President of the Company, to coordinate across departments for the better management of occupational health and safety. The EHS Management Department engages with the responsible person at every department involved to drive our health and safety management and continuously improve the Company's management capability in this field. During the Reporting Period, we started the phased implementation of the ISO 45001 Occupational Health and Safety Management Systems, completed the in-house publicity of relevant documents and passed the review by China Quality Certification Centre Shanghai Branch. In addition, we were accredited by the Shanghai Work Safety Association, and obtained the Safety Production Standardisation (Level III) certification.



CardioFlow Safety Management Team

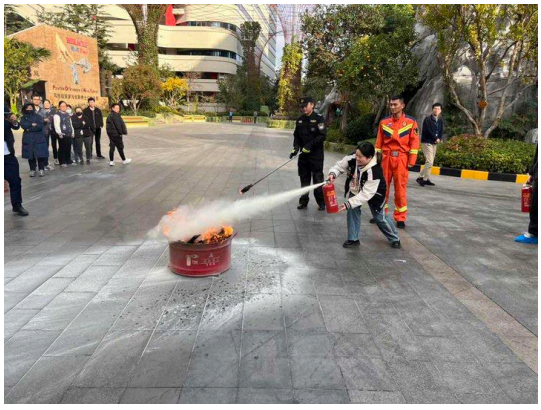
4.3.1 Safe Production Management

Based on the business characteristics of different departments, we have formulated a series of systematic safety management policies to regulate the safety management procedures, such as the *Special Equipment Management*, the *Chemical Use Management* and the *Contingency Preparation and Reaction Control Procedure*. We also take measures to continuously improve our safety management capabilities and ensure safe production and operation of the Company, including setting safety management objectives, identifying safety risks, conducting safety and health inspections and organising safe production training.

Safety management objectives	Safety risk identification	Safety and health inspections	Safe production training
All employees are required to sign the *Letter of Responsibility for Safety Production Objectives*, which specifies the safe production objectives at five levels: incident indicators, process indicators and improving intrinsic safety, competence and management. The completion of the Objectives is aligned with performance assessment. The Company also refines the long-term management mechanism and implements the safety production responsibilities of all staff.	This year, we continued to carry out the "Safety BBS" campaign with more detailed reporting requirements and reward standards, which extended the engagement of employees and formed 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 completed the rectification of safety risks associated with sandblasting goggles and waterbath power supplies.	We engaged external service providers for occupational health examinations and workplace contamination detection, with no abnormal occupational hazard data reported. The Company also arranged annual health examinations for all employees exposed to occupational hazards, with no abnormalities detected. There were no employees with occupational contraindications or occupational diseases.	All new employees are required to take the three-level safety training and pass the exam before they could actually take on duties. For front-line production staff, we ask each team to convey safety knowledge and position safety risk at regular meetings, integrating safety management into daily operation.

4.3.2 Safety Culture Building

We carry out safe production promotion and training campaigns on a regular basis to enhance employees' safety awareness and emergency handling capability. We also launched drills themed on chemical leakage prevention and control, production safety month, fire escape, etc. through online learning platforms and in the form of offline training. In addition, we put up safety publicity signages and themed safety posters at the activity sites, and share safety knowledge with employees face-to-face at daily meetings to raise employees' safety awareness. During the Reporting Period, we provided a total of eight safety training sessions and implemented 12 fire escape drills and chemical leakage drills with a total of 416 participants.

Fire escape drill	Chemical leakage drill
	

Security training for employees	Occupational hazard publicity
	

By the end of the Reporting Period, no work-related injury cases were recorded in CardioFlow. No work-related fatality has occurred in the Company during the past three years.

4.4 Employee Wellbeing

Adhering to the "people-oriented" philosophy, CardioFlow provides employees with competitive compensation and diversified benefits in accordance with the *Employee Handbook*. In addition to the statutory welfare, we provide employees with supplementary housing fund, employee health examination, wedding allowance, flexible attendance for female employees with children under the age of seven, sick child leave, commercial insurance, birthday and holiday gifts, working meal allowance and other voluntary benefits. We have established a subsidy system for special employees, under which diversified subsidies such as technical subsidies and talent subsidies as well as clinical subsidies for surgical staff are provided to enhance their sense of achievement and happiness.

We continuously refine employee communication mechanism, with various channels including Meeting with Senior Management, Meeting with Staff, Rationalisation Proposal and Employee Satisfaction Survey 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, we conducted one annual administrative satisfaction survey with 373 responses received and a comprehensive survey score of 4.24/5.

To promote communication between employees and break barrier between departments and ranks, we have set up diversified horizontal organizations including the union, sports federations, volunteer service teams, and poetry and wine club. During the Reporting Period, we organised nine employee activities at special occasions like Women's Day, Company Anniversary, Mother's Day, Dragon Boat Festival, Mid-Autumn Festival, Christmas and Family Day, as well as three club campaigns, including an Elaborate Thumb knowledge contest, Lion Group Six Sigma activity and Competitive Board Game Club activity, to enrich employees' lives and enhance team cohesion.

Family Day activity	Mother's Day activity
	

Dragon Boat Festival activity	Lion Group activity
	

4.5 Community Engagement

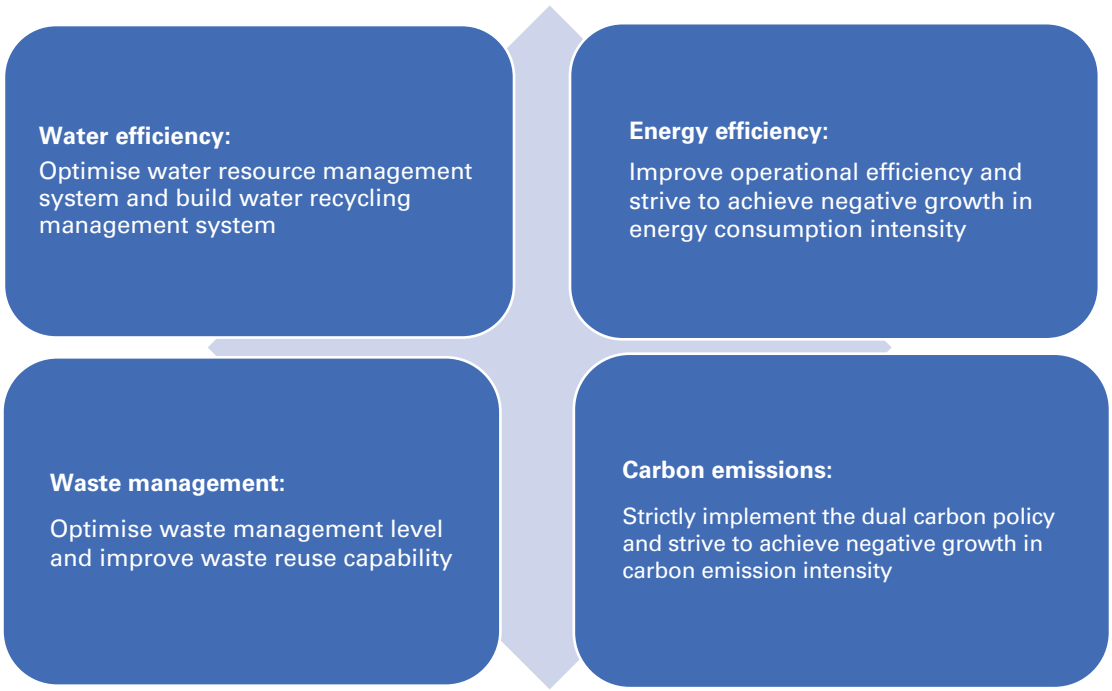
CardioFlow actively practises its corporate social responsibility by contributing to the public welfare through various channels. We have established the "Heart to Heart" charity fund with the Hubei Charity Federation to carry out charitable activities such as medical assistance and poverty alleviation, and to help more patients with heart valve diseases receive treatment. Adhering to the volunteer spirit of "dedication, fraternity, cooperation and advancement", we encourage employees to actively participate in community activities. We have also assembled a volunteer team with members recruited from our employees, which represents us to show our care and love by carrying out a series of activities in local communities, covering convenience services, environmental clean-up, public interest lectures, vulnerable group caring and other topics.

5. GREEN ECOLOGY WITH JOINT EFFORTS

5.1 Resource Management and Control

In strict compliance with 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, CardioFlow firmly implements the green and low-carbon concept, and continues to improve its environmental and resource management. We have set the management objectives for water efficiency, energy efficiency, waste management and carbon emissions, which are detailed in the *Environmental Responsibility Letter*. By implementing these objectives, we are able to use energy and resources more efficiently, reduce the negative environmental impact of our production and operations and achieve a balance between corporate development and environmental protection.

Resource Management Objectives



5.1.1 Energy Management

CardioFlow attaches great importance to the energy management efficiency and has established a standardised energy management system for better actions. We take various energy management initiatives like upgrading equipment and facilities, optimising energy use structure, taking energy saving measures and cultivating energy saving consciousness to integrate the philosophy of energy conservation and consumption reduction into the Company's production and operation, continuously improving the efficiency of energy management.

Energy management initiatives	
Management solutions for energy saving	• Strengthen the monitoring of major energy-consuming devices such as air conditioners ("**ACs**"), change the on/off time of the purification of ACs based on the production and R&D schedule, add an ecological mode for the unit, install an auto power-off device to keep ACs shut during non-office hours, set temperature limits for ACs in the office area in summer and winter, and lock the AC control panel in unattended areas; • Conduct workplace inspections, turn off unnecessary lights, ACs and audio and video equipment, put up energy-saving labels near switches, promote energy conservation awareness, and report on energy waste behaviours and rectifications; and • Make a planned operation schedule of equipment to adjust the operating hours of energy-using equipment such as lights, water features, large screens, tree lights and spectacular signs.
Technical solutions for energy saving	• Complete the "Energy efficiency improvement for the injection heating system" project by replacing the original four heating rods used in the on-site heating system with three, and replacing the existing one with a standby heating rod. This helps to effectively reduce electricity consumption; • Replace all 359 fire passage lights in Miracle Point park. The new lighting system uses radar light control, which has been attested to be able to reduce power consumption by 2% compared to the old one; and • Add an infrared lighting mode in public areas, and use a smart switch to avoid wasting energy.

During the Reporting Period, our energy costs were reduced by nearly 50% compared to last year, saving nearly RMB3.8 million in total.

Energy performance

Category	Unit	2023	2022	2021
Indirect energy consumption				
Purchased electricity[1]	kWh	**5,397,878**	7,708,299	4,138,579
Direct energy consumption				
Petrol	kWh	**41,799**	60,371	28,155
Diesel[2]	kWh	**2,323**	46,728	/
Natural gas[3]	kWh	**1,283,795**	1,327,515	/
Comprehensive energy consumption[4]				
Comprehensive energy consumption	kWh	**6,725,795**	9,142,913	4,166,734
Comprehensive energy consumption intensity	kWh/RMB million revenue	**20,004**	36,422	20,749
Greenhouse gas (GHG) emissions[5]				
Scope 1 GHG emissions	tCO2e	**267.5**	348.4	7.16
Scope 2 GHG emissions	tCO2e	**3,078.4**	5,159.6	2,912
Total GHG emissions	tCO2e	**3,345.9**	5,508.1	2,919.16
GHG emission intensity	tCO2e/RMB million revenue	**9.95**	21.94	14.53

1 In 2023, the Company further optimized air conditioning system settings, strengthened air conditioning usage management in production and office areas, and upgraded equipment which effectively reduced electricity usage, resulting in a significant decrease in electricity consumption compared to last year.

2 In 2023, the Company reduced the frequency of shuttle bus usage due to the adjustment of office location, resulting in a decrease in diesel usage compared to last year.

3 The Company's natural gas is mainly used for air conditioning. In 2023, the Company further optimized air conditioning system settings and strengthened air conditioning usage management in production areas, resulting in a decrease in natural gas consumption compared to last year.

4 The calculation methods and factors for energy consumption in 2023 mainly refer to the standard General Rules for Calculating Comprehensive Energy Consumption (GB/T 2589-2020) of the State Administration for Market Supervision and Regulation and the State Standardization Administration.

5 The calculation methods and emission factors for greenhouse gases in 2023 mainly refer to Greenhouse Gas Emission Accounting Methods and Reporting Guidelines for Enterprises in Other Industrial Sectors (Trial) of the National Development and Reform Commission, Notice on Carrying out Work in Reporting and Management of Greenhouse Gas Emissions of Enterprises in the Power Generation Industry from 2023 to 2025 of the Ministry of Ecology and Environment.

5.1.2 Water Management

CardioFlow has 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. We use municipal water mainly for production, cleaning and living. During the Reporting Period, we implemented a number of water-saving actions for different water uses to improve water efficiency.

Water management initiatives

Cleaning water	Reuse the purified water used for cleaning containers and devices, complete the "Saving water in the standby mode of the water purification system" project, and modify the system standby parameters to save water.
Process water	Recycle and reuse.
Domestic water	Put up water saving tips in public areas to raise employees' water saving awareness.

Water resources performance

Category	Unit	2023	2022	2021
Total water consumption	Tons	**36,800**	42,828	23,326
Total water consumption intensity	Tons/RMB million revenue	**109.45**	170.61	116.16

5.1.3 Packaging Material Management

CardioFlow is committed to the reduction and recycling of packaging materials while ensuring normal production. The packaging materials used in our production process mainly include plastics, cardboard and cardboard boxes, and trays and covers. We keep optimising our packaging material solutions to reduce waste by means of technological innovation, packaging material recycling, and using environment-friendly and lightweight materials. Meanwhile, we require suppliers to sign the *Procurement Framework Agreement* and ensure the quality of packaging materials. In accordance with the *Supplier Social Responsibility Commitment Letter,* we give preference to suppliers using environment-friendly materials, better demonstrating our commitment to sustainability in material use.

Packaging material performance

Category	Unit	2023	2022	2021
Total packaging material used	Tons	**53.00**	50.00	57.40
Intensity of packaging materials used	Tons/RMB million revenue	**0.16**	0.20	0.29

5.2 Green Operation

In strict compliance with the *Environmental Protection Law of the People's Republic of China,* the *Environmental Impact Assessment Law of the People's Republic of China* and other laws and regulations, CardioFlow introduced ISO 14001 Environmental Management Systems to establish an environmental management system that fits our environmental impacts. We engage external certification institutions to review our environmental management system, thus ensuring environmental compliance. We have established an EHS Management Team, headed by the President of the Company, to work with leaders of all departments involved and incorporate environmental management into our day-to-day management.

The types of pollutants generated in our daily operation mainly include wastewater, exhaust gas and solid wastes. In strict compliance with policies regarding environmental management system, we implement an emission standard that is in line with or more stringent than the regulatory requirements to minimise negative environmental impacts of our operations.

5.2.1 Exhaust Gas Management

CardioFlow 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 regulate the management procedures and control the generation of exhaust gas at all links of production. Exhaust gas shall be discharged in accordance with relevant laws and emission requirements. Our exhaust gas mainly comes from the cleaning, the preparation of soaking solution and the use of experimental reagents in the production process. During the Reporting Period, we modified the activated carbon adsorption device by adding the honeycomb activated carbon adsorption material, which increased the purification efficiency to 90%. All exhaust gas from our operations 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 to ensure compliant emissions.

5.2.2 Wastewater Management

CardioFlow strictly adheres to the *Law of the People's Republic of China on the Prevention and Control of Water Pollution* and actively implements internal policies such as the *Water Pollution Prevention and Control Procedures*, to ensure a strong management level of wastewater pollutant discharge. The wastewater of the Company mainly comes from domestic sewage, cleaning water, injection water, sterilisation pot drainage and raw brine cleaning wastewater. To reduce the pressure in wastewater treatment, we actively implement rainwater and sewage diversion, with rainwater directly drained to the municipal rainwater pipe network. Industrial wastewater and domestic sewage are treated to applicable standards in wastewater treatment facilities, and discharged into the municipal pipe network after being tested and approved for discharge by qualified external institutions. To minimise the negative environmental impact of our production and operation, third-party hazardous waste disposal companies are engaged to recycle the wastewater and other hazardous waste generated in the production process.

5.2.3 Waste Management

CardioFlow strictly abides 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. We have formulated the *Solid Waste Pollution Control Procedures*, the *Hazardous Chemicals Management System*, the *Hazardous Chemicals Management and Control Procedures and Responsibilities* and other policies to regulate the disposal of wastes. 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 (municipal wastes generated in daily work and general industrial solid wastes). We dispose of different types of waste using different methods to ensure compliance while minimising generation.

Disposal measures of wastes	
Hazardous waste	• Collect wastes by category, transfer to and store them temporarily at the storage for hazardous waste by the department that produces such wastes; • Regularly entrust qualified third-party companies to carry out harmless treatment; and • Strengthen the management of hazardous waste transfer forms to ensure traceability of transfers.
Non-hazardous waste	• General industrial wastes are collected and delivered to third parties for recycling on a regular basis; and • Domestic waste is collected, removed and disposed by the sanitation department.

Emissions performance

Category	Unit	2023	2022
Exhaust gas emissions			
Volatile organic compounds	Ton	**0.02**	0.07
Wastewater discharge			
Sewage discharge	Ton	**25,760**	29,979
Waste discharge			
Total hazardous waste produced	Ton	**63.82**	77.08
Hazardous waste disposal intensity	Ton/RMB million revenue	**0.19**	0.31
Total non-hazardous waste produced	Ton	**23.60**	20.00
Non-hazardous waste production intensity	Ton/RMB million revenue	**0.07**	0.08

5.2.4 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. We have also set up a rational production and operation schedule to avoid noise pollution to the surrounding communities from our night-time production activities. When the noise monitoring results show any abnormality, the production and engineering department will report and make rectification in time. In addition, we installed glass curtain wall and added stone wool boards when building outer shell of air conditioning and fresh air system that make loud noises, making every effort to reduce noise generation.

5.3 Climate Change

Addressing climate change has become a common challenge for enterprises around the world. CardioFlow is aware that climate change has a profound impact on our development and human health goals. In response to the national goal of "peaking carbon emissions by 2030 and achieving carbon neutrality by 2060", we keep raising awareness of climate change and taking actions, integrate green and low-carbon concept into operation to turn risks into opportunities, and mitigate the potential negative environmental impacts of our operations.

To enhance our climate resilience, we have established an internal risk database to assess business risks, including the identification and assessment of disaster response risks, safe production and environmental protection risks, raw material supply risks, production capacity risks, asset management risks and other climate-related risks. In addition, we identified climate change risks and impacts based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). With a comprehensive consideration of transition risks, including policy and legal risks, technology, market and reputation risks, and acute and chronic physical risks, we have integrated climate-related risks into our risk management system, which helps with our capability building against climate-related risks.

Climate-related risk categories		Impact cycle	Potential impact	Countermeasures
Physical risks	Acute physical risk	Mid-term	Extreme weather events may disrupt the Company's normal production and operation and the supply chain, resulting in reduced capacity or disruptions.	Increase stock level in advance based on production demand, and develop alternative suppliers.
	Chronic physical risk	Long-term	Climate change may increase the risk of unpredictable disease spreading, which will in turn affect labour availability and production efficiency.	Develop contingency plans to ensure normal production and operation.
Transition risks	Policy and legal risks	Mid-term	Violating laws or regulations has consequences, such as sanctions, regulatory investigations, reduced stakeholder trust in the Company, competitive disadvantage or additional compliance costs.	Deepen the learning of policies, laws and regulations, and actively communicate with regulators to understand the latest policies.
	Technology risk	Short-term	Failure to develop safe, effective and sustainable products or meet medical needs or new disruptive technologies may lead to loss of market share, poor market performance and undermined stakeholder confidence.	The R&D team supports with the whole product cycle including R&D investment, product development, regulatory approval and launch of new products.
	Market risk	Mid-term	Failure to effectively identify, respond to or plan for changes in market conditions, market competition and customer demands may result in poor decisions and performance.	Endeavour to provide products that are competitive in quality and properties, develop differentiated products, keep abreast of the latest technologies and adapt marketing strategies to demands.
	Reputation risk	Mid-term	Failure to implement appropriate ESG plans may undermine the Company's ability to cope with long-term risks and cause a range of reputational and business impacts.	The Board and the ESG Work Team continue to oversee and guide the implementation of the dual carbon goals.

We continuously improve our capacity to cope with physical risks arising from extreme weather events, and have invited external institutions to work out the *Special Emergency Plan for Flood and Typhoon Control* to help us deal with acute physical risks such as typhoons, thunderstorms, floods and cold waves. To improve our emergency response capabilities, we standardised the prevention, monitoring, and early warning measures against extreme weather events in accordance with the *Trial Provisions of Shanghai Municipality on Issuing Warning Signals of Severe Weather*. Meanwhile, we have prepared emergency materials for flood control such as sandbags, water pumps and baffles. To cope with the impact of climate change, we conduct annual severe weather drills, and clarify 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		
Aspect A1	**Emissions**	
General Disclosure	Information on: (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. Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.	
KPI A1.1	The types of emissions and respective emissions data.	**GREEN ECOLOGY WITH JOINT EFFORTS**
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	
KPI 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**
Aspect A2	**Use of Resources**	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	
KPI 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).	**GREEN ECOLOGY WITH JOINT EFFORTS**
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	
KPI 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.	
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	
Aspect A3	**The Environment and Natural Resources**	
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	**GREEN ECOLOGY WITH JOINT EFFORTS**
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	
Aspect 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 ECOLOGY WITH JOINT EFFORTS**
KPI 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		
Aspect B1	**Employment**	
General Disclosure	Information on: (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**
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	
Aspect B2	**Health and Safety**	
General Disclosure	Information on: (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**
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	
KPI B2.2	Lost days due to work injury.	
KPI 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**
Aspect B3	**Development and Training**	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	**MUTUAL DEVELOPMENT**
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	
KPI B3.2	The average training hours completed per employee by gender and employee category.	
Aspect B4	**Labour Standards**	
General Disclosure	Information on: (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**
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	

Subject Areas, Aspects, General Disclosures and KPIs		
Aspect	**Description**	**Title of sections**
Aspect B5	**Supply Chain Management**	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	
KPI B5.1	Number of suppliers by geographical regions.	
KPI 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.	**VALUE CREATION WITH SHARED GOALS**
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	
Aspect B6	**Product Responsibility**	
General Disclosure	Information on: (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.	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	**VALUE CREATION WITH SHARED GOALS**
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	
KPI B6.4	Description of quality assurance process and recall procedures.	
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	

Subject Areas, Aspects, General Disclosures and KPIs		
Aspect	**Description**	**Title of sections**
Aspect B7	**Anti-corruption**	
General Disclosure	Information on: (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.	**COMPLIANCE OPERATION FOR SUSTAINABLE DEVELOPMENT**
KPI 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.	
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	
KPI B7.3	Description of anti-corruption training provided to directors and staff.	
Aspect 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.	**MUTUAL DEVELOPMENT**
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	
KPI 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 157 to 236, which comprise the consolidated statement of financial position as at December 31, 2023, 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, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023 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)

Revenue Recognition

Refer to Note 3 to the consolidated financial statements and the accounting policies on page 180

The Key Audit Matter	How the matter was addressed in our audit
The Group's revenue is derived from sales of medical devices. The Group recognises revenue from sales of medical devices at the point in time when control of goods is transferred to the customers. Depending on the terms of the contracts, this point in time will either be when the goods are delivered to the customer's premises or a location designated by the customer for domestic sales, or in accordance with the terms and conditions of sales for export sales. We identified the recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Group and is, therefore, subject to possible manipulation through the timing of revenue recognition to meet targets or expectations and also because the impact of any errors in the recognition of revenue could be material to the consolidated financial statements.	Our audit procedures to assess the recognition of revenue included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls in relation to revenue recognition; • inspecting, on a sample basis, sales contracts with key customers to identify terms and conditions relating to the transfer of control and assessing the Group's policies in respect of the recognition of revenue with reference to the requirements of the prevailing accounting standards; • comparing, on a sample basis, specific revenue transactions recorded before and after the financial year-end date with shipping documents for export sales and goods receipt notes for domestic sales ("underlying documentation") to assess whether the related revenue had been recognised in the appropriate financial period on the basis of the terms of sale as set out in the respective sales contracts; • comparing revenue transactions recorded during the current year, on a sample basis, with invoices, sales orders and underlying documentation to assess whether the related revenue was recognised in accordance with the Group's revenue recognition accounting policies; and • inspecting manual journal entries relating to revenue recognition during the year which were considered to meet specific risk-based criteria, enquiring of management the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentation.

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 169

The Key Audit Matter	How the matter was addressed in our audit
The Group is principally engaged in the research and development ("R&D"), manufacturing and sales of medical devices. The Group incurred R&D costs of RMB237 million for the year ended December 31, 2023, 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 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 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 176

The Key Audit Matter	How the matter was addressed in our audit
As at December 31, 2023, the carrying values of the Group's capitalised development costs amounted to RMB140 million. 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, future gross margins, terminal growth rate and discount rates. 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; • evaluating management's identification of CGUs and the allocation of capitalised development costs to each CGU and assessing the methodology adopted by management in its impairment assessment with reference to the requirements of prevailing accounting standards; • comparing the discounted cash flow forecasts prepared in the prior year with current year's performance to assess how accurate the prior year's discounted cash flow forecasts were and whether there was any indication of management bias, and making enquiries of management as to the reasons for any significant variations identified; • challenging the reasonableness of the forecasted revenue and 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 and terminal growth 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 the future revenue growth rates, future gross margins and discount rate 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

Key audit matters (continued)

Assessing potential impairment of investment in 4C Medical Inc., ("4C Medical") which was accounted for as an associate

Refer to note 14 to the consolidated financial statements and the accounting policies on page 176

The Key Audit Matter	How the matter was addressed in our audit
The Group has 29.6% interest in 4C Medical, which is accounted for under the equity method. The Group's share of the net assets in 4C Medical as at December 31, 2023 was RMB141 million, which represented approximately 5.5% of the total assets of the Group. As at December 31, 2023, management determined that there was an indicator of impairment of investment in 4C Medical and, therefore, assessed the recoverable amounts with reference to the higher of value-in-use ("VIU") and fair value less costs of disposal ("FVLCD"). Management determined VIU by preparing a discounted cash flow forecast, which involved significant management judgement in assessing forecasted revenue, forecasted gross margins, terminal growth rate and discount rate. Management determined FVLCD based on a valuation performed by an external valuer. Such determination also requires significant judgement on selecting companies that are comparable and in estimating probability of next round financing and volatility. Based on the assessment, the Group recognised impairment losses of RMB81 million for the year ended December 31, 2023. We identified assessing potential impairment of the investment in 4C Medical as a key audit matter because impairment assessment requires significant judgement and estimation which increases the risk of error or potential management bias.	Our audit procedures to assess potential impairment of investment in 4C Medical included the following: • obtaining an understanding of and testing the design and implementation of the key internal controls related to the impairment assessment; • evaluating management's identification of the existence of impairment indicators of the interests in 4C Medical with reference to the requirements of the prevailing accounting standards; • challenging the reasonableness of the key assumptions adopted in the preparation of the discounted cash flow forecast supporting the VIU by comparing the forecasted revenue and forecasted gross margins with available economic and industry forecasts; • involving our internal valuation specialists to assess the appropriateness of methodology used in the preparation of the discounted cash flow forecast with reference to the requirements of the prevailing accounting standards and the discount rate and terminal growth rate applied by benchmarking against those of comparable companies; • evaluating the competence, capabilities and objectivity of the external valuer engaged by management to perform the valuation of FVLCD; • challenging the reasonableness of the key assumptions adopted, such as event probability of next round financing by reviewing latest financing plan comparing with 4C Medical's board meeting minutes and considering the possibility of management bias in the selection of assumptions adopted; • involving our internal valuation specialists to assess the valuations prepared by the external valuer by evaluating appropriateness of the valuation methodology adopted with reference to the requirements of the prevailing accounting standards, challenging the reasonableness of volatility applied by benchmarking against those of comparable companies; and • evaluating the reasonableness of the disclosures in the consolidated financial statements 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

March 27, 2024

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

For the year ended December 31, 2023

(Expressed in Renminbi)

	Note	2023 RMB'000	2022 RMB'000
Revenue	3	**336,215**	251,026
Cost of sales		**(106,284)**	(88,896)
Gross profit		**229,931**	162,130
Other net income	4	**91,755**	50,329
Research and development costs		**(237,342)**	(223,784)
Distribution costs		**(223,006)**	(160,775)
Administrative expenses		**(70,219)**	(71,992)
Fair value changes in financial instruments	26(e)	**(50,181)**	(35,605)
Impairment losses on intangible assets	11	**—**	(49,103)
Other operating costs	5(c)	**(54,589)**	(47,779)
Loss from operations		**(313,651)**	(376,579)
Finance costs	5(a)	**(4,147)**	(5,411)
Share of losses of associates		**(49,720)**	(48,190)
Share of losses of a joint venture		**(14,737)**	(21,119)
Impairment loss on investment in an associate	14	**(81,327)**	—
Loss before taxation	5	**(463,582)**	(451,299)
Income tax	6(a)	**(7,952)**	(3,096)
Loss for the year and attributable to equity shareholders of the Company		**(471,534)**	(454,395)
Loss per share	9		
Basic and diluted (RMB)		**(0.20)**	(0.19)

The notes on pages 164 to 236 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2023

(Expressed in Renminbi)

	2023 RMB'000	2022 RMB'000
Loss for the year	**(471,534)**	(454,395)
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	**58,766**	303,219
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**(21,888)**	(102,895)
Other comprehensive income for the year	**36,878**	200,324
Total comprehensive income for the year and attributable to equity shareholders of the Company	**(434,656)**	(254,071)

The notes on pages 164 to 236 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Renminbi)

	Note	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	10	**196,973**	241,715
Intangible assets	11	**143,881**	163,119
Interest in a joint venture	12	**—**	14,520
Interests in associates	14	**143,089**	271,161
Other financial assets	13	**24,282**	12,490
Other non-current assets	15	**27,547**	26,488
		535,772	729,493
Current assets			
Inventories	16	**122,871**	114,115
Trade and other receivables	17	**144,785**	82,071
Pledged and time deposits	18	**708,595**	209,263
Cash and cash equivalents	18	**1,065,085**	1,866,319
		2,041,336	2,271,768
Current liabilities			
Trade and other payables	19	**152,864**	115,609
Contract liabilities		**4,937**	6,087
Lease liabilities	20	**28,568**	31,041
Income tax payable	21	**7,214**	1,773
Derivative financial instruments	23	**—**	22,719
		193,583	177,229
Net current assets		**1,847,753**	2,094,539
Total assets less current liabilities		**2,383,525**	2,824,032
Non-current liabilities			
Lease liabilities	20	**41,912**	64,427
Deferred income	22	**6,750**	5,890
		48,662	70,317
NET ASSETS		**2,334,863**	2,753,715

	Note	2023 RMB'000	2022 RMB'000
CAPITAL AND RESERVES			
Share capital	25	**83**	83
Reserves		**2,334,780**	2,753,632
TOTAL EQUITY		**2,334,863**	2,753,715

Approved and authorised for issue by the board of directors on March 27, 2024.

Chen Guoming
Chairman

Jeffrey R Lindstrom
President

The notes on pages 164 to 236 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2023

(Expressed in Renminbi)

	Note	Ordinary 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 December 31, 2021 and January 1, 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	25(c)(ii)	—	13,213	—	(6,933)	—	6,280
Share repurchased under the share award scheme	25(c)(i)	—	—	—	(109,818)	—	(109,818)
Share granted under the share award scheme	24(c)	—	—	—	2,232	—	2,232
Equity-settled share-based transactions	5(b)	—	—	—	12,325	293	12,618
Balance at December 31, 2022 and January 1, 2023		**83**	**4,164,154**	**262,948**	**(394,690)**	**(1,278,780)**	**2,753,715**
Changes in equity for 2023:							
Loss for the year		**–**	**–**	**–**	**–**	**(471,534)**	**(471,534)**
Other comprehensive income		**–**	**–**	**36,878**	**–**	**–**	**36,878**
Total comprehensive income		**–**	**–**	**36,878**	**–**	**(471,534)**	**(434,656)**
Share issued under the share option scheme	25(c)(ii)	**–**	**7,177**	**–**	**(3,734)**	**–**	**3,443**
Share granted under the share award scheme	24(c)	**–**	**–**	**–**	**2,956**	**–**	**2,956**
Equity-settled share-based transactions	5(b)	**–**	**–**	**–**	**7,423**	**1,982**	**9,405**
Balance at December 31, 2023		**83**	**4,171,331**	**299,826**	**(388,045)**	**(1,748,332)**	**2,334,863**

The notes on pages 164 to 236 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2023

(Expressed in Renminbi)

	Note	2023 RMB'000	2022 RMB'000
Operating activities			
Loss before taxation		**(463,582)**	(451,299)
Adjustments for:			
Amortisation and depreciation	5(d)	**73,618**	78,215
Interest expenses	5(a)	**3,915**	5,188
Interest income on time deposits		**(36,943)**	(4,511)
Net (gain)/loss on disposal of property, plant and equipment	4	**(65)**	31
Impairment loss on intangible assets	11	**—**	49,103
Impairment loss on other receivables	5(d)	**867**	—
Impairment loss on investment in associates	14	**81,327**	—
Share of losses of a joint venture		**14,737**	21,119
Share of losses of associates		**49,720**	48,190
Other changes of investment in an associate	14	**1,038**	—
Fair value changes in financial instruments	26(e)	**50,181**	35,605
Equity-settled share-based payment expenses	5(b)	**9,973**	12,958
Share granted under the share award scheme		**2,956**	2,232
Changes in working capital:			
Increase in inventories		**(8,584)**	(31,096)
(Increase)/decrease in trade and other receivables		**(31,710)**	42,840
Increase in trade and other payables		**48,892**	3,636
Increase in deferred income		**860**	3,640
Increase in other non-current assets		**(524)**	(190)
(Decrease)/Increase in contract liabilities		**(1,150)**	3,130
Cash used in operations		**(204,474)**	(181,209)
Tax paid		**(2,511)**	(1,323)
Net cash used in operating activities		**(206,985)**	(182,532)
Investing activities			
Payments for the purchase of property, plant and equipment		**(27,921)**	(45,941)
Payments for the purchase of intangible assets		**(2,594)**	(3,131)
Placement of time deposits		**(2,469,530)**	(607,281)
Redemption of time deposits		**1,975,624**	607,281
Proceeds from sale of property, plant and equipment		**4,401**	—
Interest received		**8,872**	1,591
Payments for acquisitions of associates and other financial assets		**(37,406)**	(129,089)
Payment for settlement of derivatives		**(47,502)**	(3,208)
Net cash used in investing activities		**(596,056)**	(179,778)

	Note	2023 RMB'000	2022 RMB'000
Financing activities			
Capital element of lease rentals paid	18(b)	**(25,666)**	(27,884)
Interest element of lease rentals paid	18(b)	**(3,915)**	(5,188)
Lease deposits received		**529**	190
Proceeds from shares issued under share option scheme	25(c)(ii)	**3,443**	6,280
Payment for repurchase of shares	25(c)(i)	**—**	(109,818)
Net cash used in financing activities		**(25,609)**	(136,420)
Net decrease in cash and cash equivalents		**(828,650)**	(498,730)
Cash and cash equivalents at the beginning of the year		**1,866,319**	2,211,560
Effect of foreign exchange rate changes		**27,416**	153,489
Cash and cash equivalents at the end of the year		**1,065,085**	1,866,319

The notes on pages 164 to 236 form part of these financial statements.

1 Material 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") 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. Material 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 December 31, 2023 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:

— other 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 Material 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:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform — Pillar Two model rules*

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.

1 Material accounting policies (continued)

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. 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.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

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)).

1 Material accounting policies (continued)

(e) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group or the Company has joint control, whereby the Group or the Company has the rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

An interest in an associate or a joint venture is accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of those investees, until the date on which significant influence or joint control ceases.

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)).

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

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

(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 26(e). These investments are subsequently accounted for as follows, depending on their classification.

1 Material accounting policies (continued)

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

(i) Non-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. Expected credit losses, interest income calculated using the effective interest method (see note 1(t)(ii)(b)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

— 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 are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in OCI. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

— fair value through 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 OCI. 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. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and 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 (see note 1(t)(ii)(a)).

(g) Derivative financial instruments

Derivative financial instruments are initially measured at fair value. Subsequently, they are measured at fair value with changes therein recognised in profit or loss.

1 Material accounting policies (continued)

(h) Property, plant and equipment

Property, plant and equipment, including right-of-use assets arising from leases over properties where the Group is not the registered owner of the property interest (see note 1(j)) are stated at cost less accumulated depreciation and any accumulated impairment losses (see note 1(k)(ii)).

Any gain or loss on disposal of an item of property, plant and equipment is 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 values, if any, using the straight line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are 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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(i) Intangible assets

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses (see note 1(k)(ii)).

1 Material accounting policies (continued)

(i) Intangible assets (continued)

Other intangible assets, including patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any impairment losses (see note 1(k)(ii)).

Expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

—	Software	3 years
—	Capitalised development costs	10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case 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.

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 leases that have a short lease term of 12 months or less and leases of low-value items such as 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. If not capitalized, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

1 Material accounting policies (continued)

(j) Leased assets (continued)

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 recognised 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 as 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 adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and 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).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost (see note 1(f)). Any excess of the nominal value over the initial fair 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, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will 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 Material accounting policies (continued)

(j) Leased assets (continued)

As a lessee (continued)

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification 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 expected credit losses ("ECL"s) 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. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

1 Material 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 if the effect 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 the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

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

The group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

— financial instruments that are determined to have low credit risk at the reporting date; and

— other financial instruments (including loan commitments issued) for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade and other receivables are always measured at an amount equal to lifetime ECLs.

1 Material accounting policies (continued)

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

(i) Credit losses from financial instruments (continued)

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition, and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

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 non-equity securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in OCI and accumulated in the fair value reserve (recycling).

1 Material accounting policies (continued)

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

(i) Credit losses from financial instruments (continued)

Credit-impaired financial assets

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 being more than 90 days past due;

— the restructuring of a loan or advance by the group on terms that the group would not consider otherwise;

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

— 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 Material accounting policies (continued)

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

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than property carried at revalued amounts, investment property, inventories and other contract costs, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been 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 notes 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.

1 Material accounting policies (continued)

(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 measured at the lower of cost and net realisable value.

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.

(m) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 1(t)(i)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs (see 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(t)(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 latter cases, a corresponding receivable is also be recognised (see note 1(n)).

(n) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

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 note 1(k)(i)).

1 Material 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 solicitors 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 ECL (see 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) Employee benefits

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

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Share-based payments

The grant-date fair value of equity-settled share-based payments granted to employees is measured using certain valuation techniques. The amount is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date.

1 Material accounting policies (continued)

(q) Employee benefits (continued)

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Company recognizes cost for a restructuring.

(r) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

— temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

— temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

— taxable temporary differences arising on the initial recognition of goodwill; and

— those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

1 Material accounting policies (continued)

(r) Income tax (continued)

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(s) Provisions, contingent liabilities and onerous contracts

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

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.

(t) 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.

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

1 Material accounting policies (continued)

(t) Revenue and other income (continued)

(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.

(ii) Revenue from other sources and other income

(a) Dividends

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

(b) Interest income

Interest income is recognised using the effective interest method. The "effective interest rate" is 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. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the 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.

1 Material accounting policies (continued)

(u) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into RMB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognised, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(v) 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.

1 Material accounting policies (continued)

(w) 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).

(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.

1 Material accounting policies (continued)

(x) 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.

(y) 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 24 and 26(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:

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of medical devices — point in time	**336,215**	251,026

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:

	2023 RMB'000	2022 RMB'000
Customer A	**81,826**	87,875
Customer B	**77,261**	66,902
Customer C	**72,876**	12,202
Customer D	**64,276**	63,527

(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

	2023	2022
	RMB'000	RMB'000
The People's Republic of China (the "PRC") (place of domicile)	**324,894**	243,901
Other countries	**11,321**	7,125
	336,215	251,026

Specified non-current assets

	2023	2022
	RMB'000	RMB'000
The PRC (place of domicile)	**342,744**	410,440
North America	**141,199**	265,555
Asia (excluding the PRC)	**—**	14,520
	483,943	690,515

4 Other net income

	2023 RMB'000	2022 RMB'000
Government grants (Note)	**3,585**	10,322
Interest income on bank deposits	**85,262**	37,217
Interest income on other financial assets measured at amortised cost	**1,282**	1,425
Net gain/(loss) on disposal of property, plant and equipment	**65**	(31)
Net foreign exchange gain/(loss)	**1,580**	(250)
Others	**(19)**	1,646
	91,755	50,329

Note: Majority of the government grants are subsidies from government for encouragement of R&D projects.

5 Loss before taxation

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

(a) Finance costs

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities (note 18(b))	**3,915**	5,188
Total interest expense on financial liabilities not at fair value through profit or loss	**3,915**	5,188
Others	**232**	223
	4,147	5,411

5 Loss before taxation (continued)

(b) Staff costs#

	2023 RMB'000	2022 RMB'000
Total equity-settled share-based payment cost	**10,144**	13,244
Less: capitalised into cost of inventories	**(171)**	(286)
Equity-settled share-based payment expenses recognised in consolidated statement of profit or loss (note 24)	**9,973**	12,958
Defined contribution retirement plans (Note)	**15,983**	12,836
Salaries, wages and other benefits	**191,513**	133,852
	217,469	159,646

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

	2023 RMB'000	2022 RMB'000
Donation (Note)	**53,540**	47,778
Others	**1,049**	1
	54,589	47,779

Note: During the year ended December 31, 2023, the Group made charitable and other donations to the third-party charitable organisation amounted to RMB53,540,000 (2022: RMB47,778,000).

5 Loss before taxation (continued)

(d) Other items

	2023 RMB'000	2022 RMB'000
Amortisation of intangible assets (note 11)	**21,832**	28,811
Depreciation charge# (note 10)		
— owned property, plant and equipment	**24,550**	17,926
— right-of-use assets	**27,236**	31,478
	51,786	49,404
	73,618	78,215
Research and development expenditure	**237,342**	223,784
Less: Amortisation of capitalised development costs	**(20,483)**	(28,200)
	216,859	195,584
Cost of inventories# (note 16(b))	**193,482**	185,953
Impairment loss on other receivables	**867**	—
Auditors' remuneration		
— audit services	**1,960**	1,726
— other service fee	**1,076**	524

Cost of inventories includes RMB40,528,000 (2022: RMB31,409,000) 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 December 31, 2023.

6 Income tax in the consolidated statement of profit or loss

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

	2023 RMB'000	2022 RMB'000
Current tax — PRC Corporate Income Tax ("CIT")		
Provision for the year	**7,952**	3,096

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 December 31, 2023 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:

	2023 RMB'000	2022 RMB'000
Loss before taxation	**(463,582)**	(451,299)
Notional tax on loss before taxation, calculated at the rates applicable to profit in the countries and districts concerned	**(43,260)**	(57,274)
Effect of other non-deductible expenses	**9,163**	9,958
Effect of deductible temporary differences not recognised, net of utilisation of deductible temporary differences not recognised in prior years	**(3,139)**	12,392
Effect of additional deduction on R&D expenses	**(16,567)**	(18,248)
Effect of deduction on share-based payment transactions upon the exercise	**(502)**	(1,105)
Effect of tax losses not recognised	**68,097**	60,268
Effect of non-taxable revenue	**(13,792)**	(5,991)
PRC withholding tax (note 6(a))	**7,952**	3,096
Actual tax expenses	**7,952**	3,096

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:

	2023					
	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						
Guoming Chen (appointed on August 29, 2023)	–	–	–	–	568	568
Qiyi Luo (resigned on August 29, 2023)	–	–	–	–	–	–
Executive directors						
Jeffrey R Lindstrom (appointed on August 29, 2023) (i)	–	2,395	705	–	904	4,004
Guoming Chen (resigned on August 29, 2023)	–	820	875	–	892	2,587
Luying Yan	–	915	549	–	829	2,293
Liang Zhao	–	975	757	–	2,178	3,910
Non-executive directors						
Junjie Zhang	–	–	–	–	–	–
Xia Wu	–	–	–	–	–	–
Independent non-executive directors						
Jonathan H. Chou	158	–	–	–	96	254
Zhixiang Sun	158	–	–	–	96	254
Jiandong Ding	158	–	–	–	96	254
	474	5,105	2,886	–	5,659	14,124

7 Directors' emoluments (continued)

	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 April 30, 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

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(q)(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 24.

(i) Jeffrey R Lindstrom was appointed as an executive director of the Company on August 29, 2023. He was vice president of R&D department of the Group and his remuneration disclosed above included those for services rendered by him as the vice president of R&D department.

8 Individuals with highest emoluments

Of the five individuals with the highest emoluments, four (2022: three) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other one (2022: two) individual are as follows:

	2023 RMB'000	2022 RMB'000
Salaries and other benefits	**433**	2,955
Discretionary bonuses	**650**	638
Equity-settled share-based payment	**335**	239
	1,418	3,832

The emoluments of the one (2022: two) individual with the highest emoluments are within the following bands:

	2023 Number of Individuals	2022 Number of Individuals
HK$1,500,001 to HK$2,000,000	**1**	2

9 Loss per share

(a) Basic loss per share

The calculation of the basic loss per share during the year ended December 31, 2023 is based on the loss attributable to equity shareholders of the Company of RMB471,534,000 (2022: RMB454,395,000) and the weighted average number of ordinary shares of 2,362,906,000 shares (2022: 2,365,637,000 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

	2023 RMB'000	2022 RMB'000
Loss for the year attributable to equity shareholders of the Company	**(471,534)**	(454,395)

9 Loss per share (continued)

(a) Basic loss per share (continued)

(ii) Weighted average number of shares

	2023 '000	2022 '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	**2,409,385**	2,403,564
Effect of share options exercised	**1,932**	2,238
Effect of treasury shares held	**(48,411)**	(40,165)
Weighted average number of shares at the end of the year for the purposes of basic loss per share	**2,362,906**	2,365,637

(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 December 31, 2023 has not included the potential effects of share options granted by the Company (see note 24(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 December 31, 2023 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 January 1, 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 December 31, 2022 and January 1, 2023	86,570	73,757	12,010	150,844	6,143	329,324
Transfer from construction in progress	1,944	10,532	956	—	(13,432)	—
Additions	—	—	—	873	10,664	11,537
Disposals	(8,893)	(239)	(641)	(223)	—	(9,996)
At December 31, 2023	79,621	84,050	12,325	151,494	3,375	330,865
Accumulated depreciation and amortisation:						
At January 1, 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 December 31, 2022 and January 1, 2023	13,490	16,501	2,987	54,631	—	87,609
Charge for the year	15,538	7,769	1,243	27,236	—	51,786
Written back on disposals	(4,684)	(117)	(479)	(223)	—	(5,503)
At December 31, 2023	24,344	24,153	3,751	81,644	—	133,892
Net book value:						
At December 31, 2023	55,277	59,897	8,574	69,850	3,375	196,973
At December 31, 2022	73,080	57,256	9,023	96,213	6,143	241,715

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:

	2023 RMB'000	2022 RMB'000
Properties leased for own use, carried at depreciated cost	**69,850**	96,213

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

	2023 RMB'000	2022 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use	**27,236**	31,478
Interest on lease liabilities (note 5(a))	**3,915**	5,188
Expense relating to short-term leases	**—**	11

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 18(c) and 20, 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 January 1, 2022	281,999	960	282,959
Additions	—	2,281	2,281
At December 31, 2022 and January 1, 2023	**281,999**	**3,241**	**285,240**
Additions	**—**	**2,594**	**2,594**
At December 31, 2023	**281,999**	**5,835**	**287,834**
Accumulated amortisation and impairment:			
At January 1, 2022	43,758	449	44,207
Amortisation charge for the year	28,200	611	28,811
Impairment loss	49,103	—	49,103
At December 31, 2022 and January 1, 2023	**121,061**	**1,060**	**122,121**
Amortisation charge for the year	**20,483**	**1,349**	**21,832**
At December 31, 2023	**141,544**	**2,409**	**143,953**
Net book value:			
At December 31, 2023	**140,455**	**3,426**	**143,881**
At December 31, 2022	160,938	2,181	163,119

Capitalised development costs as of December 31, 2023 were all related to the products that have obtained the registration certificate from the National Medical Products Administration. Majority of amortisation of intangible assets is recognised in research and development costs.

11 Intangible assets (continued)

Impairment test

The capitalized development costs are tested based on the recoverable amount of the cash generating unit ("CGU") to which the intangible asset is related. The management has identified VitaFlow® and VitaFlow Liberty® into as one CGU due to a mixed sales portfolio.

Due to the actual financial result of 2023 was below expectation, the Group has performed impairment test to assess the recoverable amounts of the capitalised development based on the value in use, determined using a pre-tax discount rate of 22% and terminal growth rate of 2%. As a result, the recoverable amount calculated based on VIU is estimated to exceed the carrying amount of the CGU at December 31, 2023 by approximately RMB200 million.

(Expressed in Renminbi unless otherwise indicated)

12 Investments in subsidiaries

As of December 31, 2023, 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	RMB1,770 million/ RMB1,400 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
Rose Emblem Ltd. ("Rose Emblem") (ii)	British Virgin Islands	USD10 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.* (北京琛雪企業管理有限公司) (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.* (上海隨通醫療科技有限公司) (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.

12 Investments in subsidiaries (continued)

Notes:

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

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

Acquisition of 49% equity interest in Rose Emblem

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, the Group granted a put option to Witney ("Witney Put Option") in connection with investments on Valcare which the Group and Witney made together, pursuant to which, in certain events, Witney has the right to require the Group to purchase any or all of the investments in Valcare held by Witney at a price equal to the original purchase price plus interests at the 3-month London Interbank Offered Rate ("LIBOR") in US$ plus 1% per annum by cash. The Witney Put Option is considered as a derivative financial liability (see note 23).

In November 2023, the Group received a notice from Witney of exercising Witney Put Option in relation to the investment in Valcare by entered into a share purchase agreement with Witney ("Acquisition of Rose Emblem"), pursuant to which, the Group acquired 49% of equity interest in Rose Emblem held by Witney at a consideration of US$6,618,000 (equivalent to RMB47,502,000). Upon the completion of the above transaction, the Group held 100% equity interests in Rose Emblem and therefore obtained the control of Rose Emblem. At the date of acquisition, Rose Emblem held investment in Valcare amounted to nil and had net liabilities of RMB83,000.

Valcare is currently facing financing difficulties. The fair value of investment in Valcare of nil was determined by the adjusted net asset approach. Valuation techniques and significant assumptions adopted for determining the fair value of unlisted equity securities issued by Valcare was set out in note 26(e).

13 Other financial assets

	2023 RMB'000	2022 RMB'000
Financial assets measured at FVPL		
— Unlisted debt securities issued by 4C Medical	**24,282**	—
— Unlisted debt securities issued by Valcare	**—**	12,490
Total	**24,282**	12,490

As at December 31, 2023, the Group held convertible instruments issued by 4C Medical Inc. ("4C Medical") with carrying amount of US$3,428,000 (equivalent to RMB24,282,000). The convertible instruments issue by 4C Medical bears an interest rate of 8.0% per annum which shall be repayable on demand upon the maturity or transaction events and will be automatically converted into the most senior preferred shares of 4C Medical upon the occurrence of the next equity financing of 4C Medical at a discounted price.

The Group also held convertible instruments issued by Valcare which is unsecured and interest-free. As at December 31, 2023, the fair value of convertible instruments issued by Valcare of nil (2022: RMB12,490,000) was determined by the default risk method.

Valuation techniques and significant assumptions adopted for determining the fair value of the convertible instruments was set out in note 26(e).

(Expressed in Renminbi unless otherwise indicated)

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	4,723,122 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 to 2022, the Group entered into subscription and shareholders agreements with 4C Medical, purchasing series A preferred shares, series B preferred shares and series C preferred shares of 4C Medical. As at December 31, 2023, these investments in 4C Medical were recognised as the investment in associates.

Impairment test

Considering the current market condition, the Group has engaged Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an external valuer to perform valuation assessments for its investment in 4C Medical.

Based on the result of impairment test, the carrying amount of investment in 4C Medical was written down to their recoverable amount of RMB141,199,000 and an impairment loss of RMB81,327,000 was recognised in profit or loss. The recoverable amount was based on the FVLCD, using the event analysis and equity allocation model. The fair value on which the recoverable amount is based on is categorised as level 3 measurement.

(Expressed in Renminbi unless otherwise indicated)

14 Interests in associates (continued)

4C Medical (continued)

Impairment test (continued)

The key assumptions used in estimating the recoverable amount are as follows:

	2023
Event probability (note a)	**60%**
Volatility(note b)	**30%**

Note a As at December 31, 2023, it is estimated that with all other variables held constant, an increase/decrease in the event probability of next round financing by 5% would have decreased/increased the Group's loss by RMB8,070,000/RMB8,803,000.

Note b As at December 31, 2023, it is estimated that with all other variables held constant, an increase/decrease in the volatility by 1% would have increased/decreased the Group's loss by RMB1,010,000/RMB1,023,000.

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

14 Interests in associates (continued)

4C Medical (continued)

Impairment test (continued)

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:

	2023 RMB'000	2022 RMB'000
Gross amounts of 4C Medical		
Non-current assets	**8,368**	12,434
Current assets	**29,216**	91,807
Non-current liabilities	**(1,974)**	(5,167)
Current liabilities	**(109,488)**	(20,625)
Equity	**(73,878)**	78,449
Loss for the year and total comprehensive income	**(159,088)**	(137,156)
Reconciled to the Group's interests in 4C Medical		
Gross amounts of 4C Medical's net assets	**(73,878)**	78,449
Group's effective interest	**29.6%**	29.6%
Group's share of 4C Medical's net assets	**(21,843)**	23,194
Goodwill (less cumulative impairment)	**164,834**	242,361
Dilution effect of share-based payments arrangement of an equity-accounted investee	**(1,792)**	—
Carrying amount of the Group's interest in 4C Medical	**141,199**	265,555

Information of an associate that is not individually material:

	2023 RMB'000	2022 RMB'000
Carrying amount of an immaterial associate in the consolidated financial statements	**1,890**	5,606
Amounts of the Group's share of the immaterial associate		
Loss for the year and total comprehensive income	**(2,678)**	(11,177)
Other changes[#]	**(1,038)**	—

[#] In June 2023, the Group's interests in the associate of Shanghai MicroPort Shield Medtech Co., Ltd. ("MP Shield") increased from 35.14% to 41.18% due to the divestment of one of MP Shield's shareholders.

15 Other non-current assets

	2023 RMB'000	2022 RMB'000
Lease deposits (Note)	**27,547**	26,488

Note: Lease deposits are typically paid for leased properties, which are refundable after the expiry of the leases and carried at amortised cost. During the year ended December 31, 2021, the Group entered into a 5-year lease agreement (the "Lease Agreement") with Shanghai Huiqingcheng Investment Management Co., Ltd. ("Huiqingcheng") in respect of certain leasehold properties for use of manufacturing facilities, warehouses and office buildings. As at December 31, 2023, the carrying amount of lease deposits paid to Huiqingcheng is 27,447,000 (2022: RMB26,165,000).

16 Inventories

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

	2023 RMB'000	2022 RMB'000
Raw materials	**73,104**	53,752
Work in progress	**27,355**	20,604
Finished goods	**22,412**	39,759
	122,871	114,115

16 Inventories (continued)

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

	2023 RMB'000	2022 RMB'000
Cost of inventories sold	**108,207**	84,528
(Reversal)/write down of the inventories	**(1,923)**	4,368
Cost of inventories directly recognised as research and development costs and other expenses	**87,198**	97,057
	193,482	185,953

17 Trade and other receivables

	2023 RMB'000	2022 RMB'000
Trade receivables	**100,997**	49,775
Value-added tax recoverable	**57**	2,961
Interest receivables	**31,473**	1,691
Prepayments	**9,916**	23,844
Deposits and other debtors	**2,342**	3,800
	144,785	82,071

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

17 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:

	2023 RMB'000	2022 RMB'000
Within 1 month	**37,895**	10,276
1 to 3 months	**63,102**	39,499
	100,997	49,775

Trade receivables are generally due within 60 to 180 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 26(a).

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

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

	2023 RMB'000	2022 RMB'000
Pledged and time deposits		
Time deposits with original terms over 3 months	**708,270**	208,938
Pledged deposits	**325**	325
	708,595	209,263
Cash and cash equivalents		
Deposits with banks	**1,065,085**	1,866,319

18 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 20)
At January 1, 2023	**95,468**
Changes from financing cash flows:	
Capital element of lease payments	**(25,666)**
Interest element of lease payments	**(3,915)**
Total changes from financing cash flows	**(29,581)**
Exchange adjustments	
Other changes:	
Increase in lease liabilities from entering into new leases during the year	**873**
Modification of lease terms	**(195)**
Interest charge (note 5(a))	**3,915**
	4,593
At December 31, 2023	**70,480**

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

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

	Lease liabilities RMB'000 (note 20)
At January 1, 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 December 31, 2022	95,468

(c) Total cash outflow for leases

	2023 RMB'000	2022 RMB'000
Within operating cash flows	**—**	11
Within financing cash flows	**29,581**	33,072
	29,581	33,083

All these amounts relate to the lease rentals paid.

19 Trade and other payables

	2023 RMB'000	2022 RMB'000
Trade payables due to		
— third party suppliers	**39,425**	43,809
— related parties	**13,825**	3,881
	53,250	47,690
Accrued payroll	**37,669**	28,431
Other payables and accrued charges	**61,945**	39,488
	152,864	115,609

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:

	2023 RMB'000	2022 RMB'000
Within 1 month	**37,844**	14,523
Over 1 month but within 3 months	**11,817**	6,553
Over 3 months but within 6 months	**2,495**	4,766
Over 6 months but within 1 year	**760**	17,397
Over 1 year	**334**	4,451
	53,250	47,690

20 Lease liabilities

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

	2023 RMB'000	2022 RMB'000
Within 1 year	**28,568**	31,041
After 1 year but within 2 years	**26,627**	27,172
After 2 years but within 5 years	**15,285**	37,255
	41,912	64,427
	70,480	95,468

21 Income tax in the consolidated statement of financial position

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

	2023 RMB'000	2022 RMB'000
Provision of PRC CIT for the year	**7,952**	3,096
Provisional tax paid	**(738)**	(1,323)
	7,214	1,773

(b) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(r), the Group has not recognised deferred tax assets in respect of cumulative tax losses and other temporary differences attributable to certain subsidiaries of RMB1,469,359,000 at December 31, 2023 (2022: RMB1,040,123,000) due to the unpredictability of future taxable profits in the relevant tax jurisdiction and entity.

As at December 31, 2023, the tax losses incurred by PRC subsidiaries of RMB1,402,452,000 will expire in the period from 2026 to 2034.

22 Deferred income

	Government subsidies for research and development projects RMB'000
At January 1, 2022	2,250
Additions	4,580
Government grant recognised as other income	(940)
At December 31, 2022 and January 1, 2023	**5,890**
Additions	**920**
Government grant recognised as other income	**(60)**
At December 31, 2023	**6,750**

23 Derivative financial instruments

	2023 RMB'000	2022 RMB'000
Derivative financial liabilities		
Witney Put Option	—	22,719

In November 2023, the Witney Put Option with fair value of US$6,618,000 (equivalent to RMB47,502,000) was exercised by the close of Acquisition of Rose Emblem (see note 12). Valuation techniques and significant assumptions adopted for determining the fair value of Convertible Instruments was set out in note 26(e).

24 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				
March 31, 2020	66,575,000	81,138	1.22	1.24
March 31, 2021	8,000,000	29,463	3.68	13.72
October 4, 2021	3,100,000	6,084	1.96	6.41
January 19, 2022	15,576,616	14,888	0.96	3.75
March 30, 2022	997,237	929	0.93	2.63
June 22, 2022	3,445,000	2,891	0.77	2.80
March 30, 2023	10,079,716	6,040	0.60	2.53
July 11, 2023	8,883,977	4,885	0.55	2.05
August 30, 2023	4,000,000	2,689	0.67	1.91
	120,657,546			
Options granted to directors and employees of MPSC and its subsidiaries				
March 31, 2020	16,140,000	19,519	1.22	1.13
June 22, 2022	300,000	156	0.52	2.80
	137,097,546			

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.

24 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:

	2023		2022	
	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	**3.01**	**67,440**	2.70	67,862
Granted during the year	**2.24**	**22,963**	3.52	20,319
Exercised during the year	**1.24**	**(3,093)**	1.24	(5,821)
Cancelled during the year	**12.22**	**(845)**	—	—
Forfeited during the year	**4.14**	**(6,171)**	3.41	(14,920)
Outstanding at the end of the year	**2.68**	**80,294**	3.01	67,440
Exercisable at the end of the year	**2.16**	**33,802**	2.19	21,165

All the share options granted are exercisable by the grantees upon vesting and will expire in a period from March 2030 through August 2033. As at December 31, 2023, the weighted average remaining contractual life for the share options granted under Share Option Scheme was 7.62 years (2022: 7.90 years).

(Expressed in Renminbi unless otherwise indicated)

24 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 December 31, 2023 and 2022. 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

	2023	2022
Fair value at measurement dates	**RMB0.54-RMB0.70**	RMB0.52-RMB1.23
Share price	**HK$1.91-HK$2.43**	HK$2.63-HK$3.62
Exercise price	**HK$1.91-HK$2.534**	HK$2.63-HK$3.75
Expected volatility	**41.65%-42.22%**	42.51%-42.55%
Option life	**10 years**	10 years
Expected dividend yield	**0.00%**	0.00%
Risk-free interest rate	**3.78%-3.85%**	1.95%-3.22%

(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 December 31, 2023, MPSC did not grant any share option to the employee of the Group (year ended December 31, 2022: 246,008). 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 December 31, 2023, 12,492 share options were exercised (year ended December 31, 2022: 40,000).

24 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 December 31, 2023, the Company did not purchase any shares (2022: 44,098,000 shares (note 25 (c)(i))). For the year ended December 31, 2023, the Company granted 1,386,233 shares (2022: 1,030,424 shares) with a fair value of RMB2,956,000 (2022: RMB2,232,000) 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:

	2023 **RMB'000**	2022 RMB'000
Cost of sales	**857**	569
Research and development costs	**3,949**	3,384
Distribution costs	**2,230**	3,737
Administrative expenses	**2,937**	5,268
	9,973	12,958

25 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.

	Note	Ordinary 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 January 1, 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	25(c)(i)	—	—	(109,818)	—	—	(109,818)
Share issued under the share option scheme	25(c)(ii)	—	13,213	(6,933)	—	—	6,280
Share granted under the share award scheme	24(c)	—	—	2,232	—	—	2,232
Equity-settled share-based transactions		—	—	11,321	—	—	11,321
Balance at December 31, 2022 and January 1, 2023		**83**	**4,164,154**	**(541,104)**	**260,925**	**(346,105)**	**3,537,953**
Changes in equity for 2023:							
Loss and total comprehensive income		**–**	**–**	**–**	**58,766**	**(132,598)**	**(73,832)**
Share issued under the share option scheme	**25(c)(ii)**	**–**	**7,177**	**(3,734)**	**–**	**–**	**3,443**
Share granted under the share award scheme	**24(c)**	**–**	**–**	**2,956**	**–**	**–**	**2,956**
Equity-settled share-based transactions		**–**	**–**	**7,296**	**–**	**1,982**	**9,278**
Balance at December 31, 2023		**83**	**4,171,331**	**(534,586)**	**319,691**	**(476,721)**	**3,479,798**

25 Capital and reserves (continued)

(b) Dividends

The directors of the Company did not propose the payment of any dividend during the year ended December 31, 2023 (2022: nil).

(c) Share capital

Authorised

As of January 1, 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 January 15, 2021, a share subdivision was approved by the shareholders of the Company, pursuant to which, each issued and unissued share capital was subdivided to twenty shares of the corresponding class with par value of US$0.000005 each.

Issued and fully paid

	Note	Ordinary share No. of share '000	RMB'000
Balance at January 1, 2022		2,403,564	83
Share issued under the share option scheme	25(c)(ii)	5,821	—
Balance at December 31, 2022 and January 1, 2023		**2,409,385**	**83**
Share issued under the share option scheme	25(c)(ii)	**3,093**	**—**
Balance at December 31, 2023		**2,412,478**	**83**

25 Capital and reserves (continued)

(c) Share capital (continued)

Issued and fully paid (continued)

(i) Purchase of own shares

For the year ended December 31, 2023, the Company did not purchase any shares (2022: 44,098,000 shares), the Company purchased its own ordinary shares through the designated trustee under the share award scheme (note 24(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**

(ii) Shares issued under share option scheme

During the year ended December 31, 2023, options were exercised to subscribed for 3,093,000 ordinary shares (2022: 5,821,000) in the Company at a total consideration of RMB3,443,000 (2022: RMB6,280,000), of which nil and RMB3,443,000 was credited to share capital and share premium (2022: nil and RMB6,280,000), respectively. RMB3,734,000 (2022: RMB6,933,000) was transferred from the capital reserve to the share premium account in accordance with policies set out in note 1(q)(ii).

25 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(u).

(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(q)(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.

(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 December 31, 2023 was RMB2,334,863,000 (2022: RMB2,753,715,000) and the debt-to-capital ratio is 3.0% (2022: 3.5%).

26 Financial risk management and fair values of financial instruments

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.

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.

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, 28% (2022: 30%), 25% (2022: 7%) and 86% (2022: 89%) 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 December 31, 2023, 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 December 31, 2023, 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.

26 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 December 31, 2023 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	152,864	—	—	—	152,864	152,864
Lease liabilities	29,363	28,684	16,707	—	74,754	70,480
	182,227	28,684	16,707	—	227,618	223,344

26 Financial risk management and fair values of financial instruments (continued)

(b) Liquidity risk (continued)

	As at December 31, 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

(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 December 31, 2023 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.

26 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.

	2023 Effective interest rate	2023 Amount RMB'000	2022 Effective interest rate	2022 Amount RMB'000
Net fixed rate instruments:				
Deposits with banks	**1.55%–5.35%**	**708,595**	1.75%–3.38%	209,263
Cash at banks	**1.55%**	**30,000**	1.80%	30,000
Lease liabilities	**3.45%–5.23%**	**(70,480)**	4.90%–5.37%	(95,468)
		668,115		143,795
Net variable rate instruments:				
Cash at banks	**0.20%–4.90%**	**1,035,085**	0.25%–0.35%	1,836,319
		1,703,200		1,980,114

(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$"), Euros, CHF, and US$.

26 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)							
	2023				2022			
	HK$ RMB'000	Euros RMB'000	CHF RMB'000	US$ RMB'000	HK$ RMB'000	Euros RMB'000	CHF RMB'000	US$ RMB'000
Cash and cash equivalents	**17,908**	**–**	**–**	**241**	13,128	—	—	237
Trade and other payables	**–**	**(9,873)**	**–**	**(20,133)**	—	(4,008)	—	(2,691)
Trade receivables	**–**	**1,379**	**1,684**	**5,999**	—	2,272	1,509	13,906
Derivative financial instruments	**–**	**–**	**–**	**–**	—	—	—	(22,719)
Net exposure arising from recognised assets and liabilities	**17,908**	**(8,494)**	**1,684**	**(13,893)**	13,128	(1,736)	1,509	(11,267)

26 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.

	2023		2022	
	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%**	**537**	3%	394
	(3)%	**(537)**	(3)%	(394)
Euros (against RMB)	**3%**	**(255)**	3%	(52)
	(3)%	**255**	(3)%	52
US$ (against RMB)	**3%**	**(417)**	3%	(338)
	(3)%	**417**	(3)%	338
CHF (against RMB)	**3%**	**51**	3%	45
	(3)%	**(51)**	(3)%	(45)

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 December 31, 2023 and 2022.

26 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 convertible instruments, unlisted equity securities and 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 2023 RMB'000	Fair value measurements as at December 31, 2023 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial assets:				
— Convertible instruments issued by 4C Medical (note 13)	**24,282**	**—**	**—**	**24,282**
— Convertible instruments issued by Valcare (note 13)	**—**	**—**	**—**	**—**
— Unlisted equity securities issued by Valcare (note 12)	**—**	**—**	**—**	**—**

26 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 2022 RMB'000	Fair value measurements as at December 31, 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 13)	12,490	—	—	12,490
Financial liabilities:				
Derivative financial instruments				
— Witney Put Option (note 23)	(22,719)	—	—	(22,719)

During the year ended December 31, 2023, there were no transfers between Level 1 and Level 2 or transfers into or out of Level 3. 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.

Information about Level 3 fair value measurement

	Valuation techniques	Significant unobservable inputs	Range
Convertible instruments issued by 4C Medical	Default risk method (Note a)	Event probability	60% (2022: not applicable)
		Probability of default of underlying asset	100% (2022: not applicable)
Convertible instruments issued by Valcare	Default risk method (Note b)	Event Probability	0% (2022: 15%)
		Probability of default of underlying asset	100% (2022: 42%)
Unlisted equity securities issued by Valcare	Adjusted net asset approach	Adjusted net asset value	Nil

26 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)

Note a As at December 31, 2023, it is estimated that with all other variables held constant, an increase/decrease in the probability of event by 10% would have decreased/increased the Group's loss by RMB4,032,000, and a decrease in the probability of default of underlying asset by 5% would have decrease the Group's loss by RMB743,000.

Note b As at December 31, 2023, it is estimated that with all other variables held constant, an increase in the probability of event by 10% would have decreased the Group's loss by RMB798,000, and a decrease in the probability of default of underlying asset by 5 percent would have decrease the Group's loss by RMB2,395,000.

The movements during the year ended December 31, 2023 in the balance of these Level 3 fair value measurements are as follows:

	Financial assets RMB'000	Financial liabilities RMB'000
At January 1, 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 December 31, 2022 and at January 1, 2023	**12,490**	**(22,719)**
Additions	**37,406**	**—**
Exchange adjustments	**(216)**	**(1,106)**
Changes in fair value recognised in profit or loss during the year	**(25,398)**	**(23,677)**
Settled	**—**	**47,502**
At December 31, 2023	**24,282**	**—**

(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 December 31, 2023 and 2022.

27 Commitments

Commitments outstanding at December 31, 2023 not provided for in the financial statements were as follows:

	2023 RMB'000	2022 RMB'000
Contracted for		
— Acquisition of property, machinery and equipment	**111,394**	110,629
Authorised but not contracted for		
— Acquisition of property, machinery and equipment	**100,000**	100,000
	211,394	210,629

28 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:

	2023 RMB'000	2022 RMB'000
Salaries and other benefits	**2,710**	3,049
Discretionary bonuses	**2,181**	1,642
Equity-settled share-based payment expenses	**4,467**	4,005
	9,358	8,696

28 Material related party transactions (continued)

(b) List of related parties

Particulars of the Group's related parties which the Group had transactions with during the year ended December 31, 2023 and 2022 are as follows:

Name of party	**Relationship**
MPSC	Ultimate controlling party of the Group
Zhejiang Accupath Smart Manufacturing (Group) Co., Ltd.	Equity-accounted investee of MPSC
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. ("MicroPort Sinica")	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
MicroPort Colombia S.A.S.	Fellow subsidiary of the Group
Microport Medikal Ürünler Ltd. Sti.	Fellow subsidiary of the Group

(c) Transactions with related parties

	2023 RMB'000	2022 RMB'000
Purchase of goods from subsidiaries of MPSC	**1,353**	3,107
Purchase of goods from an equity-accounted investee of MPSC	**14,473**	1,051
Purchase of equipment from subsidiaries of MPSC	**—**	1,480
Service fee charged by subsidiaries of MPSC	**52,474**	25,885
Service fee charged by equity-accounted investees of MPSC	**2,422**	1,298
Short-term operating lease charges by a subsidiary of MPSC	**—**	11
Sales of goods to subsidiaries of MPSC	**4,230**	697
Transfer of assets to equity-accounted investees of MPSC	**4,389**	—

28 Material related party transactions (continued)

(d) Related parties balances

	2023 RMB'000	2022 RMB'000
Amounts due from related parties		
Trade related	**3,871**	697
Non-trade related	**—**	1,690
Amounts due to related parties		
Trade related	**13,825**	3,881
Non-trade related	**5,343**	—

(e) Applicability of the Listing Rules relating to connected transactions

The above related party transactions entered into by the Group 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. The sales of goods to subsidiaries of MPSC as disclosed above constitute connected transactions as defined in Chapter 14A of the Listing Rules but are exempted from the relevant disclosure requirements.

29 Company-level statement of financial position

	Note	2023 RMB'000	2022 RMB'000
Non-current asset			
Investment in subsidiaries		**3,321,182**	3,266,105
Interests in an associate		**118,905**	209,096
Other financial assets	13	**24,282**	12,490
		3,464,369	3,487,691
Current assets			
Other receivables		**78**	1,885
Cash and cash equivalents		**40,901**	69,752
		40,979	71,637
Current liabilities			
Other payables		**25,550**	21,375
		25,550	21,375
Net current assets		**15,429**	50,262
Total assets less current liabilities		**3,479,798**	3,537,953
NET ASSETS		**3,479,798**	3,537,953
CAPITAL AND RESERVES	25		
Share capital		**83**	83
Reserves		**3,479,715**	3,537,870
TOTAL EQUITY		**3,479,798**	3,537,953

30 Immediate and ultimate controlling parties

As at December 31, 2023, 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 December 31, 2023, 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.

(Expressed in Renminbi unless otherwise indicated)

31 Non-adjusting events after the reporting period

On January 1, 2024, MicroPort Sinica and Shanghai Zuoqing Enterprise Management Consulting Service Centre (Limited Partnership) ("Shanghai Zuoqing"), MP CardioFlow and Shanghai MicroPort CardioAdvent Co., Ltd. ("MP CardioAdvent") entered into an Equity Transfer Agreement, pursuant to which MP CardioFlow conditionally agreed to acquire, and MicroPort Sinica and Shanghai Zuoqing conditionally agreed to sell, 51% equity interest in MP CardioAdvent at a total consideration of RMB141,317,000. Upon completion of the Acquisition, MP CardioFlow will hold 51% equity interest in MP CardioAdvent and MP CardioAdvent will become a subsidiary of the Company.

32 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended December 31, 2023

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 December 31, 2023 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
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current ("2020 amendments")*	January 1, 2024
Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants ("2022 amendments")*	January 1, 2024
Amendments to HKAS 7, *Statement of cash flows and HKFRS 7, Financial Instruments: Disclosures: Supplier finance arrangements*	January 1, 2024
Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*	January 1, 2024
Amendments to HKAS 21, *The effects of changes in foreign exchange rates: Lack of exchangeability*	January 1, 2025
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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