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)
（於開曼群島註冊成立的有限公司）

Stock Code 股份代碼：2160

2022 INTERIM REPORT 中期報告

CONTENTS

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"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 in the United States
"AltaValve™"	AltaValve™ human mitral valve replacement medical device product
"Alwide® Plus"	Alwide® Plus balloon catheter
"Angelguide®"	our first-generation tip-preshaped super stiff guidewire
"aortic valve"	the valve that prevents blood flowing back from aorta to left ventricle
"Audit Committee"	the audit committee of the Board
"Board"	the board of directors of our Company
"CE Mark"	a certification mark that indicates conformity with health, safety and environmental protection standards for products sold within the European Economic Area
"CG Code" or "Corporate Governance Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules, as amended from time to time
"China" or "PRC"	People's Republic of China, but for the purpose of this interim report and for geographical reference only and except where the context requires otherwise, references in this interim 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
"Class IIIA Hospitals"	Top-level hospitals in China, as hospitals in China are divided into three classes by Ministry of Health, among which, Class III hospitals are at the highest level, typically having more than 500 beds, providing high-level specialist medical and healthcare services to several regions and performing advanced teaching and research tasks. Class III hospitals are divided into Special, A, B, and C grades
"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
"Core Product"	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for the purposes of this interim report, our Core Product refers to VitaFlow Liberty™
"Covid-19"	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2

"Director(s)" or "our Director(s)"	the director(s) of our Company, including all executive, non-executive and independent non-executive directors
"EuroPCR"	official annual meeting of the European Association of Percutaneous Cardiovascular Interventions
"GFA"	gross floor area
"Global Offering"	the Hong Kong Public Offering and the International Offering (including the Preferential Offering)
"GMP"	good manufacturing practices, the aspect of quality assurance that ensures that medicinal products are consistently produced and controlled to the quality standards appropriate to their intended use and as required by the product specification
"Group", "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
"KOL(s)"	doctors that influence their peers' medical practice, including but not limited to prescribing behavior
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Date"	February 4, 2021, on which the Shares were listed on the Stock Exchange and from which dealings in our Shares first commenced on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the GEM of the Stock Exchange
"MicroPort®"	MicroPort® Scientific Corporation (微創醫療科學有限公司), an exempted company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 00853)
"MicroPort® Group"	MicroPort® and all of its subsidiaries

"mitral valve"	the valve that prevents the blood in left ventricle from flowing back to left atrium
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"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 the Board
"PAV"	prosthetic aortic valve, the artificial valve of our TAVI products
"PET"	polyethylene terephthalate
"Prospectus"	the prospectus issued by the Company on January 26, 2021
"PVL"	paravalvular leakage, a complication associated with the implantation of a prosthetic heart valve through TAVI or SAVR (surgical aortic valve replacement)
"R&D"	research and development
"Renminbi" or "RMB"	the lawful currency of the PRC
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the six months ended June 30, 2022
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Shanghai Huahao"	Shanghai Huahao Enterprise Management Limited Partners (Limited Partnership) (上海鏵浩企業管理合夥企業(有限合夥)), a limited partnership established in the PRC and our pre-IPO investor
"Shanghai MicroPort"	Shanghai MicroPort Limited, a company incorporated in the British Virgin Islands with limited liability on January 8, 2019, a wholly-owned subsidiary of MicroPort® and one of our controlling shareholders
"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, the principal terms of which are set out in the announcement of the Company dated March 30, 2021

"Share Option Scheme"	the share option scheme adopted by our Company on March 13, 2020 and amended on March 17, 2022
"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
"TMVr"	transcatheter mitral valve repair
"TTV"	transcatheter tricuspid valve, which refers to treatment methods for tricuspid valve diseases through transcatheter approach
"TTVr"	transcatheter tricuspid valve repair, a catheter-based technique to implant a new tricuspid valve in an interventional procedure that does not involve open-chest surgery
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$"	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®. VitaFlow Liberty™ is our Core Product

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Chen Guoming
Mr. Zhao Liang *(appointed on May 26, 2022)*
Ms. Yan Luying

Non-Executive Directors

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

Independent Non-Executive Directors

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

JOINT COMPANY SECRETARIES

Ms. Li Xiangmei
Ms. Chan Lok Yee

AUTHORIZED REPRESENTATIVES

Dr. Luo Qiyi
Ms. Chan Lok Yee

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

REGISTERED OFFICE

Tricor Services (Cayman Islands) Limited
Willow House, Cricket Square
Grand Cayman, KY1-1001
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 1601 Zhangdong Road
Zhangjiang Hi-Tech Park
Pudong New District
Shanghai, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY'S WEBSITE

www.cardioflowmedtech.com

COMPLIANCE ADVISER

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

PRINCIPAL BANKS

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

LEGAL CONSULTANT

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

AUDITOR

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

PRESIDENT'S STATEMENT

Mr. Chen Guoming
President

In the first half of 2022, the COVID-19 epidemic was still volatile, affecting patient visits and physician teaching to varying degrees across the country. Since patients suitable for TAVI products can choose the timing of their operations in most cases, the growth in the implantation of TAVI products has been limited to a certain extent in areas where the epidemic situation has been severe. However, with the Group's extensive presence and deep penetration in different regions across China and our close collaboration with MicroPort® Group, we still achieved steady growth in implantation numbers and sales volumes.

We adhere to the vision of building a people centric medical group ranking as a global leader of evolving and emerging medical technologies to provide trustworthy and universal access to state-of-the-art total solutions to treat structural heart diseases. In the first half of 2022, by leveraging on unique product design and excellent clinical performance, together with continuous business expansion of the Total Solutions Team and close cooperation with MicroPort® Group, two commercialized products VitaFlow® and VitaFlow Liberty™ increased their market recognition, recording a total sales revenue of RMB124.8 million, representing a year-on-year growth of 44.8%. The gross profit margin also improved steadily by 8.6 percentage points to 63.7% on a year-on-year basis despite the resurgence of the pandemic, which mainly attributable to our continuous efforts to reduce the cost of procuring raw materials through the global supply chain and our achievements in cost-saving through economies of scale.

With regards to China market, as of the date of this interim report, there are more than 390 hospitals in China using VitaFlow® and VitaFlow Liberty™ for TAVI procedures, most of which are Class IIIA Hospitals located at tier-one and tier-two cities, and we have successfully established a leading market share in over 230 of these hospitals. We have also carried out in-depth cooperation with the MicroPort® Group to make full use of its extensive channel network and clinical resources in the field of "Total Cardio" to jointly carry out patient screening work, in order to provide patients with medical planning consulting services, preoperative and postoperative health management consulting services, green channel services for medical treatment and affordability solution services. This effectively broke the geographical restrictions and filled the vast blank market of primary medical care, in an effort to accelerate high-quality market penetration. As of the date of this interim report, our Total Solutions Team has expanded to more than 160 employees.

In terms of our progress towards globalization, our products continued to achieve commercial implantation in the overseas markets with more than 20 successful implantation in Argentina during the Reporting Period. In the first half of the year, VitaFlow Liberty™ progressed further in the application for CE registration in Europe, meanwhile, its registration in emerging markets such as India, Brazil, South Korea and Mexico is also advancing steadily.

In addition, VitaFlow Liberty™ and our first-generation tip-preshaped super stiff guidewire Angelguide® were successfully registered in Colombia in August 2022. In terms of overseas market activities, during the Reporting Period we participated in well-known international academic conferences such as EuroPCR, Frankfurt CSI (congenital, structural and valvar heart disease interventions conference) and the annual meeting of the Brazilian Association for Cardiovascular Intervention, international senior experts in the field of interventional therapy for valvular heart disease shared the latest clinical data of our TAVI products, as well as related device features and surgical skills, and conducted discussion in combination of representative cases, which further increased the influence and reputation of the CardioFlow brand in the international academic community.

During the Reporting Period, VitaFlow Liberty™ won the 2022 German Red Dot Award: Product Design and 2021–2022 Italian Silver A' Design Award for its innovative design concepts and outstanding product performance, further reinforcing the international recognition of the Group's brand and innovative product design. In the future, we will continue to leverage the global visibility and the overseas sales network of the MicroPort® brand, further implementing the internationalization strategy and expanding our global business coverage to benefit patients around the world.

In terms of R&D of new products, in July 2022, the Group's self-developed TMVR product completed the first-in-human application with an encouraging results of 30-day follow-up, marking the world's first dry-tissue TMVR system successfully entering the clinical stage, and setting another important milestone for the improvement of the total solutions to treat structural heart diseases. During the Reporting Period, the 5-year follow-up results of the pre-launch clinical trial of VitaFlow® were released. The results showed that, compared with other TAVI products currently commercialized in China, VitaFlow® performed better in terms of all-cause mortality rate and postoperative complications (including moderate/severe PVL, severe stroke and vascular complications). Meanwhile, we are also advancing the development of several next-generation self-developed TAVI products. Among these is our third generation self-expanding TAVI product, which received positive feedback from KOLs for its global original design and is expected to be approved in 2024.

In addition, the TMVR product AltaValve™ and the TMVr product Amend™, developed in collaboration with the Company's business partners, have been progressing with a number of early feasibility study overseas, demonstrating superior mitral regurgitation relief effects.

In terms of production and operation, in response to the continued growth of the business and to meet the increasing demand for the products, our new production plant with a total GFA of approximately 13,000 sq.m. in Shanghai has commenced operation, expanding the annual production capacity to 25,000 sets of products. In the face of multiple impacts brought by the pandemic and the international situation, we have actively conducted lean improvement projects, strengthened procurement management and accelerated the strategic deployment of domestic production of raw materials to optimize the cost structure of products in the long term, reduce costs and increase efficiency and continuously improve gross profit margin.

In the second half of 2022, we will adhere to our original intention, continue to deepen business penetration, enhance R&D innovation, promote international strategy, focus on reducing costs and increasing efficiency, and assume social responsibility with the aim of becoming the world's leading provider for total solutions to treat structural heart diseases, bringing the world's cutting edge structural heart diseases treatment products and technologies to more countries, and benefiting more patients.

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

CONSOLIDATED STATEMENTS OF PROFITS OR LOSS

	For the six months ended June 30	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue	**124,782**	86,193
Gross profit	**79,443**	47,511
Loss before taxation	**(121,558)**	(69,566)
Loss for the period and attributable to equity shareholders of the Company	**(122,380)**	(70,065)
Loss per share — Basic and diluted (in RMB)	**(0.05)**	(0.03)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of	
	June 30, 2022	December 31, 2021
	RMB'000	RMB'000
	(unaudited)	(audited)
Non-current assets	**864,857**	762,193
Current assets	**2,357,294**	2,599,799
Total assets	**3,222,151**	3,361,992
Non-current liabilities	**82,765**	101,084
Current liabilities	**144,729**	164,434
Total liabilities	**227,494**	265,518
Total equity	**2,994,657**	3,096,474

BUSINESS REVIEW

Overview

We are a medical device company in China focusing on the R&D and commercialization of innovative transcatheter and surgical solutions for structural heart diseases. Our mission is to provide trustworthy and universal access to state-of-the-art total solutions to treat structural heart diseases through continuous innovation. Deeply rooted in the vast, rapid-growing and substantially underpenetrated structural heart diseases medical device market, we develop a comprehensive product pipeline for treatment of structural heart diseases and proactively explore external cooperation, with an aim to enhance our global visibility and reputation in the field of structural heart diseases. In the first half of 2022, with the further popularization of TAVI, the improved proficiency of physicians and further expansion of market channels, there was an increase in the penetration rate of TAVI procedures as well as a rapid growth in the industry scale. Meanwhile, we were pleased to see that, TAVI procedural fees and consumables have been successively included into the scope of medical insurance reimbursement in certain provinces and cities, which has eased the burden of medical expenses for patients and further unleashed the surgical needs of more patients with valve diseases.

During the Reporting Period, the COVID-19 epidemic continued to have impacts across the PRC and, with lock-down management measures adopted and increasingly tight control over the epidemic in some regions, patients' visits and physician teaching, etc. were affected to varying degrees. Since the patients suitable for TAVI products can choose the timing of their operations in most cases, the growth in the implantation number of TAVI products has been limited to a certain extent in areas with severe epidemic situation. However, with the Group's extensive presence and deep penetration in different regions across China and our close collaboration with MicroPort® Group, we still achieved steady growth in implantation number and sales volume during the Reporting Period. Since June this year, the epidemic has been brought under control nationwide in the PRC, with the lifting of travel restrictions, as well as the expansion of the Group's sales team and the expanding impact of our commercialized products, our monthly implantation number recovered quickly and reached an all-time high.

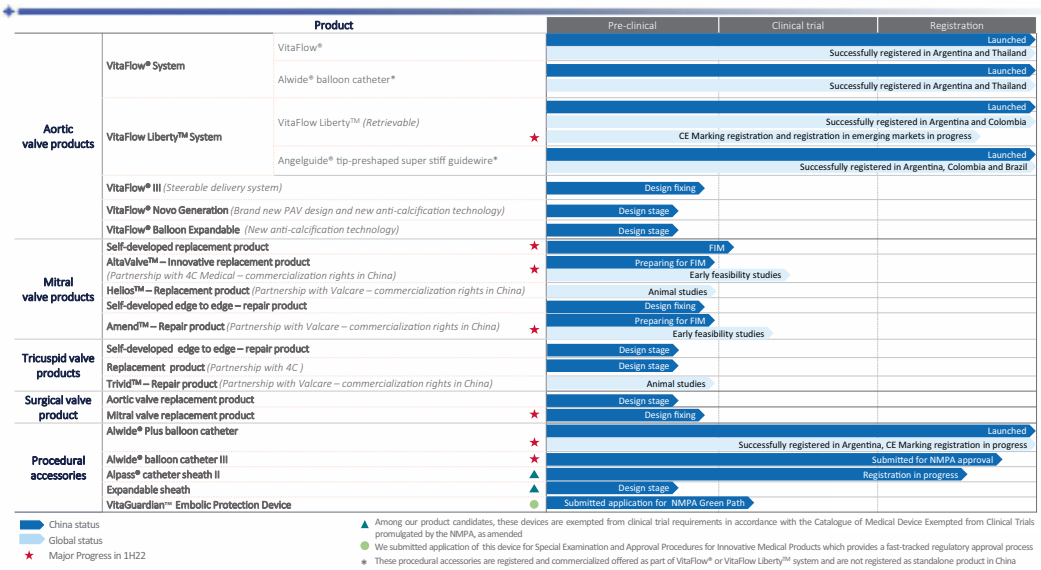
In terms of overseas progress, more than 20 TAVI procedures were performed in Argentina with our products during the Reporting Period, and the application for CE registration of VitaFlow Liberty™ made progress to the next stage. In August this year, VitaFlow Liberty™ and Angelguide® were successfully registered in Colombia, which further expanded the Company's influence in the Latin American market. Meanwhile, the registration of VitaFlow Liberty™ in emerging markets such as India, Brazil, South Korea and Mexico is also advancing in an orderly manner. With the successive certification of our products in the overseas markets, we will also continue to expand our business coverage and pursue 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. In July this year, the TMVR product independently developed by the Group completed its first-in-man application, marking the world's first dry-tissue TMVR system with clinical application. In addition, the TMVR product AltaValve™ and the TMVr product Amend™ we developed in collaboration with our business partners have been advanced with early feasibility study overseas, demonstrating superior mitral regurgitation relief effects.

Our Pipeline

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

The following chart summarizes our product portfolio comprised of the products that we developed in house and in collaboration with our business partners as of the date of this report:



VitaFlow®

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

We conducted a prospective, multi-center and single-arm pivotal clinical trial in China with VitaFlow®, which enrolled 110 patients with mean 30-day expected risk of death after surgery (STS Score) of 8.8%. During the Reporting Period, the 5-year follow-up results of the pre-launch clinical trial of VitaFlow® were released. The results showed that the all-cause mortality rate of the enrolled patients was 18.2%, and the incidence of major stroke cases was only 2.1%. In addition, there were no new pacemaker implants three years after VitaFlow® was implanted. Compared with other TAVI products currently commercialised in China, VitaFlow® performed better in terms of all-cause mortality rate and postoperative complications (including moderate/severe PVL, severe stroke and vascular complications). Excellent clinical data provides strong support for the safety and efficacy of VitaFlow®, as well as a solid clinical basis for the global expansion of the product.

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

VitaFlow Liberty™

VitaFlow Liberty™ is our 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 guarantees retrieval of the PAV and provides optimized pass performance, which helps to pass anatomical abnormalities. The system is equipped with the only commercialized motorized handle worldwide, enabling deployment and retrieval of the PAV being conducted in a stable, accurate and fast manner. A physician may retrieve the PAV up to three times if it is not placed accurately at the designated position during deployment of the PAV, provided that the deployment does not exceed 75% of the maximal deployment range. The retrievable function will help 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 in order to reduce the risk of vascular damage and enhance the accuracy of deployment.

In August 2021, VitaFlow Liberty™ obtained the NMPA approval for registration and started to commercialize in China in September 2021. In December 2021, VitaFlow Liberty™ was registered in Argentina and its registration application of CE Mark was submitted. In August 2022, VitaFlow Liberty™ was registered in Colombia. We are also in the process of registration application for VitaFlow Liberty™ in other emerging markets, such as Brazil, Mexico, Thailand, and South Korea, etc. In addition, we plan to apply for the registration in other regions and countries that recognize the CE Mark after obtaining the same. During the Reporting Period, VitaFlow Liberty™ won the German Red Dot Award: Product Design 2022 and the Italy 2021–2022 A' Design Award for its innovative design concept and outstanding product performance, further strengthening the international recognition of the "CardioFlow" brand and our innovative product design.

Third-Generation TAVI Product

Our third-generation TAVI product, which is currently in the design phase, inherits all the advantages of VitaFlow Liberty™. Its delivery system will feature with adjustable bending 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 user-friendly experience, further improve surgical efficiency, release fault tolerance and increase precision and accuracy. The design optimization of several improvement points has been completed so far.

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

Novo Generation TAVI Product

We are designing the novo generation TAVI product that is completely different from the VitaFlow® series products. This product adopts a short stent, equips with technical features such as large mesh outflow tract, dry valve, equal diameter release, adjustable bending, low profile and full retrieval. It will focus on safety, efficacy and usability upgrade, providing physicians and patients with an unprecedented revolutionary product. We are currently conducting in vivo validation in animal experiments to optimize our design.

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

TAVI Balloon Expandable Product

We are designing a TAVI product for the treatment of aortic stenosis with balloon dilatation using short stent, large mesh outflow tract, dry valve and steerable technology. We are currently conducting in vivo validation in animal experiments to optimize our design.

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

Transcatheter Mitral Valve Replacement (TMVR) Products

We are designing and developing a TMVR product for the treatment of patients with mitral regurgitation, which is featured with large orifice, low subvalvular height and dry valve technology, and offers both transseptal and transapical access. We have now completed the first in-human clinical application of the TMVR product and a 30-day follow-up, and the effect is good. The product has successfully entered into the clinical trial phase.

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

Transcatheter Mitral Valve Repair (TMVr) Products

We are designing a mitral valve repair product for the treatment of patients with mitral regurgitation, and are currently advancing long-term in vivo animal validation in the design development phase.

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

Surgical Valve

We are designing surgical biological valve products for prosthetic mitral and aortic valve replacements, among which, the surgical biological valve product for mitral valve replacement is currently at the stage of design fixing.

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

Research and Development

R&D is crucial to our growth. We have been practicing our mission "to provide trustworthy and universal access to state-of-the-art total solutions to treat structural heart diseases", deeply involved in the field of structural heart diseases with higher standards and better practices. We continued to be committed to the innovation and R&D of world-leading structural heart diseases treatment technologies, creating a technological innovation system integrating production, education and research, providing high-quality products and services for the global market, and providing the most powerful driving force for the Company's sustainable development.

We have built a core R&D team with key technology expertise in areas including, among others, biological material, structure design and processing technique, currently comprised of over 110 members. The team constantly focuses on the R&D of new technology and materials related to the Group that has potential to be applied to our product portfolio. We have established several cross-functional project teams which include personnel from project management, R&D, process, procurement, quality, registration, clinical trial, to jointly promote the whole process of new product development through professional work of each function and cooperation of all parties. We also have an international scientific advisory board, consisting of global leading scientists and physicians in the cardiovascular field, namely Dr. Nicolo Piazza, Dr. Thomas Modine and Dr. Darren Mylotte, who share their abundant experience and insights on the latest technology breakthroughs and the latest trends in the treatment of structural heart diseases worldwide and provide clinical information and cutting-edge knowledge for the R&D of our products.

Intellectual Properties

During the Reporting Period, we added 17 patents and 19 pending patent applications in China. Meanwhile, we had one patent application approved in Europe, which was also valid in Germany, Spain and Italy.

As of the end of the Reporting Period, we owned 119 patents in China, including 23 invention patents, 89 utility models and 7 industry designs. We also had 123 pending patent applications in China, including 109 invention patents, 13 utility models and one industry design. To drive our internationalization strategy, we also owned 79 patents in Japan, Switzerland, Portugal, 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 in-house R&D team.

Supply Chain

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

In face of the continuous spread of COVID-19 pandemic and the continual increasing price of raw materials over the past two years, through close communication and collaboration with global suppliers based on the concept of win-win cooperation, we have been able to reduce our purchase price while maintaining a stable supply of raw materials. On the manufacturing side, we have established an advanced quality control system and further introduced the concept of lean manufacturing. We continue to strengthen the construction of lean system and improve our relevant capabilities from the four dimensions of quality, personnel, customers and costs, respectively, which bring positive impact to generate substantial increase in the gross profit margin of our products.

Commercialization

We have established a dedicated in-house team (the "**Total Solutions Team**") with professional medical background to promote our medical solutions. Led by Mr. Zhao Liang, our executive Director and First Vice President of Total Solutions, the Total Solutions Team aims to promote the Group's innovative transcatheter and surgical solutions for structural heart diseases. Leveraging on the resources and advantages of MicroPort® Group in the field of cardiac and cardiovascular disease treatment, which brings the synergies in the aspects of market access, operation support, first-line promotion, market expansion, medical education, international business, amongst others, into full play, the Total Solutions Team is committed to providing structural heart diseases patients and physicians with comprehensive medical solutions including disease diagnosis and evaluation, procedure and product education, suggestions on treatment, training on procedures and use of devices, recommendation on procedural accessories, assistance before and during operation and postoperative follow-up. As of the end of the Reporting Period, our Total Solutions Team had more than 160 full-time employees.

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

During the Reporting Period, we continued to enhance the screening of lower-tier city patients, and promoted the further popularization and penetration of innovative transcatheter treatment solutions in the field of structural heart disease through medical education and marketing activities, aiming to help more TAVI patients to be diagnosed and treated. We further strengthened our synergy with MicroPort® Group, and made full use of its extensive channel network and clinical resources in the field of "Big Heart (大心臟)" to jointly carry out patient screening, diagnosis and referral, which effectively broke the geographical restrictions and tapped into the vast blank market of primary medical care. Meanwhile, we jointly developed comprehensive supporting solutions with MicroPort® Group for the entire course of patients' disease, including medical planning consulting services, preoperative and postoperative health management consulting services, green channel services for medical treatment and affordability solutions, striving to accelerate high-quality market penetration.

As of the end of the Reporting Period, we had commercialized VitaFlow® and VitaFlow Liberty™ in China and Argentina. We focus on penetrating into core TAVI hospitals, which we consider as a key aspect of implementing our market strategies. As of the date of this report, there are more than 390 hospitals in China using VitaFlow® and VitaFlow Liberty™ for TAVI procedures, most of which are Class IIIA Hospitals located at tier-one and tier-two cities. Among these hospitals, we have captured a leading market share in more than 230 of them. Meanwhile, more than 20 hospitals in Argentina have used TAVI products of the Company for surgery.

We have a medical training team as a part of our Total Solutions Team, which is all comprised of licensed physicians and, through the organization of seminars and training courses in hospitals qualified to perform TAVI surgery in China, train physicians lack of TAVI experience to become qualified TAVI operators. We also invited experienced TAVI practitioners, especially leading physicians in this area, to participate in the training process, aiming to increase the number of qualified TAVI practitioners and contribute to the accelerated growth of the Chinese market. In order to strengthen the marketing of our products and our brand building, we also actively participated in medical conferences and industry exhibitions in the global cardiac and cardiovascular field, and continued to enhance our global visibility.

During the Reporting Period, we continued to jointly organize the "VitaFlow® Classics Competition" with Youth Club of Asia Pacific Structural Heart Diseases, which has become the most influential young-and-middle-aged operator competition in the TAVI field, and continued to cultivate independent TAVI physicians for us, laying a good foundation for the rapid increase in our penetration rate of TAVI operations. In terms of overseas market activities, during the Reporting Period, we participated in well-known international academic conferences such as EuroPCR, CSI Frankfurt Conference and the SBHCI 2022, shared the latest clinical data of our TAVI products, as well as related device features and surgical skills via introduction of international senior experts in the field of interventional therapy for valvular heart disease, and conducted discussion on typical cases, which further increased the influence of the CardioFlow brand in the international academic community.

Events after the Reporting Period

On July 18, 2022, the TMVR system independently developed by the Group was successfully applied by the heart team of Zhongshan Hospital, Fudan University to treat a patient with severe mitral regurgitation. Please refer to the announcement of the Company dated July 19, 2022 for details.

On August 3, 2022, our independently-developed second-generation TAVI product, VitaFlow Liberty™, and our first-generation tip-preshaped super stiff guidewire Angelguide®, were successfully registered in Colombia. Please refer to the announcement of the Company dated August 8, 2022 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 date of this report.

Employees and Remuneration

As of June 30, 2022, the Group had a total of 526 full time employees, of which 21% were R&D staff and 31% were marketing and sales staff. We enter into employment contracts with employees in accordance with applicable laws and regulations, and provide them with competitive remuneration package, including wage, allowance, bonus, benefits and long-term incentives.

The Company has adopted the Share Option Scheme on March 13, 2020 (amended on March 17, 2022) and the Share Award Scheme on March 30, 2021 to provide incentives for the eligible participants.

Future Development

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

Continue to strengthen our presence in China TAVI market

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

- **Expand and deepen hospital penetration**. We believe that with the excellent clinical trial results of VitaFlow® and VitaFlow Liberty™, we will have an advantage in the TAVI top-tier hospitals in China. We will continue to recruit more sales and marketing personnel with experience in or knowledge of structural heart diseases and expand our distributor network to cover other hospitals that have either existing TAVI capabilities or the potential to perform TAVI procedures to further increase our hospital penetration.

- **Further advance development of next-generation products**. We will rapidly advance the R&D of the third-generation self-expanding TAVI product, the novo generation TAVI product and the balloon expandable TAVI product, in order to provide full solution to all suitable patients, especially younger patients and patients with lower surgical risks.

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

- **Conduct long-term postoperative follow-ups and market surveillance**. We will continue to conduct postoperative follow-up evaluations post-TAVI procedure, as well as post-marketing prospective, multi-center clinical study for treating severe aortic regurgitation, to further monitor the long-term safety and efficacy of VitaFlow®, and to provide evidence and support for the use of TAVI on patient with sole aortic regurgitation. We believe we are well-positioned to further enhance our relationship with physicians and boost our brand recognition through these valuable long-term clinical data.

Continue to advance our international strategy

We plan to collaborate with global enablers, including medical device companies, research institutes, hospitals, platform providers and distributors, to advance our international strategy. We have submitted CE Mark registration application for VitaFlow Liberty™, and selected European and other emerging markets as key overseas markets, promoted the overseas registration and commercialization of VitaFlow Liberty™ and leveraged 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 experience and the expertise of our international scientific advisory board, we intend to participate in more leading international cardiovascular disease conferences by organizing presentations and case studies to introduce our products to enhance our brand awareness globally.

Rapidly advance the R&D process of our other structural heart disease products

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

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

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 of and study on structural heart diseases, seek opportunities for cooperation with third parties and evaluate them carefully for the purpose of expanding our product portfolio through acquisitions, cooperations or licensing, and enhancing the Group's competitiveness and anti-risk ability.

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

Going forward, we will continue to strengthen the construction of our supply chain talent system and implement full life cycle management of products in the planning and pre-research stage of new products by preposition of supply chain, closely cooperate with the R&D team, accelerate the development process of new products and give more outputs in design for assembly and design for manufacturability during product design, to ensure smooth transition between new product R&D and mass production, further improve our product quality and production efficiency and continuously lower our manufacturing costs.

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 report.

Revenue

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

The Group's revenue increased by 44.8% from RMB86.2 million for the six months ended June 30, 2021 to RMB124.8 million for the six months ended June 30, 2022, primarily attributable to the enhanced market recognition of VitaFlow® and VitaFlow Liberty™ and the increase of their sales volume.

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 17.2% from RMB38.7 million for the six months ended June 30, 2021 to RMB45.3 million for the six months ended June 30, 2022, which was primarily attributable to the increase of raw materials costs, staff costs and overhead expenses as a result of the increase in sales volumes of VitaFlow® and VitaFlow Liberty™.

Gross Profit and Gross Profit Margin

Our gross profit increased by 67.2% from RMB47.5 million for the six months ended June 30, 2021 to RMB79.4 million for the six months ended June 30, 2022, and the gross profit margin increased by 8.6 percentage points from 55.1% for the six months ended June 30, 2021 to 63.7% for the six months ended June 30, 2022, which was primarily attributable to our continuous efforts to reduce the cost of purchasing raw materials and achievements in cost saving by the economies of scale.

R&D Costs

Our R&D costs increased by 62.5% from RMB49.0 million for the six months ended June 30, 2021 to RMB79.6 million for the six months ended June 30, 2022, primarily due to our continued increase in investment in on-going and new R&D projects to strengthen our R&D product pipelines. The following table provides the breakdown of R&D costs of the Company for the periods indicated:

	For the six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Staff costs	**23,018**	13,844
Cost of materials and consumables used	**19,257**	8,363
Depreciation and amortization	**17,738**	9,855
Third-party contracting costs	**14,990**	9,761
Share-based compensation expenses	**2,532**	6,012
Others	**2,076**	1,163
Total	**79,610**	48,998

Distribution Costs

Our distribution costs increased by 54.6% from RMB39.5 million for the six months ended June 30, 2021 to RMB61.0 million for the six months ended June 30, 2022, primarily due to (i) the increase in market development expenses, as we increased our sales and marketing activities during the Reporting Period to promote VitaFlow® and VitaFlow Liberty™; and (ii) the expansion of sales team to support our sales and marketing activities leads to the increase in staff costs.

Administrative Expenses

Our administrative expenses increased by 144.5% from RMB13.9 million for the six months ended June 30, 2021 to RMB33.9 million for the six months ended June 30, 2022, which was primarily attributable to the increase in amortization of right-of-use assets related to the lease of new plant.

Other Operating Costs

Our other operating costs increased by 284.3% from RMB5.3 million for the six months ended June 30, 2021 to RMB20.2 million for the six months ended June 30, 2022, which was primarily attributable to donations during the Reporting Period.

Finance Costs

Our finance costs decreased by 82.9% from RMB17.1 million for the six months ended June 30, 2021 to RMB2.9 million for the six months ended June 30, 2022. This decrease was primarily attributable to the decrease of interest on other financial liabilities due to the conversion of series C preferred shares and series D preferred shares into Shares of the Company upon the completion of the Global Offering.

Share of Losses of Associates

Our share of losses of associates for the six months ended June 30, 2022 was RMB15.3 million, which was primarily attributable to the losses incurred by 4C Medical and Shanghai MicroPort Shield Medtech Co., Ltd. (上海微盾醫療科技有限公司) in the Reporting Period.

Inventories

Our inventories increased from RMB82.7 million as of December 31, 2021 to RMB109.5 million as of June 30, 2022, reflecting the anticipation of the increasing market demands of our products.

Interest in Associates

Our interest in associates increased from RMB176.7 million as of December 31, 2021 to RMB293.3 million as of June 30, 2022, which mainly due to the additional investment in 4C Medical in the year.

Trade and Other Payables

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

Our trade and other payables decreased from RMB126.8 million as of December 31, 2021 to RMB107.4 million as of June 30, 2022, which was primarily attributable to the decrease of other payables and accrued expenses.

Capital Expenditure

Our capital expenditure was RMB32.1 million during the Reporting Period, which represented the additions of property, plant and equipment and the purchase of intangible assets.

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 June 30, 2022, 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 items denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations as of June 30, 2022.

Contingent Liabilities

As of June 30, 2022, we did not have any contingent liabilities.

Capital Management

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

Liquidity and Financial Resources

Our cash and cash equivalents decreased from RMB2,211.6 million as of December 31, 2021 to RMB1,936.9 million as of June 30, 2022, which was primarily attributable to the 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. The Company believes that it has sufficient funds to satisfy the working capital and capital expenditure requirements of 2022.

Borrowings and Gearing Ratio

We did not have any borrowings as of June 30, 2022 and December 31, 2021. As of June 30, 2022, the gearing ratio of the Group (calculated as total lease liabilities divided by total equity as of the same date) decreased to 3.8%, compared to 4.1% as of December 31, 2021, which was mainly attributable to the decrease of lease liabilities recognized during the Reporting Period.

Net Current Assets

The Group's net current assets as of June 30, 2022 were RMB2,212.6 million, as compared to that of RMB2,435.4 million as of December 31, 2021. Such decrease was mainly attributable to the decrease of cash and cash equivalents.

Charge on Asset

As of June 30, 2022, there was no charge on assets of the Group.

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 June 30, 2022, the interests and short positions of the Directors and chief executives of our Company and their associates in any of the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long Positions in the 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 Option Scheme	Approximate percentage of shareholding interest (note)
Mr. Chen Guoming	Beneficial owner	6,875,300	0.29%
Dr. Luo Qiyi	Interest in controlled corporation	6,413,144	0.27%
Ms. Yan Luying	Beneficial owner	5,029,347	0.21%
Mr. Zhao Liang	Beneficial owner	4,559,011	0.19%
Dr. Ding Jiandong	Beneficial owner	30,000	0.00%

Note: Calculated based on 2,406,339,467 total issued Shares as of June 30, 2022.

Save as disclosed above, as of June 30, 2022, 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 OF THE COMPANY

As of June 30, 2022, so far as the Directors are aware, the following persons (other than the Directors or chief executives of the Company or their associates) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long Positions in the underlying Shares of the Company

Name of Substantial Shareholders	Nature of interest	Number of Shares	Approximately percentage of shareholding interest[4]
Shanghai MicroPort[1]	Beneficial owner	1,112,855,680	46.25%
CICC Kangrui[2]	Beneficial owner	181,592,220	7.55%
Shanghai Huahao[3]	Beneficial owner	174,761,038	7.26%

Notes:

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

(2) CICC Kangzhi (Ningbo) Equity Investment Management Co., Ltd. ((中金康智(寧波)股權投資管理有限公司), "**CICC Kangzhi**") was the general partner of CICC Kangrui. As confirmed by CICC Kangrui, CICC Kangzhi was controlled by CICC Capital Management Co., Ltd. (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) Each of Tianjin Huajie Enterprise Management Advisors Partners, L.P. (as the general partner of Shanghai Huahao), Huajie (Tianjin) Medical Investment Partnership (Limited Partnership) (as sole limited partner of Shanghai Huahao), Tianjin Huajie Enterprise Management Advisors Partners, L.P. (as general partner of Huajie (Tianjin) Medical Investment Partnership (Limited Partnership)), Tianjin Huaqing Enterprise Management Advisors Co., Ltd. (as the general partner of Tianjin Huajie Enterprise Management Advisors Partners, L.P.), Shanghai Weihong Investment Co., Ltd. (as the largest shareholder holding 51% of the equity interests in Tianjin Huaqing Enterprise Management Advisors Co., Ltd.), Huagan (Shanghai) Business Consulting Co., Ltd. (as the sole shareholder of Shanghai Weihong Investment Co., Ltd.), CR INVESTMENT (HK) LIMITED (as the sole shareholder of Huagan (Shanghai) Business Consulting Co., Ltd.), CR Investments Corporation (as the sole shareholder of CR INVESTMENT (HK) LIMITED), China Renaissance Holdings Limited (a company listed on the Stock Exchange with stock code 1911, as the sole shareholder of CR Investments Corporation) was deemed to be interested in the Shares that Shanghai Huahao was interested in under the SFO.

(4) Calculated based on 2,406,339,467 total issued Shares as of June 30, 2022.

Save as disclosed above, as of June 30, 2022, 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save for the 44,098,000 Shares of the Company purchased through the trustee of the Share Award Scheme at cash consideration of HK$131,427,960 on the Stock Exchange pursuant to the Share Award Scheme, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the Reporting Period.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS DURING THE REPORTING PERIOD

Save as disclosed in note 9 to the financial statements in this interim report, during the Reporting Period, we did not make any significant investments or material acquisitions or disposals of subsidiaries, associates and joint ventures.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

SHARE INCENTIVE SCHEMES

Share Option Scheme

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

As of June 30, 2022, the aggregate number of outstanding options granted under the Share Option Scheme is 77,052,607 Shares, representing approximately 3.20% of the total issued share capital of our Company as of June 30, 2022. The status of the share options granted up to June 30, 2022 is as follows:

Name	Position	Number of Shares underlying outstanding options as of December 31, 2021	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Exercise Price	Number of Shares underlying outstanding options as of June 30, 2022	Date of grant	Vesting period	Exercise period	Closing Price of the Company Immediately before the date of grant of share options	Share Price of the Company Immediately before the exercise date of share options[1]
Directors and chief executive of our Company													
Dr. Luo Qiyi	Non-executive Director and Chairman of our Board	6,000,000	–	–	–	–	US$0.16	6,000,000	March 31, 2020	March 31, 2020–March 31, 2025	March 31, 2021–March 30, 2030	N/A	N/A
Mr. Chen Guoming	Executive Director and President	5,000,000	–	–	–	–	US$0.16	5,000,000	March 31, 2020	March 31, 2020–March 31, 2025	March 31, 2021–March 30, 2030	N/A	N/A
		–	1,209,992	–	–	–	HK$3.754	1,209,992	January 19, 2022	January 19, 2022–January 19, 2027	January 19, 2023–January 18, 2032	HK$3.65	N/A
		–	332,654	–	–	–	HK$2.63	332,654	March 30, 2022	March 30, 2022–March 30, 2027	March 30, 2023–March 29, 2032	HK$2.54	N/A
Ms. Yan Luying	Executive Director and Vice President	4,000,000	–	–	–	–	US$0.16	4,000,000	March 31, 2020	March 31, 2020–March 31, 2025	March 31, 2021–March 30, 2030	N/A	N/A
		–	391,499	–	–	–	HK$3.754	391,499	January 19, 2022	January 19, 2022–January 19, 2027	January 19, 2023–January 18, 2032	HK$3.65	N/A
		–	318,924	–	–	–	HK$2.63	318,924	March 30, 2022	March 30, 2022–March 30, 2027	March 30, 2023–March 29, 2032	HK$2.54	N/A
Mr. Wu Guojia *(Resigned on April 30, 2022)*	Executive Director and Vice President	4,000,000	–	–	–	2,400,000	US$0.16	1,600,000	March 31, 2020	March 31, 2020–March 31, 2025	March 31, 2021–March 30, 2030	N/A	N/A
			228,620	–	–	228,620	HK$2.63	–	March 30, 2022	March 30, 2022–March 30, 2027	March 30, 2023–March 29, 2032	HK$2.54	N/A
Mr. Zhao Liang	Executive Director and First Vice President	2,000,000	–	–	–	–	HK$6.406	2,000,000	October 4, 2021	October 4, 2021–October 4, 2026	October 4, 2022–October 3, 2031	N/A	N/A
		–	1,624,933	–	–	–	HK$3.754	1,624,933	January 19, 2022	January 19, 2022–January 19, 2027	January 19, 2023–January 18, 2032	HK$3.65	N/A
		–	117,039	–	–	–	HK$2.63	117,039	March 30, 2022	March 30, 2022–March 30, 2027	March 30, 2023–March 29, 2032	HK$2.54	N/A
		–	700,000	–	–	–	HK$2.802	700,000	June 22, 2022	June 22, 2022–June 22, 2027	June 22, 2023–June 21, 2032	HK$2.9	N/A
Subtotal		21,000,000	4,923,661[2][4]	–	–	2,628,620		23,295,041					
Director of MicroPort®													
Dr. Chang Zhaohua	Chairman and Chief Executive Officer	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
Employees of the Group and MicroPort®													
		32,591,807	–	2,775,374	–	4,502,184	US$0.16	25,314,249	March 31, 2020	March 31, 2020–March 31, 2025	March 31, 2021–March 30, 2030	N/A	HK$2.784
		7,170,000	–	–	–	550,000	HK$13.72	6,620,000	March 31, 2021	March 31, 2021–March 31, 2026	March 31, 2022–March 30, 2031	N/A	N/A
		1,100,000	–	–	–	–	HK$6.406	1,100,000	October 4, 2021	October 4, 2021–October 4, 2026	October 4, 2022–October 3, 2031	N/A	N/A
		–	12,350,192	–	–	671,875	HK$3.754	11,678,317	January 19, 2022	January 19, 2022–January 19, 2027	January 19, 2023–January 18, 2032	HK$3.65	N/A
		–	3,045,000	–	–	–	HK$2.802	3,045,000	June 22, 2022	June 22, 2022–June 22, 2027	June 22, 2023–June 21, 2032	HK$2.9	N/A
Subtotal		46,861,807	15,395,192[3][4]	2,775,374	–	5,724,059	–	53,757,566					
Total		67,861,807	20,318,853	2,775,374	–	8,352,679	–	77,052,607					

Notes:

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

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

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

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

SHARE AWARD SCHEME

The Board approved and adopted the Share Award Scheme on March 30, 2021 to recognize the contributions of directors, employees, consultants and advisors of the Group.

Pursuant to the Share Award Scheme, the Board may, from time to time and at its absolute discretion, select any director, employee, consultant or advisor of the Group for participation in the Scheme as a selected participant and determine the award shares for each of them during the duration of the Share Award Scheme. The Board shall cause to be paid the purchase price for the awarded shares and the related expenses to the trustee of the Share Award Scheme, who will purchase the awarded shares on the Stock Exchange at the prevailing market price. When the selected participant has satisfied all vesting conditions specified by the Board at the time of making the award and become entitled to the Shares forming the subject of the award, the trustee shall transfer the relevant award shares to the selected participant(s) or his/her nominee(s). The Board shall not make any further award of awarded shares which will result in the nominal value of the Share awarded by the Board under the Share Award Scheme exceeding 10% of issued share capital of the Company from time to time. The maximum number of Shares which may be awarded to a selected participant of the Group shall not exceed 1% of the issued share capital of the Company from time to time. For further details of the Share Award Scheme, please refer to the announcement of the Company dated March 30, 2021.

During the Reporting Period, the trustee of the Share Award Scheme purchased a total of 44,098,000 Shares at cash consideration of HK$131,427,960 on the Stock Exchange pursuant to the rules of the Share Award Scheme.

Compliance with the Corporate Governance Code

The Company has adopted and applied the principles and code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules. During the Reporting Period, the Company has complied with the code provisions in the Corporate Governance Code.

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

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

INTERIM DIVIDEND

The Directors did not recommend the payment of an interim dividend to the Shareholders for the Reporting Period.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee comprises three independent non-executive Directors, namely Mr. Jonathan H. Chou (chairman), Ms. Sun Zhixiang and Dr. Ding Jiandong, respectively. The Audit Committee has adopted the terms of reference which are in line with the CG Code. The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended June 30, 2022 and considered that the results complied with relevant accounting standards, rules and regulations and appropriate disclosure have been duly made.

INDEPENDENT REVIEW OF AUDITOR

The interim financial report for the six months ended June 30, 2022 is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements No. 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B of the Listing Rules, the changes in the information of the Directors since December 31, 2021 are set out below:

Mr. Wu Guojia resigned as an executive Director and the Vice President (sales and marketing) of the Company with effect from April 30, 2022. Please refer to the announcement of the Company dated April 29, 2022 for details.

Mr. Zhao Liang, our First Vice President of Total Solutions, was appointed as an executive Director of the Company and a director of Shanghai MicroPort CardioFlow Medtech Co., Ltd., a subsidiary of our Company with effect from May 26, 2022. Please refer to the announcement of the Company dated May 26, 2022 for details.

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

USE OF 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. As of June 30, 2022, the Company had used the net proceeds from the Global Offering for the following purposes:

	Amount of net proceeds for the relevant use *HK$ million*	**Percentage of total net proceeds** *Percentage*	**Actual amount of proceeds utilized as of June 30, 2022** *HK$ million*	**Amount of proceeds unutilized as of June 30, 2022** *HK$ million*	**Percentage of proceeds from the Global Offering expected to be used by December 31, 2022**
VitaFlow Liberty™					
— the ongoing R&D activities, clinical trial and product registration of VitaFlow Liberty™	423.9	15.6%	99.8	324.1	
— the ongoing sales and marketing activities of VitaFlow Liberty™ in China and overseas	391.3	14.4%	43.1	348.2	
Subtotal	**815.2**	**30.0%**	**142.9**	**672.3**	**7.4%**
VitaFlow®	**92.4**	**3.4%**	**20.1**	**72.3**	**1.3%**
The remaining products					
— fund the research, preclinical, clinical trial and commercialization of VitaFlow® III, and VitaFlow® Balloon Expandable	190.2	7.0%	12.2	178.0	
— the ongoing and planned R&D of our TMV product candidates	312.5	11.5%	33.7	278.8	
— the ongoing and planned R&D of our TTVr product candidates, surgical valves and procedural accessories	163.0	6.0%	1.9	161.1	
— fund the planned commercialization activities after receiving the relevant regulatory approvals	67.9	2.5%	—	67.9	
Subtotal	**733.6**	**27.0%**	**47.8**	**685.8**	**4.4%**

	Amount of net proceeds for the relevant use *HK$ million*	Percentage of total net proceeds *Percentage*	Actual amount of proceeds utilized as of June 30, 2022 *HK$ million*	Amount of proceeds unutilized as of June 30, 2022 *HK$ million*	Percentage of proceeds from the Global Offering expected to be used by December 31, 2022
Fund the expansion of our product portfolio through collaboration with global enabler	**407.6**	**15.0%**	**314.1**	**93.5**	**11.6%**
Expand our production capacity and strengthen our manufacturing capabilities for VitaFlow® and VitaFlow Liberty™	**396.7**	**14.6%**	**69.7**	**327.0**	**3.2%**
Working capital and general corporate purposes	**271.7**	**10.0%**	**69.4**	**202.3**	**2.9%**
Total	**2,717.2**	**100.0%**	**664.0**	**2,053.2**	**30.8%**

Going forward, the net proceeds will be applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus. As of the date of this report, the Company does not anticipate any change to its plan on the use of proceeds as stated in the Prospectus. The Company expects that approximately HK$836.9 million, accounting for approximately 30.8% of the net proceeds of the Global Offering, will be utilized by December 31, 2022 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.

Review report to the board of directors of MicroPort CardioFlow Medtech Corporation
(Incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 32 to 52 which comprises the consolidated statement of financial position of MicroPort CardioFlow Medtech Corporation (the "Company") as of 30 June 2022 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and condensed consolidated statements of cash flows for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2022 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

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

29 August 2022

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

for the six months ended 30 June 2022 (unaudited)

(Expressed in Renminbi)

	Note	Six months ended 30 June 2022 RMB'000	2021 RMB'000
Revenue	3	**124,782**	86,193
Cost of sales		**(45,339)**	(38,682)
Gross profit		**79,443**	47,511
Other net income	4	**12,070**	7,711
Research and development costs		**(79,610)**	(48,998)
Distribution costs		**(61,048)**	(39,475)
Administrative expenses		**(33,940)**	(13,884)
Other operating costs	5(b)	**(20,224)**	(5,262)
Loss from operations		**(103,309)**	(52,397)
Finance costs	5(a)	**(2,915)**	(17,057)
Share of loss of associates		**(15,327)**	—
Share of loss of a joint venture		**(7)**	(112)
Loss before taxation	5	**(121,558)**	(69,566)
Income tax	6	**(822)**	(499)
Loss for the period and attributable to the equity shareholders of the Company		**(122,380)**	(70,065)
Loss per share	7		
Basic and diluted (RMB)		**(0.05)**	(0.03)

The notes on pages 39 to 52 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 12(a).

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2022 (unaudited)

(Expressed in Renminbi)

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Loss for the period	**(122,380)**	(70,065)
Other comprehensive income for the period, net of nil tax		
Items that will not be reclassified to profit or loss:		
Exchange differences on translation of financial statements of the Company	**168,330**	(393)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign subsidiaries	**(51,465)**	10,800
Other comprehensive income for the period	**116,865**	10,407
Total comprehensive income for the period and attributable to the equity shareholders of the Company	**(5,515)**	(59,658)

The notes on pages 39 to 52 form part of this interim financial report.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

at 30 June 2022 (unaudited)

(Expressed in Renminbi)

	Note	30 June 2022		31 December 2021	
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	8		260,102		267,166
Intangible assets	8		225,800		238,752
Interest in a joint venture			34,865		33,219
Interests in associates	9		293,310		176,738
Financial assets measured at fair value through profit or loss			24,910		21,052
Other non-current assets			25,870		25,266
			864,857		762,193
Current assets					
Inventories		109,473		82,732	
Trade and other receivables	10	108,757		113,480	
Pledged and time deposits		202,129		192,027	
Cash and cash equivalents		1,936,935		2,211,560	
		2,357,294		2,599,799	
Current liabilities					
Trade and other payables	11	107,375		126,778	
Contract liabilities		765		2,957	
Lease liabilities		36,193		34,699	
Income tax payable		396		—	
		144,729		164,434	
Net current assets			2,212,565		2,435,365
Total assets less current liabilities			3,077,422		3,197,558
Non-current liabilities					
Lease liabilities		76,724		90,936	
Deferred income		1,940		2,250	
Derivative financial liabilities		4,101		7,898	
			82,765		101,084
NET ASSETS			2,994,657		3,096,474

	Note	30 June 2022 RMB'000	30 June 2022 RMB'000	31 December 2021 RMB'000	31 December 2021 RMB'000
CAPITAL AND RESERVES					
Share capital			**83**		83
Reserves			**2,994,574**		3,096,391
TOTAL EQUITY			**2,994,657**		3,096,474

Approved and authorised for issue by the board of directors on 29 August 2022.

Luo Qiyi
Chairman

Chen Guoming
Director

The notes on pages 39 to 52 form part of this interim financial report.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the six months ended 30 June 2022 (unaudited)

(Expressed in Renminbi)

	Ordinary share capital RMB'000	Preferred share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Capital reserve RMB'000	Accumulated losses RMB'000	Total (deficit)/ equity RMB'000
Balance at 1 January 2021	43	17	481,837	82,703	(267,980)	(641,804)	(345,184)
Changes in equity for the six months ended 30 June 2021:							
Loss for the period	—	—	—	—	—	(70,065)	(70,065)
Other comprehensive income	—	—	—	10,407	—	—	10,407
Total comprehensive income	—	—	—	10,407	—	(70,065)	(59,658)
Share issued upon the completion of initial public offering, net of transaction costs	7	—	2,008,573	—	—	—	2,008,580
Share issued upon exercise of the over-allotment option, net of transaction costs	1	—	303,155	—	—	—	303,156
Conversion of preferred shares into ordinary shares	32	(17)	1,343,046	—	—	—	1,343,061
Share issued under the share option scheme	—	—	9,392	—	(5,020)	—	4,372
Equity-settled share-based transactions	—	—	—	—	13,421	195	13,616
Balance at 30 June 2021	83	—	4,146,003	93,110	(259,579)	(711,674)	3,267,943

The notes on pages 39 to 52 form part of this interim financial report.

	Note	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Capital reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 January 2022		83	4,150,941	62,624	(292,496)	(824,678)	3,096,474
Changes in equity for the six months ended 30 June 2022:							
Loss for the period		–	–	–	–	(122,380)	(122,380)
Other comprehensive income		–	–	116,865	–	–	116,865
Total comprehensive income		–	–	116,865	–	(122,380)	(5,515)
Share issued under the share option scheme		–	6,255	–	(3,355)	–	2,900
Equity-settled share-based transactions		–	–	–	8,384	–	8,384
Share repurchased under the share award scheme	12(b)	–	–	–	(109,818)	–	(109,818)
Share granted under the share award scheme		–	–	–	2,232	–	2,232
Balance at 30 June 2022		83	4,157,196	179,489	(395,053)	(947,058)	2,994,657

The notes on pages 39 to 52 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

for the six months ended 30 June 2022 (unaudited)

(Expressed in Renminbi)

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Operating activities		
Cash used in operations	**(81,817)**	(44,161)
Tax paid	**(426)**	(173)
Net cash used in operating activities	**(82,243)**	(44,334)
Investing activities		
Payments for the purchase of property, plant and equipment	**(31,226)**	(15,282)
Payments for intangible assets	**(850)**	(15,517)
Placement of time deposits	**(189,666)**	—
Withdrawal of time deposits	**189,666**	—
Interest received	**427**	—
Payments for the acquisition of associates and other financial assets	**(127,592)**	(37,143)
Net cash used in investing activities	**(159,241)**	(67,942)
Financing activities		
Lease deposits refunded/(paid)	**190**	(31,123)
Lease rentals paid	**(15,777)**	(2,128)
Payment for repurchase of shares	**(109,818)**	—
Net proceeds from initial public offering	**—**	2,008,580
Net proceeds from exercise of the over-allotment options	**—**	303,156
Proceeds from shares issued under share option scheme	**2,900**	4,372
Net cash (used in)/generated from financing activities	**(122,505)**	2,282,857
Net (decrease)/increase in cash and cash equivalents	**(363,989)**	2,170,581
Cash and cash equivalents at the beginning of the period	**2,211,560**	612,474
Effect of foreign exchange rate changes	**89,364**	(7,262)
Cash and cash equivalents at the end of the period	**1,936,935**	2,775,793

The notes on pages 39 to 52 form part of this interim financial report.

1 Basis of preparation

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It has been reviewed by the audit committee of the Company and approved for issue on 29 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of MicroPort CardioFlow Medtech Corporation (the "Company") and its subsidiaries (together, the "Group") since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors of the Company is included on page 31.

The financial information relating to the financial year ended 31 December 2021 that is included in the interim financial report as comparative information does not constitute the Company's annual consolidated financial statements for that financial year but is derived from those financial statements. The Company's annual consolidated financial statements for the year ended 31 December 2021 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 March 2022.

2 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:

- Annual Improvements to HKFRS Standards 2018–2020
- Amendments to HKFRS 3, *Reference to the Conceptual Framework*
- Amendments to HKAS 16, *Property, plant and equipment: proceeds before intended use*
- Amendments to HKAS 37, *Onerous contracts — cost of fulfilling a contract*

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

3 Revenue

(a) Revenue

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

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of medical devices — point in time	**124,782**	86,193

3 Revenue (continued)

(b) Segment and geographical information

For the purpose of making decisions about resources allocation and performance assessment, the Group's management focuses on the operating results of the Group as a whole. As such, the Group's resources are integrated, and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

The following table sets out information about the geographical location of the Group's revenue from external customers.

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
The People's Republic of China (the "PRC") (country of domicile)	**122,948**	86,193
Other countries	**1,834**	—
	124,782	86,193

4 Other net income

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Government grants (Note)	**534**	72
Interest income on bank deposits	**10,271**	12,531
Interest income on other financial assets carried at amortised cost	**604**	—
Net realised and unrealised gain/(loss) on financial instruments carried at fair value through profit or loss	**981**	(655)
Net foreign exchange loss	**(336)**	(3,669)
Net loss on disposal of property, plant and equipment	**—**	(568)
Others	**16**	—
	12,070	7,711

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

5 Loss before taxation

Loss before taxation is arrived at after charging:

(a) Finance costs

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	**2,811**	364
Interest on other financial liabilities	**—**	16,609
Total interest expense on financial liabilities not at fair value through profit or loss	**2,811**	16,973
Others	**104**	84
	2,915	17,057

(b) Other operating costs

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Donation expenditure	**20,224**	—
Listing expenses	**—**	5,255
Others	**—**	7
	20,224	5,262

5 Loss before taxation (continued)

(c) Other items

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Amortisation of intangible assets	**14,271**	7,742
Depreciation charge		
— owned property, plant and equipment	**5,176**	2,478
— right-of-use assets	**16,449**	3,285
	35,896	13,505
Less: Capitalised into intangible assets	**—**	(483)
	35,896	13,022
Provisions for inventory write-down	**3,320**	1,270

6 Income tax

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Current tax — PRC Corporate Income Tax ("CIT")	**822**	499
	822	499

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., which is entitled to a preferential income tax rate of 15% as it is certified as a "High and New Technology Enterprise" ("HNTE"). According to Guoshuihan 2009 No. 203, if an entity is certified as an HNTE, it is entitled to a preferential income tax rate of 15% during the certified period.

The current tax expenses during the six months ended 30 June 2022 arose from the interest income on cash deposited in non-resident accounts of the Company's subsidiaries 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 similarly calculated using the estimated annual effective rate of taxation that are expected to be applicable in the relevant jurisdictions.

7 Loss per share

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB122,380,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: RMB70,065,000) and the weighted average of 2,373,873,000 shares (six months ended 30 June 2021: 2,262,158,000 shares).

(b) Diluted loss per share

The calculation of diluted loss per share amount for the six months ended 30 June 2022 had not included the share options granted by the Company (see note 12(c)) during the period, as they had an anti-dilutive effect on the basic loss per share amount for the period.

8 Property, plant and equipment and intangible assets

During the six months ended 30 June 2022, the Group acquired items of plant and equipment with a cost of RMB15,991,000 (six months ended 30 June 2021: RMB30,608,000) and no capitalised development costs were incurred (six months ended 30 June 2021: RMB15,732,000).

9 Interest in associates

In March 2022, the Group purchased additional series C preferred shares newly issued by 4C Medical Technologies, Inc. ("4C Medical") (the "Deferred Purchase").

In April 2022, the Group entered into a share purchase agreement with Witney Global Limited (the "Witney", a third party to the Group), pursuant to which, the Group acquired all the investment in 4C Medical held by Witney. Meanwhile, the put option the Company granted to Witney (the "Witney Put Option") in relation to the investment in 4C Medical lapsed.

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

10 Trade and other receivables

As of the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	30 June 2022 RMB'000	31 December 2021 RMB'000
Within 3 months	**84,938**	74,707
Over 3 months	**839**	—
	85,777	74,707
Value-added tax recoverable	**—**	23,932
Deposits and prepayments	**21,287**	14,704
Other debtors	**1,693**	137
	108,757	113,480

All trade receivables are due within 3 months from the date of billing. Debtors with balances that are past due are requested to settle all outstanding balances before any further credit is granted.

11 Trade and other payables

As of the end of the reporting period, the ageing analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

	30 June 2022 RMB'000	31 December 2021 RMB'000
Within 1 month	**46,886**	51,964
Over 1 month but within 3 months	**305**	1,403
Over 3 months but within 6 months	**4,940**	715
Over 6 months but within 1 year	**670**	446
Over 1 year	**736**	394
	53,537	54,922
Accrued payroll	**16,426**	20,118
Other payables and accrued charges	**37,412**	51,738
Financial liabilities measured at amortised cost	**107,375**	126,778

12 Capital, reserves and dividends

(a) Dividends

The directors of the Company did not propose the payment of any dividend during the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

(b) Purchase of own shares

During the six months ended 30 June 2022, the Company purchased its own ordinary shares through the designated trustee under the share award scheme (note 12(c)(iii)) as follows:

Month/year	No. of shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate considerations paid RMB'000
January 2022	13,410,000	3.95	3.38	40,616
April 2022	26,904,000	2.48	2.92	61,741
May 2022	3,784,000	2.18	2.60	7,461
Total	44,098,000			109,818

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

(c) Equity-settled share-based payment transactions

(i) Share option plans adopted by the Company

The Company has adopted the share options plans (referred as the "2020 Option Plan") pursuant to which, the board of directors may authorise, at their discretion, the issuance of share options to the eligible person. Each option gives the holder the right to subscribe for one ordinary share of the Company.

12 Capital, reserves and dividends (continued)

(c) Equity-settled share-based payment transactions (continued)

(i) Share option plans adopted by the Company (continued)

The movements in the number and weighted-average exercise prices of share options are as follow:

	2022		2021	
	Weighted average exercise price HK$	**Number of options '000**	Weighted average exercise price HK$	Number of options '000
Outstanding at 1 January	**2.79**	**67,862**	1.24	71,909
Granted during the period	**3.52**	**20,319**	13.72	8,000
Exercised during the period	**1.24**	**(2,775)**	1.24	(4,242)
Forfeited during the period	**2.22**	**(8,353)**	2.52	(3,702)
Cancelled during the period	**—**	**—**	1.24	(160)
Outstanding at 30 June	**3.03**	**77,053**	2.56	71,805

The share options granted during the six months ended 30 June 2022 are exercisable upon vesting and then expire in a period from January 2023 to June 2032.

(ii) Share option plans granted by the ultimate controlling party

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 period ended 30 June 2022, MPSC has granted 246,008 share options to the employee of the Group (six months ended 30 June 2021: 30,226). These share options are vested in instalments over an explicit vesting period of one to seven years. Each instalment is accounted for as a separate share-based compensation arrangement. The contractual life of the options is ten years.

During the six months ended 30 June 2022, 40,000 share options were exercised (six months ended 30 June 2021: nil).

12 Capital, reserves and dividends (continued)

(c) Equity-settled share-based payment transactions (continued)

(iii) Share award scheme

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 six months ended 30 June 2022, the Company granted 1,030,424 shares (six months ended 30 June 2021: nil) with a fair value of RMB2,232,000 (six months ended 30 June 2021: nil) to the Group's executives and employees.

13 Fair value measurement of financial instruments

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each 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

13 Fair value measurement of financial instruments (continued)

(a) Financial assets and liabilities measured at fair value (continued)

(i) Fair value hierarchy (continued)

The Group has engaged an external valuer to perform valuations for the financial instruments, including unlisted equity securities and Witney Put Option. At the end of the reporting date, an analysis of changes in fair value measurement is prepared by the finance department with reference to the relevant valuation reports from the external valuer and is reviewed and approved by the chief financial officer.

	Fair value at 30 June 2022 RMB'000	**Fair value measurements as at 30 June 2022 categorised into**		
		Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**
Recurring fair value measurement				
Financial assets:				
Convertible instruments held	**24,910**	**—**	**24,910**	**—**
Financial liabilities:				
Derivative financial instruments — Witney Put Option	**(4,101)**	**—**	**—**	**(4,101)**

	Fair value at 31 December 2021 RMB'000	Fair value measurements as at 31 December 2021 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial assets:				
Convertible instruments held	21,052	—	21,052	—
Financial liabilities:				
Derivative financial instruments — Witney Put Option	(7,898)	—	—	(7,898)

During the six months ended 30 June 2022, 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.

13 Fair value measurement of financial instruments (continued)

(a) Financial assets and liabilities measured at fair value (continued)

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of the other financial assets in Level 2 is determined by the recent transaction price.

(iii) Information about Level 3 fair value measurements

		30 June 2022
	Valuation techniques	**Significant unobservable inputs**
Witney Put Option	Black-Scholes model	Expected probability of event of 50% and expected volatility of 38%, taking into account the historical volatility of the comparable companies (Note)

Note As at 30 June 2022, it is estimated that with all other variables held constant, an increase/decrease in the expected probability of event by 5% would have increase/decrease the Group's loss by RMB410,000/RMB410,000 and an increase/decrease in the expected volatility by 5% would have increased/decreased the Group's loss by RMB364,000/RMB362,000.

The movements during the six months ended 30 June 2022 in the balance of these Level 3 fair value measurements are as follows:

	Financial liabilities RMB'000
At 1 January 2022	**(7,898)**
Exchange adjustments	**(392)**
Settled (note 9)	**3,208**
Changes in fair value recognised in profit or loss during the period	**981**
At 30 June 2022	**(4,101)**

(b) 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 30 June 2022 and 31 December 2021.

14 Commitments

Capital commitments in respect of property, plant and equipment and intangible assets outstanding at 30 June 2022 not provided for in the interim financial statements are as follows:

	30 June 2022 RMB'000	31 December 2021 RMB'000
Contracted for	**1,819**	44,083
Authorised but not contracted for	**145,020**	133,853
	146,839	177,936

15 Material related party transactions

(a) Key management personnel remuneration

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Salaries and other benefits	**1,460**	1,340
Discretionary bonuses	**1,592**	854
Equity-settled share-based payment expenses	**1,676**	2,877
	4,728	5,071

(b) Financing arrangement with related parties

The Group entered into lease contracts in respect of certain leasehold properties from Shanghai MicroPort Medical (Group) Co., Ltd. ("Shanghai MicroPort Medical") for its operation. As at 30 June 2022, the Company recorded lease liabilities of RMB3,420,000 due to Shanghai MicroPort Medical (31 December 2021: RMB4,445,000). For the six months ended 30 June 2022, the finance cost arising from the above lease arrangements charged to the consolidated profit or loss is RMB82,000 (six months ended 30 June 2021: RMB193,000).

15 Material related party transactions (continued)

(c) Cash deposited in a related party

As at 30 June 2022, the Group has deposited cash amounted to RMB390,000 (31 December 2021: RMB386,000) in Shanghai HuaRui Bank Co., Ltd. ("SHRB"), an associate of the ultimate controlling party of the Group, with interest rate of from 1.9% to 2.55% per annum during the six months ended 30 June 2022.

(d) Sales, purchase and other related party transactions

During the six months ended 30 June 2022 and 2021, the Group entered into transactions with the following related parties:

Name of party	Relationship
MicroPort Scientific Corporation	Ultimate controlling party of the Group
Shanghai MicroPort Medical	Fellow subsidiary of the Group
AccuPath Medtech (Jiaxing) Co., Ltd.	Equity-accounted investee of MPSC
SuZhou ProSteri Medical Technology Co., Ltd.	Equity-accounted investee of MPSC
Medical Product Innovation, Inc.	Fellow subsidiary of the Group
Shanghai SafeWay Medicare Co., Ltd.	Fellow subsidiary of the Group
MicroPort Medical B.V.	Fellow subsidiary of the Group
MicroPort Sorin CRM Co., Ltd.	Fellow subsidiary of the Group
Rosefinch Swallow (Shanghai) Medtech Co., Ltd.	Subsidiary of MPSC
Shanghai MicroPort ZuoQuan Health Technology Co., Ltd.	Subsidiary of MPSC
Shanghai HuaRui Bank Co., Ltd.	Equity-accounted investee of MPSC

Particulars of the Group's transactions with related parties are as follows:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Service fee charged by subsidiaries of MPSC	**7,533**	2,166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