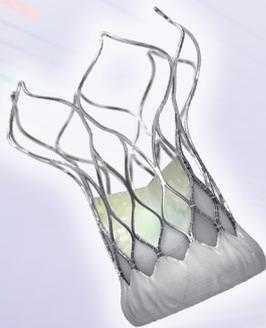




MicroPort CardioFlow Medtech Corporation  
微创心通医疗科技有限公司

(Incorporated in the Cayman Islands with limited liability)

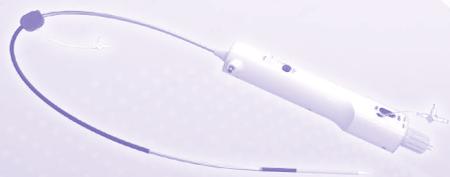
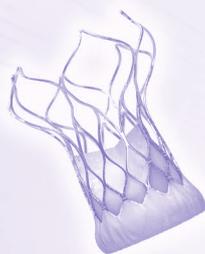
Stock Code : 2160



**2023**  
INTERIM REPORT

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# 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
“AccuSniper™”	AccuSniper™ double-layer balloon catheter
“AltaValve™”	AltaValve™ transcatheter mitral valve replacement system
“Alwide®”	Alwide® balloon catheter
“Alwide® Plus”	Alwide® Plus balloon catheter
“Angelguide®”	our first-generation tip-preshaped super stiff guidewire
“aortic valve”	the valve that prevents blood flowing back from aorta to left ventricle
“Audit Committee”	the audit committee of our Company
“Board”	the board of directors of our Company
“Business Day”	a day on which banks in Hong Kong are generally open for business to the public and which is not (i) a Saturday, Sunday or public holiday in Hong Kong or (ii) a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
“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 Special Administrative Region of the PRC 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
“Code Provision(s)”	the principles and code provisions set out in the CG Code
“Company” or “our Company”	MicroPort CardioFlow Medtech Corporation (微创心通医疗科技有限公司), a company with limited liability incorporated under the laws of the Cayman Islands on January 10, 2019
“Director(s)”	the director(s) of our Company, including all executive, non-executive and independent non-executive directors

## Definitions and Glossary of Technical Terms (Continued)

“FDA”	U.S. Food and Drug Administration
“GFA”	gross floor area
“Global Offering”	the Hong Kong Public Offering and the International Offering (including the Preferential Offering)
“GMP”	good manufacturing practices, the aspect of quality assurance that ensures that medicinal products are consistently produced and controlled to the quality standards appropriate to their intended use and as required by the product specification
“Group”, “our Group”, “we”, “us”, or “our”	our Company and all of our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company and the businesses operated by such subsidiaries or their predecessors (as the case may be)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“IDE”	Investigational device exemptions
“Independent Physicians”	physicians who can perform TAVI with our products independently
“KOL(s)”	doctors that influence their peers’ medical practice, including but not limited to prescribing behavior
“Listing 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 Growth Enterprise Market of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the Growth Enterprise Market 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

## Definitions and Glossary of Technical Terms (Continued)

“NMPA”	National Medical Products Administration (國家藥品監督管理局) and its predecessor the China Food and Drug Administration (國家食品藥品監督管理總局), including its sub-division, such as the Center for Medical Device Evaluation (國家藥品監督管理局醫療器械技術審評中心)
“Nomination Committee”	the nomination committee of our Company
“PAV”	prosthetic aortic valve, the artificial valve of our TAVI products
“PET”	polyethylene terephthalate
“Prospectus”	the prospectus issued by our Company on January 26, 2021
“PVL”	paravalvular leakage, a complication associated with the implantation of a prosthetic heart valve through TAVI or surgical aortic valve replacement
“R&D”	research and development
“Remuneration Committee”	the remuneration committee of our Company
“Renminbi” or “RMB”	the lawful currency of the PRC
“Reporting Period”	the six months ended June 30, 2023
“Rose Emblem”	Rose Emblem Ltd.
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Shanghai MicroPort”	Shanghai MicroPort Limited, a company incorporated in the BVI with limited liability on January 8, 2019, a wholly-owned subsidiary of MicroPort® and one of our controlling shareholders
“Shanghai Shield”	Shanghai MicroPort Shield Medtech Co., Ltd. (上海微盾醫療科技有限公司)
“Share Award Scheme”	the share award scheme adopted by our Company on March 30, 2021, as amended from time to time
“Share Option Scheme”	the share option scheme adopted by our Company on March 13, 2020 and terminated and replaced by the Share Scheme on June 27, 2023
“Share Scheme”	the share scheme adopted by our Company on June 27, 2023, as amended from time to time
“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)
“sq.m”	square meter, a unit of area

## Definitions and Glossary of Technical Terms (Continued)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“STS Score”	Society of Thoracic Surgery risk score or percentage point, a validated risk-prediction model for open surgery, the higher value of which indicates the higher risk of patients to conduct a surgery
“TAVI”	transcatheter aortic heart valve implantation, a catheter-based technique to implant a new aortic valve in a minimally invasive procedure that does not involve open-chest surgery to correct severe aortic stenosis
“TMV”	transcatheter mitral valve, which refers to treatment methods for mitral valve diseases through transcatheter approach
“TMVR”	transcatheter mitral valve replacement, a catheter-based technique to implant a new mitral valve in an interventional procedure that does not involve open-chest surgery
“TMVr”	transcatheter mitral valve repair, a catheter-based technique to repair the mitral valve in an interventional procedure that does not involve open-chest surgery
“TTV”	transcatheter tricuspid valve, which refers to treatment methods for tricuspid valve diseases through transcatheter approach
“TTVR”	transcatheter tricuspid valve replacement, 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\$” or “US dollars”	United States dollars, the lawful currency of the United States
“Valcare”	Valcare, Inc., a company incorporated under the laws of the State of Delaware and mainly engaged in the R&D of mitral valve and tricuspid valve medical devices
“VitaFlow®”	unless the context indicates otherwise, “VitaFlow®” refers to the VitaFlow® transcatheter aortic valve implantation system, which comprises of a PAV, a motorized delivery system and certain procedural accessories
“VitaFlow Liberty®”	unless the context indicates otherwise, “VitaFlow Liberty®” refers to the VitaFlow Liberty® transcatheter aortic valve implantation system, which comprises of a PAV, a motorized delivery system and the tip-preshaped super stiff guidewire Angelguide®
“Witney Put Option”	the put option granted to Witney Global Limited
“%”	per cent

# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

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

### Non-Executive Directors

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

### Independent Non-Executive Directors

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

## JOINT COMPANY SECRETARIES

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

## AUTHORIZED REPRESENTATIVES

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## REGISTERED OFFICE

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## COMPANY'S WEBSITE

[www.cardioflowmedtech.com](http://www.cardioflowmedtech.com)

## PRINCIPAL BANKS

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

## LEGAL CONSULTANT

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

## AUDITOR

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

# PRESIDENT'S STATEMENT



**Mr. Jeffrey R Lindstrom**  
*President*

In the first half of 2023, with the sustained recovery and overall improvement of the national economy, popularization and development of TAVI procedures, further expansion of reimbursement coverage of local government medical insurance and innovative reimbursement initiatives that improve the accessibility of therapy, the industry potential is being released at an accelerated pace, with a rapid growth trend in the volume of TAVI procedures. During the Reporting Period, adhering to the mission of “providing universal access to state-of-the-art total solutions to treat structural heart diseases”, leveraging our technical expertise in the field of structural heart diseases, and through close collaboration with the MicroPort® group, we continued to drive innovation and commercialization of relevant therapies, expanded our global business development, continuously broke new highs of implantation volume, while achieving rapid growth in sales revenue and further optimizing operating efficiency.

During the Reporting Period, attributed to the continuous improvement in market recognition of VitaFlow® and VitaFlow Liberty®, as well as effective control of production costs, our revenue increased by 41.4% to RMB176.4 million for the first half of 2023 as compared to the same period of last year, while the gross profit margin increased by around 2.4 percent points to 66.1%.

In terms of product commercialization, in the China market, during the Reporting Period, we newly entered approximately 70 medical centers, increasing the cumulative number of our covered medical centers to over 500. We completed about 2,000 implantations and the number of our Independent Physicians has expanded to over 260. We have also leveraged the resources and advantages of the MicroPort® group in the field of “total cardio”, took the sales team as the front-line contact, with the support of platform partners, our medical education team with professional medical backgrounds and digital methods for therapy promotion, training and academic discussions, continuously promoted high quality market penetration and further popularized the TAVI procedure in the primary market.

Regarding overseas progress, we have accumulatively entered more than 60 hospitals in Argentina and Colombia and completed about 150 TAVI procedures as of the end of the reporting period, and obtained the registration approval of VitaFlow Liberty® in Thailand in February and the registration approval of Alwide® Plus balloon catheter in Russia in August this year. The CE mark registration of VitaFlow Liberty® is also advanced in good order and made progress to the next stage, and the registration of VitaFlow Liberty® in emerging markets such as India, Brazil, South Korea, Mexico and Russia is also advancing in an orderly manner, which is expected to bring new device choices to physicians with its unique hybrid density stent and motorized delivery system, and further expand the Group's overseas business coverage.

## President's Statement (Continued)

As for market promotion, we continued to jointly organize the third “AP-SHD-China Structural Week·VitaFlow® Classics Competition” with the Youth Club of Asia Pacific Structural Heart Diseases, which has become the most influential competition among young-and-middle-aged physicians in the TAVI field and continued to cultivate Independent Physicians that form a good foundation for accelerating popularization and penetration of the TAVI procedure.

With respect to overseas market activities, we participated in well-known international academic conferences, shared the latest clinical information of our TAVI products, as well as related device features and procedure skills via introduction of international senior experts in the field of interventional therapy for valvular heart disease, held discussions on typical cases and conducted live case broadcasting, which further increased the influence of the CardioFlow brand in the international academic community.

In relation to R&D, our third-generation TAVI product has completed design freeze, the disruptive upgrades of which have been spoken highly of by leading experts. Our self-developed TMVR product has completed several FIM cases with follow-up periods up to a year with exhilarating results. Our self-developed edge to edge repair product has also entered the in vivo validation phase of animal studies. AltaValve™, a TMVR product developed by us in collaboration with our business partner, is about to complete its early feasibility study and has pre-filed its IDE application with the FDA, expected to be the world's first mitral regurgitation treatment option with atrium-only fixation. Additionally, our third-generation balloon catheter, AccuSniper™, was approved by the NMPA for registration, becoming the world's only double-layer balloon catheter for TAVI with excellent release stability, and applies hybrid polymer materials that significantly improve puncture resistance.

In the second half of 2023, we will adhere to the mission of “providing universal access to state-of-the-art total solutions to treat structural heart diseases”, ride on the momentum from the vast Chinese market and expanding overseas markets, expand our R&D pipelines, promote our globalization strategy, and expand our global channels to benefit patients worldwide.

At the same time, we will continue to strengthen talent system building, continuously optimize our management capabilities, improve operational efficiency, and leverage the resources and advantages of the MicroPort® group to enhance the overall sustainable development of the Group and continue to create value for our Shareholders and the society at large.

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.

# FINANCIAL HIGHLIGHTS

## CONSOLIDATED STATEMENTS OF PROFITS OR LOSS

	For the six months ended June 30,	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Revenue	176,442	124,782
Gross profit	116,623	79,443
Loss before taxation	(175,629)	(121,558)
Loss for the period and attributable to equity shareholders of our Company	(179,402)	(122,380)
Loss per share — Basic and diluted (in RMB)	(0.08)	(0.05)

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of	
	June 30, 2023 RMB'000 (unaudited)	December 31, 2022 RMB'000 (audited)
Non-current assets	654,315	729,493
Current assets	2,246,190	2,271,768
Total assets	2,900,505	3,001,261
Non-current liabilities	60,427	70,317
Current liabilities	181,205	177,229
Total liabilities	241,632	247,546
Total equity	2,658,873	2,753,715

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Overview

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

In the first half of 2023, with the popularization and development of TAVI, the rising number of qualified medical centers, the continuous academic exchanges and market activities, the improved proficiency of physicians, and enhanced patients' awareness of valvular diseases, the penetration rate of TAVI procedures was further improved with accelerated industry growth. Meanwhile, benefiting from the further expansion of reimbursement coverage of local government medical insurance and innovative reimbursement initiatives, the affordability of patients has been enhanced, and the demand for treatment of structural heart diseases has been further unleashed.

With the Group's extensive presence in different regions across China and our close collaboration with MicroPort® Group, we continued to carry out high-quality hospital coverage and newly entered approximately 70 medical centers during the Reporting Period, and focused on consolidating and enhancing patient discovery and procedure support in existing centers, achieving rapid growth in implantation volume and sales revenue in over 500 medical centers we covered. Coupled with the expansion of the Group's sales team and the deepening influence of our commercialized products, we continued to break through new weekly and monthly implantation highs and maintained a strong growth momentum.

In terms of overseas progress, as of the end of the Reporting Period, we have entered more than 60 hospitals and performed more than 140 TAVI procedures in Argentina and Colombia. We obtained approval for the registration of VitaFlow Liberty® in Thailand in February 2023 and completed physician education and market warm-up. The CE mark registration of VitaFlow Liberty® is also advanced in good order and made progress to the next stage, which is expected to bring new device choices to physicians with its unique hybrid density stent and motorized delivery system to further expand the Group's overseas business coverage. During the Reporting Period, we gradually increased the presence of VitaFlow Liberty® in the Latin American and global structural heart disease academic community through participation in international academic conferences. The registration of VitaFlow Liberty® in emerging markets such as India, Brazil, South Korea, Mexico and Russia is also advancing in an orderly manner. As of the date of this interim report, the registration of our Alwide® Plus balloon catheter has been approved in Russia. With the successive certification of our products in the overseas markets, we will also continue to expand our business coverage and accelerate global business development by continuously leveraging on the global visibility of the MicroPort® brand and the existing sales network of the MicroPort® Group.

While accelerating the pace of commercialization, we have continued to carry out the strategic R&D roadmap to provide trustworthy and universal access to state-of-the-art total solutions to treat structural heart diseases in an orderly and efficient manner, providing continuous momentum for the Group’s rapid and healthy development. We pay close attention to the technical bottlenecks and clinical pain points of the existing TAVI products, and have designed and plan to launch our third generation TAVI product which is equipped with an upgraded steerable delivery system, in order to further enhance the immediate and long-term therapeutic effects of TAVI procedures. In August 2023, the registration of our AccuSniper™ Double-Layer Balloon Catheter was approved by the NMPA, making it the world’s only double-layer balloon catheter with excellent release stability and puncture resistance and further enriching our TAVI total solutions. In respect of mitral valve therapy, in July 2023, the Group’s self-developed TMVR product completed several human applications and follow-up up to a year. Our self-developed edge to edge repair product has also entered the in vivo validation phase of animal studies. In addition, AltaValve™, a TMVR product developed by us in collaboration with our business partners, has continued to advance its early feasibility study overseas and has pre-filed its IDE application with the FDA, which is expected to be the world’s first mitral regurgitation treatment option with atrium-only fixation.

Our Pipeline

Our in-house developed product portfolio consists of four commercialized products — VitaFlow®, VitaFlow Liberty® (including procedural accessories as supporting supply), Alwide® Plus and AccuSniper™, and various TAVI products, TMV products, TTV products and procedural accessories at different development stages. In addition to our 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 comprises of the products that we developed independently in house and collaborate with our business partners as of the date of this interim report:

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

■ China status  
■ Global status  
★ Major Progress during the Reporting Period  
▶ Among our product candidates, these devices are exempted from clinical trial requirements in accordance with the Catalogue of Medical Device Exempted from Clinical Trials promulgated by the NMPA, as amended.  
★ These procedural accessories are registered and commercialized offered as part of VitaFlow® or VitaFlow Liberty® system and are not registered as standalone product in China.

### VitaFlow®

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

We conducted a prospective, multi-center and single-arm pivotal clinical trial in China with VitaFlow®, which enrolled 110 patients with mean 30-day expected risk of death after surgery (STS Score) of 8.8%. The 5-year follow-up results of the pre-launch clinical trial of VitaFlow® were released in July 2022, in which the all-cause mortality rate at 5-year follow-up was 18.2%, and the incidence of major stroke cases was only 2.1%. Compared with other TAVI products currently commercialised in China, VitaFlow® performed better in terms of all-cause mortality rate and postoperative complications (including moderate/severe PVL, major stroke and vascular complications). Excellent clinical data provides strong support for the safety and efficacy of VitaFlow®, as well as a solid clinical basis for the global expansion of the product.

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

### VitaFlow Liberty®

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



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

### **Third-Generation TAVI Product**

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

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

### **Novo Generation TAVI Product**

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

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

### **TMVR Product**

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 tissue technology, and the operation of which is simple and physician-friendly. We have now completed several human applications of the TMVR product and postoperative follow-ups of relevant patients for up to one year and are rapidly advancing the human application and validation of the product in multiple centers.

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

## Management Discussion and Analysis (Continued)

### TMVr Product

We are designing a TMVr product for the treatment of patients with mitral regurgitation. We are currently conducting in vivo validation in animal studies to optimize our design.

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

### R&D

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

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

### Intellectual Properties

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

During the Reporting Period, we added 9 patents and 25 pending patent applications in China. Meanwhile, we added a total of 10 patents in South Korea, Japan, Australia, America and Europe. As of the end of the Reporting Period, we owned 142 patents in China, including 26 invention patents, 109 utility models and 7 industry designs, and 159 pending patent applications, including 148 invention patents, 9 utility models and 2 industry designs. To drive our internationalization strategy, as of the end of the Reporting Period, we also owned 97 patents in Japan, Switzerland, Portugal, the United Kingdom, Italy, Germany, France, Spain, America, South Korea, Australia, Brazil and India, among others. All of the patents that we owned or applied for are related to technologies of our products or product candidates and are self-developed by our R&D team. As of the end of the Reporting Period, we owned 86 trademarks worldwide.

### Supply Chain

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

Through close communication and collaboration with global suppliers based on the concept of win-win cooperation, we accelerate the diversified supplier development and the local sourcing of raw materials while maintaining a stable supply of raw materials to enhance supply chain resilience and optimize product costs. On the manufacturing side, we have established an advanced quality control system, further introduced the concept of lean manufacturing, and continued to strengthen the construction of the lean manufacturing system to realize the continuous improvement of production efficiency.

### Commercialization

As of the end of the Reporting Period, we had commercialized VitaFlow® and VitaFlow Liberty® in China, Argentina and Colombia. We focused on the cultivation of qualified TAVI hospitals and Independent Physicians and took it as a key link in the implementation of our market strategy. As of the end of the Reporting Period, there were over 500 hospitals in total in China that have performed TAVI procedures with VitaFlow® and VitaFlow Liberty®, and the number of our Independent Physicians in China has further increased to more than 260. At the same time, our products have been used in over 60 overseas centers with over 10 Independent Physicians as of the end of the Reporting Period.

We have a dedicated in-house team (the "**Total Solutions Team**") with professional medical background to promote our medical solutions. The Total Solutions Team aims to promote our Group's innovative transcatheter and surgical solutions for structural heart diseases. As of the end of the Reporting Period, our Total Solutions Team had nearly 200 full-time employees. Leveraging on the resources and advantages of MicroPort® Group in the field of cardiac and cardiovascular disease treatment, which bring the synergies in the aspects of market access, operation support, first-line promotion, market expansion, medical education and international business, amongst others, into full play, we are committed to providing structural heart diseases patients and physicians with comprehensive medical solutions including disease diagnosis and evaluation, procedure and product education, treatment counsel, training on procedures and use of devices, recommendation on procedural accessories, assistance before and during the procedure and postoperative follow-up. During the Reporting Period, we continued to enhance the screening and referral of lower-tier city patients, and promoted the popularization and penetration of innovative transcatheter treatment solutions in the field of structural heart disease through medical education and marketing activities, which effectively broke the geographical restrictions and tapped into the vast blank market of primary medical care, and helped more TAVI patients complete their diagnosis and treatment conveniently.

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

## Management Discussion and Analysis (Continued)

In order to strengthen the marketing of our products and our brand building, we actively participated in medical conferences and industry exhibitions in the global cardiac and cardiovascular field, continuing to enhance the Group's global visibility and reputation. During the Reporting Period, we continued to jointly organize the third "AP-SHD • China Structural Week • VitaFlow® Classics Competition" with the Youth Club of Asia Pacific Structural Heart Diseases, which has become the most influential competition among young-and-middle-aged physicians in the TAVI field and continued to cultivate TAVI Independent Physicians that form a good foundation for accelerating popularization and penetration of the TAVI procedure. In terms of overseas market activities, we participated in well-known international academic conferences such as CSC Conference (Spain), VALVE in Rio, Structural Summit SBHCI and EuroPCR, shared the latest clinical information of our TAVI products, as well as related device features and procedure skills via introduction of international senior experts in the field of interventional therapy for valvular heart disease, held discussions on typical cases and conducted live case broadcasting, which further increased the influence of the CardioFlow brand in the international academic community.

### Significant Investments, Material Acquisitions and Disposals during the Reporting Period

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

### Events after the Reporting Period

On August 6, 2023, the TMVR product independently developed by the Group has successively completed one-year, three-month and one-month follow-up with excellent results in multiple human applications. Please refer to the announcement of the Company dated August 6, 2023 for details.

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

### Employees and Remuneration

As of June 30, 2023, our Group had a total of 579 full time employees (as of June 30, 2022: 526 full time employees), of which 20% were R&D staff and 33% were marketing and sales staff. We enter into employment contracts with employees in accordance with applicable laws and regulations, and provide them with competitive remuneration package, including wage, allowance, bonus, benefits and long-term incentives.

The Company has adopted the Share Scheme, the Share Award Scheme and Share Option Scheme (terminated on June 27, 2023) to provide incentives for the eligible participants.

### Future Development

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

- **Deepen multi-level hospital coverage and procedure penetration.** With the positive clinical trial results of VitaFlow® and VitaFlow Liberty® and positive feedback from physicians and patients in real-world applications, we will accelerate the penetration of qualified medical centers in China, use layered management onto the hospitals covered according to the volume of TAVI procedures and the number of Independent Physicians, achieve/consolidate advantages by formulating differentiated sales strategies and training programs, and continue to enhance the penetration of TAVI procedures and the market share of our TAVI products.
- **Enhance patient discovery and referral.** We believe that with the deepening of the clinical application of TAVI products, the improvement of physicians' familiarity with devices and their procedure skills, and the expansion of the accessibility of TAVI treatment, there is still mass unmet diagnosis and treatment needs of patients in China (especially in low-tier cities). We will continue to carry out routine patient screening, diagnosis and referral, and carry out the whole-process health management of patients from the very beginning, so as to help more TAVI patients receive timely and reliable treatment.
- **Build academic brand to achieve professional education and promotion.** We fully explore the highlights of differentiated products, develop targeted training programs by discipline, and increase our influence among young-and-middle-aged physicians through academic competition. We have built the KOLs and physician network in the professional field of structural heart diseases and maintained frequent communications with several leading medical associations in these fields to fully build a bright academic brand and achieve professional physician education and product promotion.
- **Conduct long-term postoperative follow-ups and efficacy evaluation.** We continue to conduct follow-up evaluations after TAVI procedures to further monitor the long-term safety and efficacy of VitaFlow® and VitaFlow Liberty®. We believe that we are well-positioned to further boost our product and brand recognition through these valuable long-term clinical data and provide inspiration for the R&D of the next generation of our products.

## Management Discussion and Analysis (Continued)

### **Continue to advance our international strategy**

We will continue to collaborate with global enablers, including medical device companies, research institutes, hospitals and distributors, to advance our international strategy. The registration of VitaFlow Liberty® has been approved in Argentina, Colombia and Thailand, and its CE registration application is also under review. We have selected European and other emerging markets, especially countries that recognize CE mark or the NMPA approval, as key overseas markets to promote the registration and commercialization of VitaFlow Liberty®, and leverage on the global recognition of the MicroPort® brand and the existing sales network of the MicroPort® Group to advance the overseas coverage of our products.

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

### **Rapidly advance the R&D of new products**

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

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

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

### **Enhance data collection to improve insight and decision making**

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

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

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

## **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 interim report.

### **Revenue**

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

Our Group's revenue increased by 41.4% from RMB124.8 million for the six months ended June 30, 2022 to RMB176.4 million for the six months ended June 30, 2023, primarily attributable to continued hospital penetration of our TAVI products and strong overseas growth.

### **Cost of Sales**

During the Reporting Period, our cost of sales was mainly related to the manufacturing of VitaFlow® and VitaFlow Liberty®. Our cost of sales increased by 31.9% from RMB45.3 million for the six months ended June 30, 2022 to RMB59.8 million for the six months ended June 30, 2023, primarily because of the increase of raw materials costs, staff costs and overhead expenses as a result of the increase in sales volumes of VitaFlow® and VitaFlow Liberty®.

### **Gross Profit and Gross Profit Margin**

Our gross profit increased by 46.8% from RMB79.4 million for the six months ended June 30, 2022 to RMB116.6 million for the six months ended June 30, 2023, and the gross profit margin increased by 2.4 percentage points from 63.7% for the six months ended June 30, 2022 to 66.1% for the six months ended June 30, 2023, primarily attributable to our continued efforts in lowering the product cost.

## Management Discussion and Analysis (Continued)

### Other Net Income

For the six months ended June 30, 2023, we recorded RMB43.7 million of other net income, compared to RMB11.1 million for the six months ended June 30, 2022, primarily due to the increase on interest income arose from the bank deposits.

### R&D Costs

Our R&D costs increased by 37.5% from RMB79.6 million for the six months ended June 30, 2022 to RMB109.5 million for the six months ended June 30, 2023, primarily due to continued investment on the R&D projects. The following table provided information regarding the breakdown of the R&D costs of our Company for the periods indicated:

	For the six months ended June 30,	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Staff costs	39,243	23,018
Cost of materials and consumables used	24,468	19,257
Third-party contracting costs	20,355	14,990
Depreciation and amortization	19,821	17,738
Share-based compensation expenses	1,757	2,532
Others	3,850	2,075
Total	109,494	79,610

### Distribution Costs

Our distribution costs increased by 42.2% from RMB61.0 million for the six months ended June 30, 2022 to RMB86.8 million for the six months ended June 30, 2023, primarily due to increased staff cost and marketing activities for VitaFlow® and VitaFlow Liberty®.

### Administrative Expenses

Our administrative costs decreased by 16.0% from RMB33.9 million for the six months ended June 30, 2022 to RMB28.5 million for the six months ended June 30, 2023, primarily due to decrease on the amortization of right-of-use assets.

### Fair Value Changes in Financial Instruments

The loss on fair value changes in financial instruments was RMB33.0 million for the six months ended June 30, 2023, compared to the gain of RMB1.0 million on fair value changes for the six months ended June 30, 2022, which mainly arose from fair value change from convertible instruments issued by Valcare and the Witney Put Option.

### Other Operating Costs

For the six months ended June 30, 2023, our other operating costs was RMB37.9 million (for the six months ended June 30, 2022: RMB20.2 million), primarily due to increased donations during the period.

### Finance Costs

Our finance costs decreased by 23.5% from RMB2.9 million for the six months ended June 30, 2022 to RMB2.2 million for the six months ended June 30, 2023, primarily due to decrease on interests of lease liabilities.

### Share of Losses of Associates

For the six months ended June 30, 2023, our share of losses of associates was RMB23.5 million (for the six months ended June 30, 2022: RMB15.3 million), which was primarily attributable to losses incurred by 4C Medical and Shanghai Shield in the Reporting Period under the equity method.

### Share of Losses of a Joint Venture

For the six months ended June 30, 2023, our share of losses of a joint venture was RMB14.5 million (for the six months ended June 30, 2022: RMB0.01 million), which was primarily attributable to fair value changes from the financial assets measured at fair value through profit or loss recorded by Rose Emblem.

### Inventories

Our inventories decreased by 2.0% from RMB114.1 million as of December 31, 2022 to RMB111.9 million as of June 30, 2023, mainly attributable to our continued efforts on inventory management.

### Trade and Other Receivables

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

Our trade and other receivables increased by 58.2% from RMB82.1 million as of December 31, 2022 to RMB129.8 million as of June 30, 2023, primarily due to the increase in trade receivables brought by the increase on sales.

### Interests in a Joint Venture

As of June 30, 2023, our interests in a joint venture was nil (as of December 31, 2022: RMB14.5 million), primarily due to loss from fair value changes recorded by Rose Emblem.

## Management Discussion and Analysis (Continued)

### Interests in Associates

As of June 30, 2023, our interests in associates was RMB255.8 million (as of December 31, 2022: RMB271.2 million), primarily due to loss recognized from 4C Medical and Shanghai Shield under the equity method.

### 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 by 12.3% from RMB115.6 million as of December 31, 2022 to RMB101.4 million as of June 30, 2023, primarily due to decrease on the trade payables.

### Derivative Financial Liabilities

Our derivative financial liabilities increased by 83.0% from RMB22.7 million as of December 31, 2022 to RMB41.6 million as of June 30, 2023, primarily due to fair value changes on the Witney Put Option.

### Capital Expenditure

Our capital expenditure amounted to RMB5.2 million during the Reporting Period, represented the addition of property, plant and equipment.

### Foreign Exchange Exposure

During the Reporting Period, our Group mainly operated in China and a majority of its transactions were settled in RMB, the functional currency of our Company's primary subsidiaries. As of June 30, 2023, a portion of our Group's bank balances was denominated in US dollars. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. Except for certain bank balances, trade and other receivables, trade and other payables, and other amounts denominated in foreign currencies, our Group did not have significant foreign currency exposure from its operations as of June 30, 2023.

### Contingent Liabilities

As of June 30, 2023, we did not have any contingent liabilities.

### Capital Management

Our Group's objectives in the aspect of managing capital are to safeguard our 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. Our Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher Shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and make adjustments to the capital structure in light of changes in economic conditions.

### Liquidity and Financial Resources

Our cash and cash equivalents as well as pledged and time deposits decreased from RMB2,075.6 million as of December 31, 2022 to RMB2,004.5 million as of June 30, 2023, primarily attributable to expansion of business scales of the Group. Our Group's policy is to regularly monitor its liquidity requirements 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. Our Company believes that we have sufficient funds to satisfy our working capital and capital expenditure requirements for 2023.

### Borrowings and Gearing Ratio

Our Group did not have any borrowings as of June 30, 2023 and December 31, 2022, respectively. As of June 30, 2023, the gearing ratio of our Group (calculated as total lease liabilities divided by total equity as of the same date) decreased to 3.1%, compared to 3.5% as of December 31, 2022, which was mainly attributable to the decrease on lease liabilities during the Reporting Period.

### Net Current Assets

Our Group's net current assets as of June 30, 2023 were RMB2,065.0 million, as compared to net current assets of RMB2,094.5 million as of December 31, 2022. Such decrease was mainly attributable to decrease on cash and cash equivalents.

### Charge on Assets

As of June 30, 2023, there was no charge on assets of our Group.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As of June 30, 2023, the interests and short positions of the Directors and chief executives of our Company and their associates in any of the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by our Company pursuant to Section 352 of the SFO, or as otherwise notified to our Company and the Stock Exchange pursuant to the Model Code were as follows:

### Long Positions in the Shares and underlying Shares of our Company

Name of Directors/ chief executive	Nature of interest	Number of Shares/ underlying Shares	Approximate percentage of shareholding interest
Mr. Chen Guoming	Beneficial owner	7,695,900	0.31%
Dr. Luo Qiyi (resigned on August 29, 2023)	Beneficial owner	6,413,144	0.26%
Mr. Zhao Liang	Beneficial owner	6,019,303	0.24%
Ms. Yan Luying	Beneficial owner	5,543,773	0.22%
Dr. Ding Jiandong	Beneficial owner	479,683	0.01%
Mr. Jonathan H. Chou	Beneficial owner	449,683	0.01%
Ms. Sun Zhixiang	Beneficial owner	449,683	0.01%

Notes:

- (1) All the above Shares are held in long position.
- (2) The calculation is based on the total number of 2,411,110,316 Shares in issue as at June 30, 2023.

Save as disclosed above, as of June 30, 2023, none of the Directors or chief executives of our Company or their associates had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of our Company or any of its associated corporations.

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

As of June 30, 2023, so far as the Directors are aware, the following persons (other than the Directors or chief executives of our Company or their associates) had interests or short positions in the Shares or underlying Shares of our Company as recorded in the register required to be kept by our Company pursuant to Section 336 of the SFO:

Name of Substantial Shareholders	Nature of interest	Number of Shares	Approximately percentage of shareholding interest
Shanghai MicroPort <sup>(1)</sup>	Beneficial owner	1,112,855,680	46.15%
CICC Kangrui <sup>(2)</sup>	Beneficial owner	181,592,220	7.53%

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) All the above Shares are held in long position.
- (4) The calculation is based on the total number of 2,411,110,316 Shares in issue as at June 30, 2023.

Save as disclosed above, as of June 30, 2023, no person, other than the Directors or chief executives of our 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 our 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 OUR COMPANY

Neither our Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of our Company during the period for the six months ended June 30, 2023.

## DIRECTORS' SECURITIES TRANSACTIONS

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

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

## SHARE INCENTIVE SCHEMES

### Share Scheme

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

#### (a) Purpose

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

#### (b) The Eligible Participants

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

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

- (i) the performance of the employee participant;
- (ii) the skill, knowledge, experience, expertise and other personal qualities of the employee participant;
- (iii) the time commitment, responsibilities or employment conditions of the employee participant according to the prevailing market practice and industry standard;
- (iv) the length of employment with our Group; and
- (v) the contribution or potential contribution of the employee participant to the development and growth of our Group.

## Corporate Governance and Other Information (Continued)

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

- (i) the experience of the related entity participant on the Group's businesses;
- (ii) his/her expertise and skill, the actual degree of involvement in and/or cooperation with the Group and length of collaborative relationship the related entity participant has established with the Group;
- (iii) the positive impacts brought by, or expected from, the related entity participant on the Group's business development in terms of an increase in turnover or profits and/or an addition of expertise to the Group;
- (iv) whether the related entity participant has assisted the Group in tapping into new markets and/or increased its market share;
- (v) the amount of support, assistance, guidance, advice, efforts and contributions the related entity participant has exerted and given towards the success of the Group in research, product development or commercialization, and/or the amount of other potential support, assistance, guidance, advice, efforts and contributions the related entity participant is likely to be able to give or make towards the success of the Group in the future; and
- (vi) the materiality and nature of the business relation of the holding companies, fellow subsidiaries or associated companies with the Group and the related entity participant's contribution in such holding companies, fellow subsidiaries or associated companies which may benefit the core business of the Group through a collaborative relationship.

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

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

- (i) The exercise price shall, subject to any adjustment made pursuant to the terms of the Share Scheme, be determined by the Board at its absolute discretion, provided that it shall be not less than the highest of:
  - (a) the closing price of the shares as shown in the daily quotations sheet of the Stock Exchange on the offer date, which must be a Business Day;
  - (b) the average of the closing prices of the shares as shown in the daily quotations sheets of the Stock Exchange for the five (5) consecutive days on which the shares are traded on the Stock Exchange immediately preceding the offer date; and
  - (c) the nominal value of the share on the offer date.

## Corporate Governance and Other Information (Continued)

- (ii) The issue price shall be such price determined by the Board in its absolute discretion and notified to the grantee in the offer letter. For the avoidance of doubt, the Board may determine the issue price to be nil.
- (iii) Where an award is to be granted under the Share Scheme, the date of the meeting of the Board (or its authorized committee for the administration of the Share Scheme) or the remuneration committee thereof (as the case may be) at which the grant was proposed shall be taken to be the offer date for the relevant award, and the provisions as set above shall apply mutatis mutandis.
- (iv) Subject to the terms of the Share Scheme, an award shall be exercisable in whole or in part by the grantee (or, in the case of death of the grantee, by the grantee's personal representative) giving notice in writing to the Company stating that the award is thereby exercised and the number of award shares in respect of which it is so exercised.
  - (a) Each of such notice must be accompanied by a remittance for the full amount of the exercise price or the issue price (as applicable) for the award shares in respect of which the notice is given.
  - (b) Within twenty-one (21) days (or such longer period if the Company in its sole discretion considers it appropriate due to applicable legal or regulatory restrictions) after receipt of the notice and the remittance, the Company shall, at its discretion, arrange for the exercised award shares to be satisfied in the following methods:
    - (1) allot and issue the relevant number of Shares to the grantee (or the grantee's estate in the event of an exercise by the grantee's personal representative) credited as fully paid and instruct the share registrar to issue to the grantee (or the grantee's estate in the event of an exercise by the grantee's personal representative) a share certificate for the shares so allotted and issued;
    - (2) arrange for the exercised award shares to be transferred to the grantee (or the grantee's estate in the event of an exercise by the grantee's personal representative) credited as fully paid and issue to the grantee (or the grantee's estate in the event of an exercise by the grantee's personal representative) a share certificate in respect of the shares so transferred;
    - (3) pay to the grantee (or the grantee's estate in the event of an exercise by the grantee's personal representative) by remittance to the bank account designated and provided by the grantee (or the grantee's personal representative), the actual selling price from on-market sale of the exercised award shares through the facilities of the Stock Exchange at prevailing market prices; and

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

### (d) Vesting Period

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

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

- (i) grants of "make-whole" awards to new joiners to replace the share options or award shares they forfeited when leaving the previous employers;
- (ii) grants to an employee participant whose employment is terminated due to death or occurrence of any out of control event;
- (iii) grants that are made in batches during a year for administrative and compliance reasons, which include awards that should have been granted earlier if not for such administrative or compliance reasons but had to wait for subsequent batch;
- (iv) grants of awards with a mixed or accelerated vesting schedule such as where the awards may vest evenly over a period of twelve (12) months; or
- (v) grants with performance-based vesting conditions in lieu of time-based vesting criteria.

### (e) Scheme Limits and Additional Approvals

#### *The Scheme Mandate Limit*

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

As of the date of the interim report, 239,237,155.6 Shares are available for issue under the Share Scheme, representing approximately 9.92% of the total number of Shares in issue as of the same date.

### ***The Service Provider Participant Sublimit***

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

### ***Refreshment***

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

### ***Grant in excess of the Scheme Mandate Limit***

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

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

- (i) Any grant of an award to a Director, a chief executive of the Company or substantial shareholder (as defined under the Listing Rules), or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who or whose associate is the proposed grantee of the award).
- (ii) (a) Where any grant of an award to an independent non-executive Director or a substantial shareholder (as defined in the Listing Rules), or any of their respective associates, would result in the shares issued and to be issued in respect of all options and awards granted (excluding any options and awards lapsed in accordance with the terms of the relevant schemes) to such person in the twelve (12)-month period up to and including the date of such grant representing in aggregate exceeding 0.1% of the shares in issue, or  
  
(b) where any grant of share awards (i.e., excluding grant of share options) to any Director (other than an independent non-executive Director) or chief executive of the Company, or any of their respective associates, would result in the shares issued and to be issued in respect of all awards granted (excluding any awards lapsed in accordance with the terms of the relevant schemes) to such person in the twelve (12) month period up to and including the date of such grant representing in aggregate over 0.1% of the shares in issue at the date of such grant,

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

- (iii) The Company must send a circular to the shareholders. The circular must contain such information required by the Listing Rules.
- (iv) The grantee, his/her associates and all the core connected persons must abstain from voting in favour of the proposed grant at such general meeting. Parties that are required to abstain from voting in favour of the proposed grant at the general meeting of the Company pursuant to the Listing Rules may vote against the resolution at the general meeting of the Company, provided that their intention to do so has been stated in the relevant circular to the shareholders.
- (v) Any vote taken at the general meeting of the Company to approve the grant of such award must be taken on a poll and comply with the requirements under the Listing Rules.
- (vi) Any change in the terms of awards granted to an eligible participant who is a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company, or any of their respective associates must be approved by the shareholders in the manner as set out in the Listing Rules if the initial grant of the award requires such approval (except where the changes take effect automatically under the existing terms of the Share Scheme).

### **(g) Maximum Entitlement of Each Eligible Participant**

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

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

### **(h) Performance Targets and Clawback Mechanism**

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

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

### **(i) Time of Exercise of Options**

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

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

**(j) Remaining Life of the Scheme**

The Share Scheme shall be valid and effective until the Business Day on which falls on the date immediately prior to the tenth anniversary of the Adoption Date of Share Scheme (the “**Termination Date**”), after which period no further awards will be granted but the provisions of the Share Scheme shall remain in force to the extent necessary to give effect to the exercise of any awards granted on or prior to the Termination Date or otherwise as may be required in accordance with the provisions of the Share Scheme.

Subject to the early termination, the remaining life of the Share Scheme is approximately 9 years and 9 months as of the date of this interim report.

**(k) Outstanding Options Granted as of June 30, 2023**

As of June 30, 2023, our Company did not grant any awards under the Share Scheme.

**Share Option Scheme**

The Share Option Scheme was adopted by ordinary resolution of the shareholders of MicroPort® (“**MicroPort Shareholders**”) in the extraordinary general meeting of MicroPort® dated March 13, 2020 (“**Adoption Date of Share Option Scheme**”) and amended on March 17, 2022. The terms of the Share Option Scheme are governed by Chapter 17 of the Listing Rules. The Share Option Scheme was terminated by ordinary resolution passed by Shareholders on June 27, 2023 and replaced by the Share Scheme adopted on the same date. Options granted under the Share Option Scheme prior to its termination shall remain valid in accordance with its terms.

A summary of the principal terms of the Share Option Scheme is set out below:

**(a) Purpose**

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

**(b) Grant of Options**

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

### (c) Eligible Participants

Eligible persons include:

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

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

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

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

- (i) the Scheme Mandate Limit so refreshed shall not exceed 10% of the total number of Shares in issue as of the date of the MicroPort® Shareholders’ approval or the date of the Shareholders’ approval, whichever is later, of the refreshing of the Scheme Mandate Limit;
- (ii) options previously granted under the Share Option Scheme and any other share option scheme(s) of our Company (including options outstanding, cancelled or lapsed in accordance with the relevant scheme rules or exercised options) shall not be counted for the purpose of calculating the limit as refreshed; and
- (iii) a circular regarding the proposed refreshing of the Scheme Mandate Limit has been despatched to the MicroPort® Shareholders and Shareholders (if applicable) in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules in force from time to time.

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

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

As the Share Option Scheme was terminated and replaced by the Share Scheme on June 27, 2023, no more options will be granted under the Share Option Scheme. As of the date of the interim report, 69,372,518 Shares underlying the outstanding options already granted under the Share Option Scheme are available for issue, representing approximately 0.029% of the total number of Shares in issue as of the same date.

### **(e) Maximum Entitlement of each Eligible Person**

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

### **(f) Subscription Price and Consideration for the Option**

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

## Corporate Governance and Other Information (Continued)

### (g) Remaining Life of the Scheme

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

Subject to the early termination, the remaining life of the Share Option Scheme is approximately 6 years and 7 months as of the date of this interim report.

### (h) Outstanding Options Granted as of June 30, 2023

As of June 30, 2023, the number of options available for grant under the Share Option Scheme was 235,641,374. The Share Option Scheme was terminated on June 27, 2023 and no further options will be granted under the Share Option Scheme thereafter. As of June 30, 2023, the aggregate number of outstanding options granted under the Share Option Scheme is 71,095,790, representing approximately 2.95% of the total issued share capital of our Company as of June 30, 2023. The number of Shares that may be issued in respect of options granted under the Share Option Scheme during the Reporting Period divided by the weighted average number of Shares in issue during the Reporting Period is 10%. The status of the share options granted up to June 30, 2023 is as follows:

Name	Position	Number of Shares underlying the granted options as of December 31, 2022	Granted during the Reporting Period	Exercised during the Reporting Period	Expired during the Reporting Period	Cancelled during the Reporting Period	Exercise Price	Number of Shares underlying the granted options as of June 30, 2023	Date of grant	Vesting period	Exercise period	Closing price of our Company immediately before the date of grant of share options	Share price of our Company immediately before the exercise date of share options <sup>(1)</sup>	Fair value of options granted during the Reporting Period at the date of grant <sup>(2)</sup> (RMB'000)
<b>EMPLOYEE PARTICIPANTS</b>														
<b>Directors and senior management of our Company</b>														
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	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	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	N/A
		332,654	—	—	—	—	HK\$2.63	332,654	March 30, 2022	March 30, 2027	March 30, 2027– March 29, 2032	HK\$2.54	N/A	N/A
		410,300	—	—	—	—	HK\$2.534	410,300	March 30, 2023	March 30, 2028	March 30, 2028– March 29, 2033	HK\$2.57	N/A	377

## Corporate Governance and Other Information (Continued)

Name	Position	Number of Shares underlying the granted options as of December 31, 2022	Granted during the Reporting Period	Exercised during the Reporting Period	Expired during the Reporting Period	Cancelled during the Reporting Period	Exercise Price	Number of Shares underlying the granted options as of June 30, 2023	Date of grant	Vesting period	Exercise period	Closing price of our Company immediately before the date of grant of share options	Share price of our Company immediately before the exercise date of share options <sup>(1)</sup>	Fair value of options granted during the Reporting Period at the date of grant <sup>(2)</sup>
												(RMB'000)	(RMB'000)	(RMB'000)
Ms. Yan Luying	Executive Director and Vice President	4,000,000	—	—	—	—	US\$0.16	4,000,000	March 31, 2020	March 31, 2020– March 31, 2025	March 31, 2021– March 30, 2030	N/A	N/A	N/A
		391,499	—	—	—	—	HK\$3.754	391,499	January 19, 2022	January 19, 2022– January 19, 2027	January 19, 2023– January 18, 2032	HK\$3.65	N/A	N/A
		318,924	—	—	—	—	HK\$2.63	318,924	March 30, 2022	March 30, 2022– March 30, 2027	March 30, 2027– March 29, 2032	HK\$2.54	N/A	N/A
		—	257,213	—	—	—	HK\$2.534	257,213	March 30, 2023	March 30, 2028– March 30, 2028	March 30, 2028– March 29, 2033	HK\$2.57	N/A	236
Mr. Zhao Liang	Executive Director and Vice President	2,000,000	—	—	—	—	HK\$6.406	2,000,000	October 4, 2021	October 4, 2021– October 4, 2026	October 4, 2022– October 3, 2031	HK\$6.24	N/A	N/A
		1,624,933	—	—	—	—	HK\$3.754	1,624,933	January 19, 2022	January 19, 2022– January 19, 2027	January 19, 2023– January 18, 2032	HK\$3.65	N/A	N/A
		117,039	—	—	—	—	HK\$2.63	117,039	March 30, 2022	March 30, 2022– March 30, 2027	March 30, 2027– March 29, 2032	HK\$2.54	N/A	N/A
		700,000	—	—	—	—	HK\$2.802	700,000	June 22, 2022	June 22, 2022– June 22, 2027	June 22, 2023– June 21, 2032	HK\$2.9	N/A	N/A
		—	750,000	—	—	—	HK\$2.534	750,000	March 30, 2023	March 30, 2023– March 30, 2028	March 30, 2024– March 29, 2033	HK\$2.57	N/A	526
		—	355,146	—	—	—	HK\$2.534	355,146	March 30, 2023	March 30, 2028– March 30, 2028	March 30, 2028– March 29, 2033	HK\$2.57	N/A	326
Mr. Jonathan H. Chou	Independent non-executive Director	—	449,683	—	—	—	HK\$2.534	449,683	March 30, 2023	March 30, 2023– March 30, 2027	March 30, 2025– March 29, 2033	HK\$2.57	N/A	310
Dr. Ding Jiandong	Independent non-executive Director	—	449,683	—	—	—	HK\$2.534	449,683	March 30, 2023	March 30, 2023– March 30, 2027	March 30, 2025– March 29, 2033	HK\$2.57	N/A	310
Ms. Sun Zhixiang	Independent non-executive Director	—	449,683	—	—	—	HK\$2.534	449,683	March 30, 2023	March 30, 2023– March 30, 2027	March 30, 2025– March 29, 2033	HK\$2.57	N/A	310
Subtotal		21,695,041	3,121,708	—	—	—		24,816,749						
<b>Related Entity Participants</b>														
Dr. Chang Zhaohua	Director of MicroPort®	6,000,000	—	—	—	—	US\$0.16	6,000,000	March 31, 2020	March 31, 2020– March 31, 2025	March 31, 2021– March 30, 2030	N/A	N/A	N/A
Other employees of MicroPort®		3,166,000	—	300,000	—	—	US\$0.16	2,866,000	March 31, 2020	March 31, 2020– March 31, 2025	March 31, 2021– March 30, 2030	N/A	HK\$3.64	N/A
		300,000	—	—	—	—	HK\$2.802	300,000	June 22, 2022	June 22, 2022– June 22, 2027	June 22, 2023– June 21, 2032	HK\$2.9	N/A	N/A
Subtotal		9,466,000	—	300,000	—	—		9,166,000						N/A

## Corporate Governance and Other Information (Continued)

Name	Position	Number of Shares underlying the granted options as of December 31, 2022	Granted during the Reporting Period	Exercised during the Reporting Period	Expired during the Reporting Period	Cancelled during the Reporting Period	Exercise Price	Number of Shares underlying the granted options as of June 30, 2023	Date of grant	Vesting period	Exercise period	Closing price of our Company immediately before the date of grant of share options	Share price of our Company immediately before the exercise date of share options <sup>(1)</sup>	Fair value of options granted during the Reporting Period at the date of grant <sup>(2)</sup> (RMB'000)
<b>Other Employee Participants</b>														
		17,305,728	—	1,425,192	—	2,183,056	US\$0.16	13,697,480	March 31, 2020	March 31, 2020– March 31, 2025	March 31, 2021– March 30, 2030	N/A	HK\$2.42	N/A
		5,020,000	—	—	—	1,260,000	HK\$13.72	3,760,000	March 31, 2021	March 31, 2021– March 31, 2026	March 31, 2022– March 30, 2031	HK\$14.08	N/A	N/A
		1,100,000	—	—	—	—	HK\$6.406	1,100,000	October 4, 2021	October 4, 2021– October 4, 2026	October 4, 2021– October 3, 2031	HK\$6.24	N/A	N/A
		10,482,567	—	—	—	880,014	HK\$3.754	9,602,553	January 19, 2022	January 19, 2022– January 19, 2027	January 19, 2023– January 18, 2032	HK\$3.65	N/A	N/A
		2,370,000	—	—	—	375,000	HK\$2.802	1,995,000	June 22, 2022	June 22, 2022– June 22, 2027	June 22, 2023– June 21, 2032	HK\$2.9	N/A	N/A
		—	6,958,008	—	—	—	HK\$2.534	6,958,008	March 30, 2023	March 30, 2023– March 30, 2028	March 30, 2024– March 29, 2033	HK\$2.57	N/A	4,917
Subtotal		36,278,295	6,958,008	1,425,192	—	4,698,070		37,113,041						
Total		67,439,336	10,079,716	1,725,192	—	4,698,070		71,095,790						

### Notes:

- (1) The share price of our 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 was determined using the binomial lattice model. The measurement date is the date on which the share options were granted.
- (3) The vesting of above options is not subject to any performance targets.

## SHARE AWARD SCHEME

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

### (a) Purpose

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

### (b) Eligible Participants

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

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

The Board shall not make any further award of award Shares which will result in the nominal value of the Shares awarded by the Board under the Share Award Scheme exceeding 10% of the issued share capital of the Company from time to time (i.e. 241,106,331 Shares as of the date of this interim report).

### (d) Maximum Entitlement of Each Participant

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

### (e) Remaining Life of the Share Award Scheme

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

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

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

## Corporate Governance and Other Information (Continued)

### (f) Vesting and Lapse

When the selected participant has satisfied all vesting conditions specified by the Board at the time of making the award and become entitled to the Shares forming the subject of the award, the trustee shall transfer the relevant award Shares to the selected participant(s) or his/her nominee(s).

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

### (g) Subscription Price and Consideration of the Award Shares

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

During the year 2022, the Company had granted 1,030,424 share awards pursuant to the Share Award Scheme to Directors and senior management of the Group, details of which are set out below:

Name	Position	Number of Shares underlying the granted share awards as of December 31, 2021	Granted during the Reporting Period	Vested during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Subscription Price	Number of Shares underlying the granted share awards as of December 31, 2023	Date of grant	Vesting date	Closing Price of the Shares immediately before the date of grant	Weighted average closing price of the Shares immediately before the vesting date	Fair value of Awards at the date of grant <sup>(1)</sup> (RMB'000)
<b>Directors and senior management of our Company</b>													
Mr. Chen Guoming	Executive Director and President	—	332,654	332,654	—	—	HK\$2.63	—	March 30, 2022	March 30, 2022	HK\$2.54	HK\$2.54	711
Ms. Yan Luying	Executive Director and Vice President	—	318,924	318,924	—	—	HK\$2.63	—	March 30, 2022	March 30, 2022	HK\$2.54	HK\$2.54	681
Mr. Wu Guojia (Resigned on April 30, 2022)	Executive Director and Vice President	—	228,620	228,620	—	—	HK\$2.63	—	March 30, 2022	March 30, 2022	HK\$2.54	HK\$2.54	488
		—	6,344	6,344	—	—	HK\$3.62	—	January 19, 2022	April 30, 2022	HK\$3.65	HK\$2.77	19
		—	7,034	7,034	—	—	HK\$3.27	—	February 15, 2022	April 30, 2022	HK\$3.21	HK\$2.77	22
		—	11,067	11,067	—	—	HK\$2.08	—	March 15, 2022	April 30, 2022	HK\$2.17	HK\$2.77	34
		—	8,742	8,742	—	—	HK\$2.64	—	April 19, 2022	April 30, 2022	HK\$2.78	HK\$2.77	27
Mr. Zhao Liang	Executive Director and First Vice President	—	117,039	117,039	—	—	HK\$2.63	—	March 30, 2022	March 30, 2022	HK\$2.54	HK\$2.54	250

## Corporate Governance and Other Information (Continued)

During the Reporting Period, the Company had granted 1,386,223 share awards pursuant to the Share Award Scheme to Directors and senior management of the Group, representing 0.04% of the issued share capital of the Company, details of which are set out below:

Name	Position	Number of Shares underlying the granted share awards as of					Subscription of Price	Number of Shares underlying the granted share awards as of June 30, 2023	Date of grant	Vesting date	Closing Price of the Shares immediately before the date of grant	Weighted average closing price of the Shares immediately before the vesting date	Fair value of Awards granted during the Reporting Period at the date of grant <sup>(i)</sup> (RMB'000)
		December 31, 2022	Reporting Period	Reporting Period	Reporting Period	Reporting Period							
<b>Directors and senior management of our Company</b>													
Mr. Chen Guoming	Executive Director and President	—	410,300	410,300	—	—	HK\$2.534	—	March 30, 2023	March 30, 2023	HK\$2.57	HK\$2.57	875
Ms. Yan Luying	Executive Director and Vice President	—	257,213	257,213	—	—	HK\$2.534	—	March 30, 2023	March 30, 2023	HK\$2.57	HK\$2.57	549
Mr. Zhao Liang	Executive Director and First Vice President	—	355,146	355,146	—	—	HK\$2.534	—	March 30, 2023	March 30, 2023	HK\$2.57	HK\$2.57	757
Subtotal		—	1,022,659	1,022,659	—	—	—						2,181
<b>Other grantees</b>													
Subtotal		—	363,564	363,564	—	—	—						775
Total		—	1,386,223	1,386,223	—	—	—						2,956

Note:

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

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Company had 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, our Company have complied with the mandatory 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, 2023.

### AMENDMENTS TO THE ARTICLES OF ASSOCIATION

At the annual general meeting of the Company held on June 27, 2023, a special resolution was passed to approve the adoption of the fifth amended and restated memorandum and articles of association of our Company (the “**New Articles of Association**”). The New Articles of Association consolidated all the amendments to bring the constitution of the Company in line with amendment to the Listing Rules, relating to, among others, the articles of association or equivalent constitutional documents of listed issuers under the new Appendix 3 to the Listing Rules with effect from January 1, 2022 for which listed issuers are required to make necessary amendments to the constitutional documents to bring the constitutional documents to conformation and to incorporate certain housekeeping amendments.

The New Articles of Association is available on the websites of the Company and the Stock Exchange. For further details of the adoption of the New Articles of Association, please refer to Company’s announcement dated March 29, 2023 and the circular of the Company dated June 2, 2023.

### 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 condensed consolidated financial statements of our Group for the six months ended June 30, 2023 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, 2023 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, 2022 are set out below:

Ms. Sun Zhixiang has been an independent non-executive director of Shanghai Baosight Software Co., Ltd. (上海寶信軟件股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600845), since May 2023.

Save as disclosed above, there is no changes in Directors’ information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the Reporting Period.

## USE OF NET PROCEEDS FROM GLOBAL OFFERING

Our Company's Shares were listed on the Stock Exchange on February 4, 2021. The net proceeds from the Global Offering amounted to approximately HK\$2,717.2 million (including the full exercise of the over-allotment option). As of June 30, 2023, our Company had used the net proceeds from the Global Offering for the following purposes:

	Amount of net proceeds for the relevant use HK\$ million	Percentage of total net proceeds Percentage	Actual amount of proceeds utilized as of December 31, 2022 HK\$ million	Actual amount of proceeds utilized as of June 30, 2023 HK\$ million	Amount of proceeds unutilized as of June 30, 2023 HK\$ million	Percentage of proceeds from the Global Offering expected to be used by December 31, 2023
<b>VitaFlow Liberty®</b>						
— the ongoing R&D activities, clinical trial and product registration of VitaFlow Liberty®	423.9	15.6%	151.0	168.7	255.2	
— the ongoing sales and marketing activities of VitaFlow Liberty® in China and overseas	391.3	14.4%	131.2	187.2	204.1	
<b>Subtotal</b>	<b>815.2</b>	<b>30.0%</b>	<b>282.2</b>	<b>355.9</b>	<b>459.3</b>	<b>15.0%–15.6%</b>
<b>VitaFlow®</b>	<b>92.4</b>	<b>3.4%</b>	<b>42.3</b>	<b>60.9</b>	<b>31.5</b>	<b>2.3%–2.8%</b>
<b>The remaining products</b>						
— fund the research, preclinical, clinical trial and commercialization of VitaFlow® III, and VitaFlow® Balloon Expandable	190.2	7.0%	59.9	76.9	113.3	
— the ongoing and planned R&D of our TMV product candidates	312.5	11.5%	60.3	87.8	224.7	
— the ongoing and planned R&D of our TTVR product candidates, surgical valves and procedural accessories	163.0	6.0%	25.8	34.3	128.7	
— fund the planned commercialization activities after receiving the relevant regulatory approvals	67.9	2.5%	—	—	67.9	
<b>Subtotal</b>	<b>733.6</b>	<b>27.0%</b>	<b>146.0</b>	<b>199.0</b>	<b>534.6</b>	<b>10.0%–10.2%</b>

## Corporate Governance and Other Information (Continued)

	Amount of net proceeds for the relevant use HK\$ million	Percentage of total net proceeds Percentage	Actual amount of proceeds utilized as of December 31, 2022 HK\$ million	Actual amount of proceeds utilized as of June 30, 2023 HK\$ million	Amount of proceeds unutilized as of June 30, 2023 HK\$ million	Percentage of proceeds from the Global Offering expected to be used by December 31, 2023
<b>Fund the expansion of our product portfolio through collaboration with global enabler</b>	407.6	15.0%	314.1	314.1	93.5	11.6%–12.0%
<b>Expand our production capacity and strengthen our manufacturing capabilities for VitaFlow® and VitaFlow Liberty®</b>	396.7	14.6%	70.9	91.5	305.2	8.0%–8.9%
<b>Working capital and general corporate purposes</b>	271.7	10.0%	90.9	101.7	170.0	4.0%–4.5%
<b>Total</b>	<b>2,717.2</b>	<b>100.0%</b>	<b>946.4</b>	<b>1,123.1</b>	<b>1,594.1</b>	<b>50.9%–54.0%</b>

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 interim report, our Company does not anticipate any change to its plan on the use of proceeds as stated in the Prospectus. Our Company expect that approximately HK\$1,383.1 million to HK\$1,467.3 million, accounting for approximately 50.9% to 54.0% of the net proceeds of the Global Offering, will be utilized by December 31, 2023 and plans to utilize the balance of net proceeds of the Global Offering by the end of 2025. The expected timeline for utilizing the net proceeds from the Global Offering is based on the best estimation of future market conditions made by our Company and subject to changes in accordance with our actual business operation.

# INDEPENDENT AUDITOR'S REPORT



## **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 46 to 68 which comprises the consolidated statement of financial position of MicroPort CardioFlow Medtech Corporation (the "Company") as of 30 June 2023 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 cash flow statement 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 2023 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 2023

# CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

for the six months ended 30 June 2023 (unaudited)

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
<b>Revenue</b>	3	<b>176,442</b>	124,782
Cost of sales		<b>(59,819)</b>	(45,339)
<b>Gross profit</b>		<b>116,623</b>	79,443
Other net income	4	<b>43,698</b>	11,089
Research and development costs		<b>(109,494)</b>	(79,610)
Distribution costs		<b>(86,813)</b>	(61,048)
Administrative expenses		<b>(28,517)</b>	(33,940)
Fair value changes in financial instruments		<b>(32,999)</b>	981
Other operating costs	5(b)	<b>(37,918)</b>	(20,224)
<b>Loss from operations</b>		<b>(135,420)</b>	(103,309)
Finance costs	5(a)	<b>(2,229)</b>	(2,915)
Share of loss of associates		<b>(23,504)</b>	(15,327)
Share of loss of a joint venture		<b>(14,476)</b>	(7)
<b>Loss before taxation</b>	5	<b>(175,629)</b>	(121,558)
Income tax	6	<b>(3,773)</b>	(822)
<b>Loss for the period and attributable to the equity shareholders of the Company</b>		<b>(179,402)</b>	(122,380)
<b>Loss per share</b>	7		
Basic and diluted (RMB)		<b>(0.08)</b>	(0.05)

The notes on pages 53 to 68 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 15(a).

# CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2023 (unaudited)

(Expressed in Renminbi)

	<b>Six months ended 30 June</b>	
	<b>2023</b> <b>RMB'000</b> <b>(unaudited)</b>	2022 RMB'000 (unaudited)
<b>Loss for the period</b>	<b>(179,402)</b>	(122,380)
<b>Other comprehensive income for the period, net of nil tax</b>		
Items that will not be reclassified to profit or loss:		
Exchange differences on translation of financial statements of the Company	<b>129,999</b>	168,330
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign subsidiaries	<b>(53,869)</b>	(51,465)
<b>Other comprehensive income for the period</b>	<b>76,130</b>	116,865
<b>Total comprehensive income for the period and attributable to the equity shareholders of the Company</b>	<b>(103,272)</b>	(5,515)

The notes on pages 53 to 68 form part of this interim financial report.

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

at 30 June 2023 (unaudited)

(Expressed in Renminbi)

	Note	At 30 June 2023		At 31 December 2022	
		RMB'000	RMB'000	RMB'000	RMB'000
<b>Non-current assets</b>					
Property, plant and equipment	8		217,674		241,715
Intangible assets			153,702		163,119
Interest in a joint venture	9		—		14,520
Interests in associates	10		255,818		271,161
Other financial assets	9		—		12,490
Other non-current assets			27,121		26,488
			654,315		729,493
<b>Current assets</b>					
Inventories			111,877		114,115
Trade and other receivables	11		129,801		82,071
Pledged and time deposits	12		951,854		209,263
Cash and cash equivalents	12		1,052,658		1,866,319
			2,246,190		2,271,768
<b>Current liabilities</b>					
Trade and other payables	13		101,393		115,609
Contract liabilities			4,855		6,087
Lease liabilities			28,557		31,041
Income tax payable			4,815		1,773
Derivative financial instruments	14		41,585		22,719
			181,205		177,229
<b>Net current assets</b>			<b>2,064,985</b>		<b>2,094,539</b>
<b>Total assets less current liabilities</b>			<b>2,719,300</b>		<b>2,824,032</b>
<b>Non-current liabilities</b>					
Lease liabilities			54,247		64,427
Deferred income			6,180		5,890
			60,427		70,317
<b>NET ASSETS</b>			<b>2,658,873</b>		<b>2,753,715</b>

## Consolidated Statements of Financial Position (Continued)

at 30 June 2023 (unaudited)

(Expressed in Renminbi)

	Note	At 30 June 2023		At 31 December 2022	
		RMB'000	RMB'000	RMB'000	RMB'000
<b>CAPITAL AND RESERVES</b>	15				
Share capital			83		83
Reserves			2,658,790		2,753,632
<b>TOTAL EQUITY</b>			2,658,873		2,753,715

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

The notes on pages 53 to 68 form part of this interim financial report.

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the six months ended 30 June 2023 (unaudited)

(Expressed in Renminbi)

	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
<b>Balance at 1 January 2022</b>		83	4,150,941	62,624	(292,496)	(824,678)	3,096,474
<b>Changes in equity for the six months ended 30 June 2022:</b>							
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	15(b)(i)	—	6,255	—	(3,355)	—	2,900
Equity-settled share-based transactions	15(b)(i)	—	—	—	8,384	—	8,384
Share repurchased under the share award scheme		—	—	—	(109,818)	—	(109,818)
Share granted under the share award scheme	15(b)(iii)	—	—	—	2,232	—	2,232
<b>Balance at 30 June 2022</b>		83	4,157,196	179,489	(395,053)	(947,058)	2,994,657

The notes on pages 53 to 68 form part of this interim financial report.

## Consolidated Statements of Changes in Equity (Continued)

*for the six months ended 30 June 2023 (unaudited)*

*(Expressed in Renminbi)*

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
<b>Balance at 1 January 2023</b>	83	4,164,154	262,948	(394,690)	(1,278,780)	2,753,715
<b>Changes in equity for the six months ended 30 June 2023:</b>						
Loss for the period	—	—	—	—	(179,402)	(179,402)
Other comprehensive income	—	—	76,130	—	—	76,130
Total comprehensive income	—	—	76,130	—	(179,402)	(103,272)
Share issued under the share option scheme	15(b)(i)	3,975	—	(2,082)	—	1,893
Equity-settled share-based transactions	15(b)(i)	—	—	1,957	1,624	3,581
Share granted under the share award scheme	15(b)(iii)	—	—	2,956	—	2,956
<b>Balance at 30 June 2023</b>	83	4,168,129	339,078	(391,859)	(1,456,558)	2,658,873

The notes on pages 53 to 68 form part of this interim financial report.

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2023 (unaudited)

(Expressed in Renminbi)

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
<b>Operating activities</b>		
Cash used in operations	(124,481)	(81,817)
Tax paid	(731)	(426)
<b>Net cash used in operating activities</b>	<b>(125,212)</b>	<b>(82,243)</b>
<b>Investing activities</b>		
Payments for the purchase of property, plant and equipment	(19,132)	(31,226)
Payments for the purchase of intangible assets	(1,414)	(850)
Proceeds from sale of property, plant and equipment	4,401	—
Placement of time deposits	(2,439,255)	(189,666)
Withdrawal of time deposits	1,742,325	189,666
Interest received	7,124	427
Payments for the acquisition of associates	—	(124,992)
Payments for the acquisition of other financial assets	(2,500)	(2,600)
<b>Net cash used in investing activities</b>	<b>(708,451)</b>	<b>(159,241)</b>
<b>Financing activities</b>		
Lease deposits refunded	529	190
Capital element of lease rentals paid	(12,470)	(12,967)
Interest element of lease rentals paid	(2,104)	(2,810)
Payment for repurchase of shares	—	(109,818)
Proceeds from shares issued under share option scheme	1,893	2,900
<b>Net cash used in financing activities</b>	<b>(12,152)</b>	<b>(122,505)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(845,815)</b>	<b>(363,989)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,866,319</b>	<b>2,211,560</b>
<b>Effect of foreign exchange rate changes</b>	<b>32,154</b>	<b>89,364</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>1,052,658</b>	<b>1,936,935</b>

The notes on pages 53 to 68 form part of this interim financial report.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

## 1 Basis of preparation

This 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 was authorised for issue on 29 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 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 material 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 2022 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 45.

The financial information relating to the financial year ended 31 December 2022 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 2022 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 2023.

## Notes to The Unaudited Interim Financial Report (Continued)

(Expressed in Renminbi unless otherwise indicated)

### 2 Changes in accounting policies

The HKICPA has issued the following new and amendments to HKFRSs and guidance that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform — Pillar Two model rules*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented 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	
	2023 RMB'000	2022 RMB'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Sales of medical devices — point in time	176,442	124,782

## Notes to The Unaudited Interim Financial Report (Continued)

(Expressed in Renminbi unless otherwise indicated)

### 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.

	<b>Six months ended 30 June</b>	
	<b>2023</b> RMB'000	2022 RMB'000
The People's Republic of China (the "PRC") (country of domicile)	<b>170,148</b>	122,948
Other countries	<b>6,294</b>	1,834
	<b>176,442</b>	124,782

### 4 Other net income

	<b>Six months ended 30 June</b>	
	<b>2023</b> RMB'000	2022 RMB'000
Government grants (Note)	<b>223</b>	534
Interest income on bank deposits	<b>41,486</b>	10,271
Interest income on other financial assets carried at amortised cost	<b>802</b>	604
Net foreign exchange gains/(losses)	<b>1,213</b>	(336)
Others	<b>(26)</b>	16
	<b>43,698</b>	11,089

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

## Notes to The Unaudited Interim Financial Report (Continued)

(Expressed in Renminbi unless otherwise indicated)

### 5 Loss before taxation

Loss before taxation is arrived at after charging:

#### (a) Finance costs

	<b>Six months ended 30 June</b>	
	<b>2023</b> RMB'000	2022 RMB'000
Interest on lease liabilities	2,104	2,811
Total interest expense on financial liabilities not at fair value through profit or loss	2,104	2,811
Others	125	104
	<b>2,229</b>	<b>2,915</b>

#### (b) Other operating costs

	<b>Six months ended 30 June</b>	
	<b>2023</b> RMB'000	2022 RMB'000
Donation expenditure (note)	36,880	20,224
Others	1,038	—
	<b>37,918</b>	<b>20,224</b>

Note: During the six months ended 30 June 2023, the Group made charitable and other donations to the third-party charitable organization amounted to RMB36,880,000 (six months ended 30 June 2022: RMB20,224,000).

## Notes to The Unaudited Interim Financial Report (Continued)

(Expressed in Renminbi unless otherwise indicated)

### 5 Loss before taxation (continued)

#### (c) Other items

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Amortisation of intangible assets	10,831	14,271
Depreciation charge		
— owned property, plant and equipment	11,283	5,176
— right-of-use assets	13,476	16,449
	<b>35,590</b>	35,896
Provisions for inventory write-down	140	3,320
Impairment loss on other receivables	857	—

### 6 Income tax

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
<b>Current tax — PRC Corporate Income Tax ("CIT")</b>	<b>3,773</b>	822

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 2023 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.

## Notes to The Unaudited Interim Financial Report (Continued)

(Expressed in Renminbi unless otherwise indicated)

### 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 RMB179,402,000 for the six months ended 30 June 2023 (six months ended 30 June 2022: RMB122,380,000) and the weighted average of 2,361,548,000 shares (six months ended 30 June 2022: 2,373,873,000 shares).

#### (b) Diluted loss per share

The calculation of diluted loss per share amount for the period ended 30 June 2023 has not included the potential effects of share options granted by the Company (see note 15(b)), as they had anti-dilutive effects on the basic loss per share amount for the respective period. Accordingly, diluted loss per share for the period ended 30 June 2023 are the same as basic loss per share of the respective period.

### 8 Property, plant and equipment

During the six months ended 30 June 2023, the Group acquired items of plant and equipment with a cost of RMB5,204,000 (six months ended 30 June 2022: RMB15,991,000).

Items of property, plant and equipment with a net book value of RMB4,487,000 were disposed of during the six months ended 30 June 2023 (six months ended 30 June 2022: nil), resulting in losses on disposal of RMB86,000 (six months ended 30 June 2022: nil).

### 9 Interests in a joint venture and other financial assets

#### (a) Interests in a joint venture

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

Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest			Principal activities
				Group's effective interest	Held by the Company	Held by a subsidiary	
Rose Emblem Ltd. ("Rose Emblem")	Incorporated	British Virgin Islands	US\$10,000,000	51%	—	51%	Investment holding

## 9 Interests in a joint venture and other financial assets (continued)

### (a) Interests in a joint venture (continued)

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

The principal activity of Rose Emblem is investing in Valcare Inc. (“Valcare”) via holding its preferred shares. The investment in Valcare is classified as financial assets measured at FVPL on Rose Emblem’s financial statements. Valcare is based in Israel and engaged in the development of the mitral valve repair devices and is currently facing financing difficulties. The fair value of investment in Valcare of nil was determined by the adjusted net asset approach.

### (b) Other financial assets

The Group also held convertible instruments (the “Convertible Instruments”) issued by Valcare which is unsecured and interest-free. The Convertible Instruments shall be repayable on demand upon the certain liquidation events and will be automatically converted into the most senior preferred shares of Valcare upon the occurrence of the next equity financing of Valcare at a discounted price. As at 30 June 2023, the fair value of Convertible Instruments of nil (2022: RMB12,490,000) was determined by the default risk method. Valuation techniques and significant assumptions adopted for determining the fair value of the Convertible Instruments was set out in note 16(a).

## 10 Interests in associates

4C Medical which is considered a material associate of the Group, is accounted for using the equity method. Considering the current market condition, the Group identified an indicator of possible impairment of investment in 4C Medical. The Group has engaged Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an external valuer to perform valuations for 4C Medical.

Based on the result of impairment test, the recoverable amount calculated based on equity allocation model using latest financing/transaction adjustment method exceeded their carrying amount as at 30 June 2023, no impairment was recognised (2022: nil).

## Notes to The Unaudited Interim Financial Report (Continued)

(Expressed in Renminbi unless otherwise indicated)

### 11 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:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Within 3 months	107,265	49,775
Trade receivable, net of loss allowance	107,265	49,775
Value-added tax recoverable	1,046	2,961
Deposits and prepayments	19,436	23,859
Other debtors	2,054	5,476
Trade and other receivables, net of loss allowance	129,801	82,071

All trade receivables are due within 2 to 6 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.

### 12 Cash and cash equivalents

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
<b>Pledged and time deposits</b>		
Time deposits with original terms over 3 months	951,529	208,938
Pledged deposits	325	325
	951,854	209,263
<b>Cash and cash equivalents</b>		
Deposits with banks	1,052,658	1,866,319

## Notes to The Unaudited Interim Financial Report (Continued)

(Expressed in Renminbi unless otherwise indicated)

### 13 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:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Within 1 month	19,285	14,523
Over 1 month but within 3 months	5,501	6,553
Over 3 months but within 6 months	1,542	4,766
Over 6 months but within 1 year	2,969	17,397
Over 1 year	7,134	4,451
Total trade payables	36,431	47,690
Accrued payroll	27,870	28,431
Other payables and accrued charges	37,092	39,488
Financial liabilities measured at amortised cost	101,393	115,609

### 14 Derivative financial instruments

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
<b>Derivative financial liabilities</b>		
Put option written to Witney Global Limited ("Witney Put Option")	41,585	22,719

In January 2019, the Group granted a put option to Witney in connection with investments on Valcare which the Group and Witney made together, pursuant to which, in certain events, including the sales of Witney's investments in Valcare to a third party at a price no less than three times of the original purchase price of Valcare has not occurred before the fifth anniversary of closing of investments in Valcare, Witney has the right to require the Group to purchase any or all of the investments in Valcare held by Witney at a price equal to the original purchase price plus interests at 3.65% per annum by cash.

As at 30 June 2023, the fair value of the Witney Put Option in connection with Investment on Valcare was RMB41,585,000 (2022: RMB22,719,000). Valuation techniques and significant assumptions adopted for determining the fair value of the Witney Put Option was set out in note 16(a).

## Notes to The Unaudited Interim Financial Report (Continued)

(Expressed in Renminbi unless otherwise indicated)

### 15 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 2023 (six months ended 30 June 2022: nil).

#### (b) Equity-settled share-based payment transactions

##### (i) Share option plans adopted by the Company (equity-settled)

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

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

	2023		2022	
	Weighted average exercise price HK\$	Number of options '000	Weighted average exercise price HK\$	Number of options '000
Outstanding at 1 January	3.01	67,440	2.70	67,862
Granted during the period	2.53	10,079	3.52	20,319
Exercised during the period	1.24	(1,725)	1.24	(2,775)
Forfeited during the period	3.94	(4,023)	2.22	(8,353)
Lapsed during the period	12.61	(675)	—	(160)
Outstanding at 30 June	2.84	71,096	3.03	77,053

The share options granted during the six months ended 30 June 2023 are exercisable upon vesting and then expire in a period from March 2024 to March 2033.

##### (ii) Share option plans granted by the ultimate controlling party (equity-settled)

MicroPort® 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 MicroPort®, while the Group did not have an obligation to settle such transaction.

During the period ended 30 June 2023, MicroPort® did not grant any share option to the employee of the Group (six months ended 30 June 2022: 246,008). These share options are vested in instalments over an explicit vesting period of one to seven years. Each instalment is accounted for as a separate share-based compensation arrangement. The contractual life of the options is ten years.

During the six months ended 30 June 2023, 12,492 share options were exercised (six months ended 30 June 2022: 40,000).

## 15 Capital, reserves and dividends (Continued)

### (b) Equity-settled share-based payment transactions (Continued)

#### (iii) Share award scheme (equity-settled)

Pursuant to a share award scheme approved by the board of directors of the Company in March 2021, the Company may purchase its own shares and grant such shares to certain directors, employees, consultants and advisors of the Group. For the six months ended 30 June 2023, the Company granted 1,386,233 shares (six months ended 30 June 2022: 1,030,424) with a fair value of RMB2,956,000 (six months ended 30 June 2022: RMB2,232,000) to the Group's executives and employees.

## 16 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

The Group has engaged an external valuer to perform valuations for the financial instruments, including convertible instruments 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.

## Notes to The Unaudited Interim Financial Report (Continued)

(Expressed in Renminbi unless otherwise indicated)

### 16 Fair value measurement of financial instruments (Continued)

#### (a) Financial assets and liabilities measured at fair value (Continued)

##### (i) Fair value hierarchy (Continued)

	Fair value at 30 June	Fair value measurements as at 30 June 2023 categorised into		
	2023 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
<b>Recurring fair value measurement</b>				
Financial assets:				
Convertible instruments issued by Valcare	—	—	—	—
Financial liabilities:				
Derivative financial instruments — Witney Put Option	(41,585)	—	—	(41,585)
	Fair value at 31 December	Fair value measurements as at 31 December 2022 categorised into		
	2022 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
<b>Recurring fair value measurement</b>				
Financial assets:				
Convertible instruments issued by Valcare	12,490	—	—	12,490
Financial liabilities:				
Derivative financial instruments — Witney Put Option	(22,719)	—	—	(22,719)

During the six months ended 30 June 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of level 3 (2022: Convertible instruments issued by Valcare transfers from Level 2 into Level 3 due to change of valuation technique). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of each of the Reporting Period in which they occur.

## Notes to The Unaudited Interim Financial Report (Continued)

(Expressed in Renminbi unless otherwise indicated)

### 16 Fair value measurement of financial instruments (Continued)

#### (a) Financial assets and liabilities measured at fair value (Continued)

##### (ii) Information about Level 3 fair value measurements

	At 30 June 2023		Range
	Valuation techniques	Significant unobservable inputs	
Witney Put Option	Black-Scholes model (Note a)	Expected probability of the exercise of option	100% (2022: 90%)
	Adjusted net asset approach (2022: Market approach and equity allocation model to determine the underlying equity value)	Adjusted net asset value (2022: Implied lack of marketability discount and Equity volatility)	Nil (2022: 44% and 37%–44%)
Convertible instruments held	Default risk method (Note b)	Event probability	0% (2022: 15%)
		Probability of default of underlying asset	100% (2022: 42%)

Note a: As at 30 June 2023, it is estimated that with all other variables held constant, a decrease in the expected probability of the exercise of option by 10% would have decrease the Group's loss by RMB4,159,000.

Note b: As at 30 June 2023, it is estimated that with all other variables held constant, an increase in the probability of event by 10% would have decreased the Group's loss by RMB788,000, and a decrease in the probability of default of underlying asset by 5% would have decrease the Group's loss by RMB2,365,000.

## Notes to The Unaudited Interim Financial Report (Continued)

(Expressed in Renminbi unless otherwise indicated)

### 16 Fair value measurement of financial instruments (continued)

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

##### (ii) Information about Level 3 fair value measurements (continued)

The movements during the six months ended 30 June 2023 in the balance of these Level 3 fair value measurements are as follows:

	2023 RMB'000	2022 RMB'000
Witney Put Option:		
At 1 January	(22,719)	(7,898)
Settled	—	3,208
Changes in fair value recognised in profit or loss during the period	(17,375)	981
Exchange adjustments	(1,491)	(392)
At 30 June	(41,585)	(4,101)
Convertible instruments issued by Valcare:		
At 1 January	12,490	21,052
Addition	1,612	2,601
Changes in fair value recognised in profit or loss during the period	(14,133)	—
Exchange adjustments	31	1,257
At 30 June	—	24,910

#### (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 2023 and 31 December 2022.

## Notes to The Unaudited Interim Financial Report (Continued)

(Expressed in Renminbi unless otherwise indicated)

### 17 Commitments

Capital commitments in respect of property, plant and equipment and intangible assets outstanding at 30 June 2023 not provided for in the interim financial statements are as follows:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Contracted for — acquisition of property, machinery and equipment	111,568	110,629
Authorised but not contracted for — acquisition of property, machinery and equipment	113,960	100,000
	<b>225,528</b>	210,629

### 18 Material related party transactions

#### (a) Key management personnel remuneration

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Salaries and other benefits	1,640	1,460
Discretionary bonuses	2,181	1,592
Equity-settled share-based payment expenses	2,090	1,676
	<b>5,911</b>	4,728

#### (b) Cash deposited in a related party

As at 30 June 2023, the Group has deposited cash amounted to RMB1,000 (30 June 2022: RMB390,000) in Shanghai HuaRui Bank Co., Ltd. ("SHRB"), an associate of the ultimate controlling party of the Group, with interest rate of 0.35% per annum during the six months ended 30 June 2023.

## Notes to The Unaudited Interim Financial Report (Continued)

(Expressed in Renminbi unless otherwise indicated)

### 18 Material related party transactions (continued)

#### (c) Sales, purchase and other related party transactions

During the six months ended 30 June 2023 and 2022, the Group entered into transactions with the following related parties:

Name of party	Relationship
MicroPort®	Ultimate controlling party of the Group
Shanghai MicroPort Medical (Group) Co., Ltd.	Fellow subsidiary of the Group
Zhejiang Accupath Smart Manufacturing (Group) Co., Ltd.	Equity-accounted investee of MicroPort®
SuZhou ProSteri Medical Technology Co., Ltd.	Equity-accounted investee of MicroPort®
Shanghai SafeWay Medicare Co., Ltd.	Fellow subsidiary of the Group
MicroPort Medical B.V.	Fellow subsidiary of the Group
MicroPort Colombia S.A.S.	Fellow subsidiary of the Group
MicroPort Sorin CRM Co., Ltd.	Fellow subsidiary of the Group
MicroPort Sinica Co., Ltd.	Fellow subsidiary of the Group
Rosefinch Swallow (Shanghai) Medtech Co., Ltd.	Fellow subsidiary of the Group
Shanghai MicroPort ZuoQuan Health Technology Co., Ltd.	Fellow subsidiary of the Group
Shanghai MicroPort Cova-cloud Medtech Co., Ltd.	Fellow subsidiary of the Group
Shanghai HuaRui Bank Co., Ltd.	Equity-accounted investee of MicroPort®
Shanghai MicroPort EP MedTech Co., Ltd.	Equity-accounted investee of MicroPort®

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

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Service fee charged by subsidiaries of MicroPort®	12,302	7,533
Transfer of assets to equity-accounted investees of MicroPort®	4,389	—
Purchase of goods from equity-accounted investees of MicroPort®	3,139	600
Sales of goods to subsidiaries of MicroPort®	1,587	—