MicroPort®微创®

MicroPort Scientific Corporation

微創醫療科學有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00853)

2022

INTERIM REPORT

COMPANY PROFILE

MicroPort Scientific Corporation (the "Company" or "MicroPort") and its subsidiaries (collectively the "Group") is a leading medical device group focusing on innovating, manufacturing and marketing high-end medical devices globally. With a diversified product portfolio now being used in over 20,000* hospitals in the world, the Group maintains world-wide operations in a broad range of business segments including cardiovascular devices, orthopedics devices, cardiac rhythm management ("CRM"), endovascular and peripheral vascular devices, neurovascular devices, heart valve, surgical robot, surgical devices and other business. Every six seconds, one of MicroPort's products is being used worldwide to save life, improve life quality or help create life. The Group is dedicated to becoming a patient-oriented global enterprise that will continuously innovate and provide trustworthy and universal access to state-of-the-art solutions of prolonging and reshaping all lives.

The Group is human-oriented and is committed to improving people's lives through practical application of innovative science. We continually develop leading technologies and products for physicians and provide trustworthy and universal access to state-of-the-art solutions of prolonging and reshaping all lives to patients. We are a young group with an ambition to establish MicroPort as a globally recognised brand. Yet as the business grows, we strive to retain our unique entrepreneurial spirit and our commitment to improving the social well being, and continue to demonstrate entrepreneurial achievement and innovation spirit.

We have a large and growing intellectual property portfolio and a strong research and development ("R&D") team. We work in close cooperation with internationally recognized physicians and scientists worldwide, to develop a range of products that meet the highest quality and clinical standards. As we strive to provide state-of-the-art medical technologies and deliver new-generation medical devices and treatments for chronic ailments, our R&D team applies their expertise to ensure the sustained innovation of our latest products.

With a large global footprint of R&D and manufacturing facilities in Shanghai, Suzhou, Jiaxing, Shenzhen in China, Memphis in the United States, Clamart in France, Saluggia in Italy and Dominican Republic, a strong focus on technological innovation with over 7,580* patents (including applications), and a global workforce over 9,000, MicroPort is committed to achieving its corporate vision.

Our products touch the lives of many people every day and we take this important responsibility very seriously. We are proud that MicroPort products will always achieve the highest standards of quality and ensure improved health for the patients. We know our products offer hope and relief to many people around the world, and every one of our employees takes personal responsibility to achieve our vision.

It is our commercial achievements that enable us to contribute back to the society, which makes our success deserved. Our commitment to social responsibility is an important aspect of our company culture and philosophy. MicroPort works diligently to build strong relationships with all our international partners and all our stakeholders, because we take our community as an essential part of our business, and we strive to pursue the essence to achieve the greatness.

OUR VISION

PEOPLE ORIENTED

Building a Super-Conglomerate of People Centric Enterprises of Emerging Medical Technologies.

OUR MISSION

CONTINUOUS INNOVATION

To Provide Trustworthy and Universal Access to State-of-the-Art Solutions of Prolonging and Reshaping All Lives.

* Note: Such numbers include the numbers of associated companies of the Group.

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Director

Dr. Zhaohua Chang (Chairman of the Board and Chief Executive Officer)

Non-Executive Directors

Mr. Norihiro Ashida

Dr. Yasuhisa Kurogi

Mr. Hongliang Yu

Independent Non-Executive Directors

Mr. Jonathan H. Chou

Dr. Guoen Liu

Mr. Chunyang Shao

COMPANY SECRETARY

Ms. Yuen Wing Yan Winnie, *FCG, HKFCG*

AUTHORIZED REPRESENTATIVES

Dr. Zhaohua Chang

Ms. Yuen Wing Yan Winnie

AUDIT COMMITTEE

Mr. Jonathan H. Chou *(Chairman)*

Mr. Norihiro Ashida

Mr. Chunyang Shao

REMUNERATION COMMITTEE

Dr. Guoen Liu *(Chairman)*

Dr. Zhaohua Chang

Mr. Jonathan H. Chou

NOMINATION COMMITTEE

Mr. Chunyang Shao *(Chairman)*

Mr. Hongliang Yu

Dr. Guoen Liu

STRATEGIC COMMITTEE

Dr. Zhaohua Chang *(Chairman)*

Dr. Yasuhisa Kurogi

Mr. Jonathan H. Chou

Mr. Hongliang Yu

REGISTERED OFFICE

PO Box 309, Ugland House

Grand Cayman, KY1-1104

Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

1601 Zhangdong Road

Zhangjiang Hi-Tech Park

Shanghai 201203

The PRC

PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place

348 Kwun Tong Road

Kowloon

Hong Kong

AUDITOR

KPMG

Certified public accountants and Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

LEGAL CONSULTANT

Sidley Austin

SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

COMPANY WEBSITE

www.microport.com

SECURITIES CODES

Stock: 00853.HK

Bonds: 40720.HK

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

China Construction Bank Corporation Shanghai Pudong Branch

Bank of China Limited Shanghai Zhangjiang Sub-Branch

China Minsheng Banking Corp., Ltd Shanghai Pilot Free Trade Zone Branch

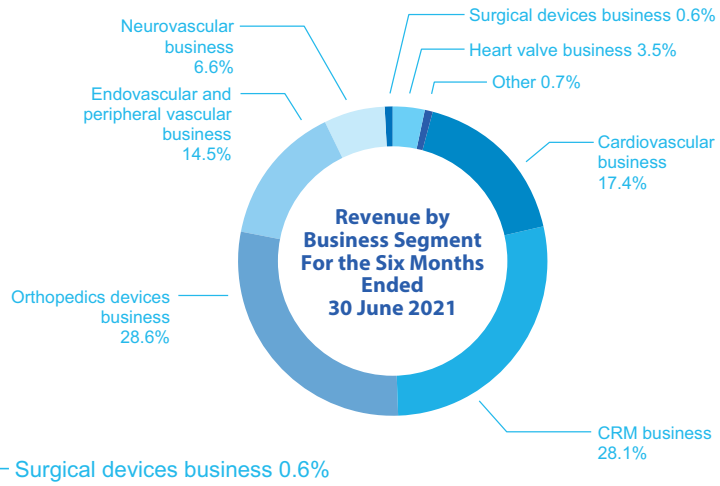
Bank of America

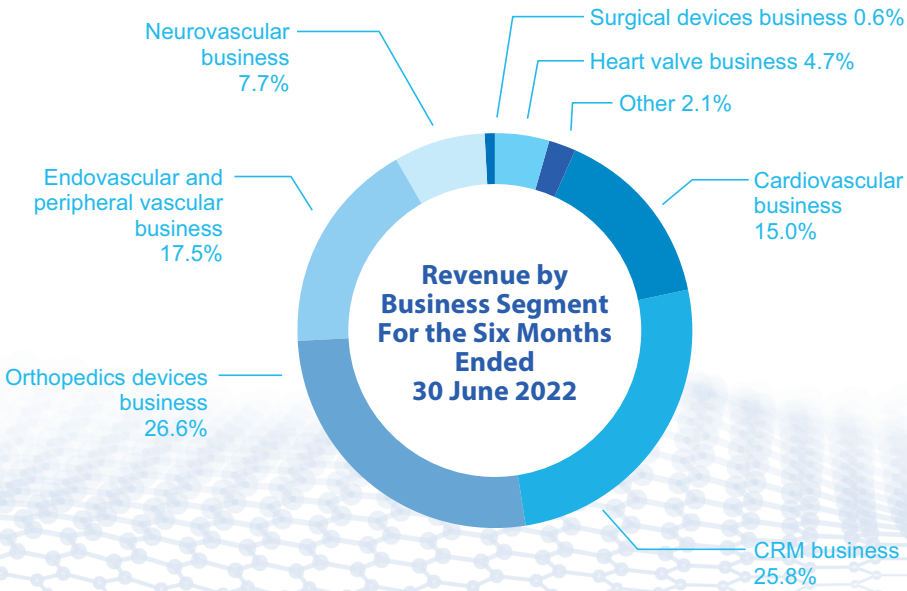
BNP Paribas

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2022 US$'000	2021 US$'000	Change %
Revenue	404,984	384,611	5.3%
Gross profit	247,702	247,608	0.0%
Loss for the period	(253,275)	(114,676)	Not applicable
Loss attributable to equity shareholders of the Company	(198,130)	(90,266)	Not applicable
Loss per share –			
Basic (in cents)	(10.94)	(5.00)	Not applicable
Diluted (in cents)	(11.28)	(5.62)	Not applicable

REVENUE ANALYSIS





CEO STATEMENT

In the first half of 2022, the COVID-19 pandemic burst out in multiple places and the economic operation in some regions of China has been adversely impacted, which brought challenges to the production, sales, research and development and supply chain of the Group. With the joint efforts of all our staff, the Group strived to ensure the stability of its production operations and product supply, while continuously providing online and offline surgical support service to meet the clinical needs and to save more lives with its full strength.

During the six months ended 30 June 2022 (the "Reporting Period"), the Group achieved the global revenue of US$405 million, representing an increase of 10.1%[Note] as compared to the corresponding period of last year. In particular, the heart valve business, the endovascular and peripheral vascular devices business and the neurovascular devices business achieved year-on-year revenue growth of 44.8%, 26.6% and 22.9% respectively. At the same time, our international business maintained a steady growth, with the overseas revenue of the CRM business, the orthopedics devices business and the cardiovascular devices business increased by 8.1%, 9.7% and 28.1% respectively year-on-year.

As for the cardiovascular devices business, under the industrial landscape of centralised and volume-based procurement ("VBP") of coronary stents in China, our market share maintained its first ranking in China and the second in the world, and our drug eluting stents have covered over 3,000 hospitals nationwide. During the Reporting Period, our overseas business recorded a significant increase in revenue of 28.1% as compared to the corresponding period of last year. In particular, the revenue in European, Middle East and Africa (collectively, the "EMEA") and South America recorded year-on-year growth of 62.7% and 48.7%, respectively. In the Indian market, by localizing the production of Firehawk IN™ coronary stents, our sales increased significantly and our penetration in the local market endowed with huge potential for growth will be accelerated with our diversified product portfolio.

As for the orthopedics devices business, the global revenue achieved a year-on-year growth of 2.4%. Among which, the international (non-China) orthopedics business achieved a steady year-on-year growth of 9.7%, and the revenue in EMEA increased by 32.3% as compared to the corresponding period of last year, with the growth rate well above the local market average. In China, the joint business suffered from the impact of the pandemic on the supply chain, with a significant year-on-year decline in revenue. In addition, the revenue of spine and trauma business recorded an increase of 34.9% as compared to the corresponding period of last year during the Reporting Period.

During the Reporting Period, the CRM business recorded a revenue of US$104.4 million, representing an increase of 7.2% as compared to the corresponding period of last year, among which the international (non-China) business realised an increase of 8.1% in revenue as compared to the corresponding period of last year. Particularly, the Group realised a high double-digit revenue growth in both the Japanese and US markets, representing a year-on-year increase of 41.0% and 51.7% respectively. During the Reporting Period, the first and currently the only Chinese-developed magnetic resonance imaging ("MRI") conditional pacemaker was approved for launch in China with multiple post-launch commercial implantations successfully completed as of the date of this report, further strengthening its leading position among the domestic players.

As for the endovascular and peripheral vascular devices business, thanks to the accelerated market penetration of innovative products launched in recent years, especially the strengthening of the distribution channels in the low-tier market, the revenue during the Reporting Period reached approximately US$70.8 million, representing an increase of 26.6% over the same period of the previous year, with products already entering 21 overseas markets across Europe, Latin America and Southeast Asia.

As for the neurovascular devices business, during the Reporting Period, the revenue achieved US$31.3 million, representing a year-on-year increase of 22.9%. We have successfully completed commercial implantations for NUMEN® Coil Embolisation System in the United States, Korea and several European countries, marking a major breakthrough in globalization.

CEO STATEMENT

As for the heart valve business, the revenue grew by 44.8% year-on-year during the Reporting Period while the clinical usage and the hospital penetration for the products of this business segment have both been improved. In overseas markets, we have completed multiple implantations in Argentina for the VitaFlow® Transcatheter Aortic Valve Implantation and Delivery System ("VitaFlow®") and VitaFlow Liberty™ Transcatheter Aortic Valve Implantation and Retrievable Delivery System (VitaFlow Liberty™). The VitaFlow Liberty™ has been approved for launch in Colombia, and its application for CE Marking has proceeded to the next stage, creating new momentum for the growth of this business segment.

As for the surgical robot business, the Toumai® Laparoscopic Surgical Robot was approved for launch in China during the Reporting Period, and has successfully completed the longest-distance 5G ultra-remote robotic surgery in the world to date. As of the date of this report, the Honghu® Orthopedic Surgical Robot was approved for launch in both the United States and China, making it the first and currently the only Chinese surgical robot to receive the United States Food and Drug Administration ("FDA") clearance. In addition, the Trans-bronchial Surgical Robot has completed the first-in-man (FIM) trial of transbronchial robotic lung biopsy.

Benefiting from the Group's strong emphasis on independent innovation, all R&D projects have yielded fruitful results. From the beginning of the year to the date of this report, the Group and its associated companies had 14 products obtaining the registration certificates from the National Medical Products Administration ("NMPA"), and 1 products newly admitted in the Innovative Medical Device Special Review and Approval Procedure (the "Green Path"), reaching a total of 26 "Green Path" products. In the overseas market, we also obtained the FDA clearances for 5 products and CE Markings for 5 products.

From the beginning of 2022 to the date of this report, MicroPort Neurotech Limited, a subsidiary of the Group, was successfully listed on the Main Board of the Hong Kong Stock Exchange, and Shanghai MicroPort EP MedTech Co., Ltd., an associated company of the Group, has received the registration approval from the China Securities Regulatory Commission for its listing application on the Sci-Tech Innovation Board of the Shanghai Stock Exchange.

The Group has been committed to the principle of "breaking barriers to support billions of people to thrive beyond the age of 115" by incorporating a "people-centric" philosophy into our corporate culture, insisting on green operation as well as sustainable and high-quality development to promote the well-rounded development of the medical industry and society. In the face of the sudden outbreak of the pandemic in Shanghai in the second quarter of this year, all staff of MicroPort joined hands to tide over the difficult times, ensuring the stable operation of production lines and the sustainable supply of products. Moreover, our staff worked closely with clinicians by providing strong medical protection for our patients, demonstrating the Group's persistent pursuit of building "a brand that belongs to patients".

In the future, the Group will stay true to its intentions by adhering to steady development and independent innovation, with a sincere endeavor to offer affordable, cutting-edge and life-prolonging medical solutions to patients around the world in both the pandemic and post-pandemic era.

Note: All the revenue growth rates in this CEO Statement are the figures compared to the corresponding period of last year and excluding the foreign exchange impact.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

Since the beginning of 2022, the international situation has become more tense and turbulent following the outbreak of the Russia-Ukraine conflict, which intensified the downward pressure on the global supply and demand sides and significantly slowed down the economic growth, with the inflation level rising comprehensively. In China, the COVID-19 pandemic continued to exert great impact on production and consumption, in particular, the outbreak of the pandemic in Shanghai has caused disruption to the national and even global industrial supply chain. With the easing of the pandemic in some areas and the resumption of production progressed steadily, there was a resurgence in health care services of medical institutions.

In the international market, the global medical industry market will continue to grow steadily in the long run, considering the economic development of various countries, the aging of their populations and people seeking better quality of life. Currently, the worldwide trade situation has become more complex and ever-changing under the impact of the pandemic and geopolitical risks, coupled with the continued strengthening in the overall supervision of the medical industry, the whole life cycle supervision of medical devices has become more stringent in terms of clinical evidence, specifications and parameters, as well as post-market supervision. Faced with the challenging trade and regulatory environment, as well as the increasingly fierce market competition, only those medical device enterprises with the focus on independent innovation, and equipped with strong technological development, industrial application and quality control capabilities are able to truly establish the core competitiveness and international influence of their brands.

In China, with the construction of "Healthy China" and the comprehensive implementation of the medical system reform, the government has issued a number of framework policies regarding the 14th Five-Year Plan: in May 2022, China put forward a five-year plan for the "bioeconomy" for the first time, which emphasised on following the new trend of shifting from "treatment-centred" to "health-centred" with a focus on advanced diagnostic and therapeutic technologies and equipment, precision medicine and bio-health, etc., enhancing the original innovation ability and strengthening the supply chain of high-end biomedical products and equipment. The *14th Five-Year National Health Plan* issued immediately afterwards also emphasises on improving and strengthening the healthcare industry, optimising the registration and assessment process for innovative medical equipment, developing original technology research and promoting the manufacturing and production of high-end medical equipment and healthcare products. In terms of optimising the distribution of medical resources, the General Office of the State Council successively issued the *14th Five-Year Plan on Construction of Urban and Rural Community Service System* and the *Key Tasks for Deepening the Reform of the Medical and Healthcare System in 2022*, with emphasis on speeding up the construction of hierarchical medical system, and giving full play to the leading role of national medical centers and national regional medical centers in order to improve the standards of primary healthcare services. At the same time, with DRG and DIP payment systems as the core, the reform of medical payment methods has progressed steadily, highlighting the value-based approach to healthcare industry. In July 2022, the *CHS-DRG Payment Management Measures for New Drugs and New Technology Exclusions* (《CHS-DRG 付費新藥新技術除外支付管理辦法》) was implemented for the first time in Beijing, allowing the application for eligible drugs and medical devices to be included in the exclusive payment channel, aiming to fully stimulate the innovation of new drugs and technologies while guiding and standardizing medical practices. In addition, the *Notice on Further Improving the Price Management of Medical Service* (《關於進一步做好醫療服務價格管理工作的通知》) issued by the National Healthcare Security Administration pointed out that it is necessary to speed up the acceptance and review process of the pricing of new medical services, and strengthen the quality control of innovative projects in order to support the development of medical technology innovation. Generally speaking, the issuance of various policies aims to lead the high-quality development of the medical industry, and further enhance the efficiency of medical resources while encouraging enterprises to accelerate technological innovation and industrialization, and thus the medical device industry will embrace considerable development opportunities.

In terms of reportable segments based on financial reporting, the Group has eight major business segments: cardiovascular devices, orthopedics devices, CRM business, endovascular and peripheral vascular devices, neurovascular devices, heart valve, surgical robot and surgical devices. As at the end of the Reporting Period, the Group (also through its associated companies) held more than 7,580 patents (including applications) around the world, penetrated over 20,000 hospitals in more than 80 countries and regions. The Group also offered nearly 300 medical solutions to patients worldwide, covering the circulatory system, nervous system, kinetic system, endocrine system, urinary system and reproductive system.

MANAGEMENT DISCUSSION AND ANALYSIS

As a leading international innovative high-end medical device enterprise, the Group has made every effort to promote the steady development of its businesses, with multiple innovative products approved for marketing during the Reporting Period, delivering a steady stream of driving forces for the high-quality growth of the future businesses. During the Reporting Period, in the face of the sudden outbreak of the omicron variant of COVID-19 in Shanghai and other cities, the Group made full use of the platform advantages of globalized supply chain and full business coverage, ensuring the continuous operation of the production bases and the supply of core products, which demonstrated our commitment to social responsibility and caring for people's livelihood with the principle of "patients come first".

During the Reporting Period, despite the impact of COVID-19, the Group still achieved global business revenue of US$405.0 million, representing an increase of 10.1% excluding the foreign exchange impact as compared to the corresponding period of last year. Of which, the heart valve business, the endovascular and peripheral vascular devices business and the neurovascular devices business recorded increases of 44.8%, 26.6% and 22.9% in revenue excluding the foreign exchange impact respectively, mainly attributable to the rapid market penetration and the revenue contributed from new products. Meanwhile, the revenue growth in the overseas business of the CRM business, the orthopedics devices business and the cardiovascular devices business recorded steady overseas revenue growth excluding the foreign exchange impact of 8.1%, 9.7%,and 28.1% respectively.

On 15 July 2022, MicroPort NeuroTech Limited ("MicroPort NeuroTech"), a subsidiary of the Group, was successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited (stock code: 02172.HK), becoming the fourth subsidiary of the Group to accomplish a public listing.

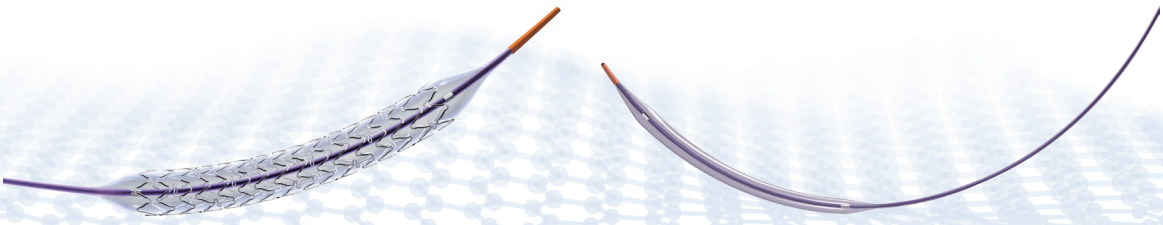
Shanghai MicroPort EP MedTech Co., Ltd. (上海微創電生理醫療科技股份有限公司) ("EP", an associated company of the Group) is seeking a proposed listing on the Sci-Tech Innovation Board of the Shanghai Stock Exchange. In July 2022, EP received the registration approval from the China Securities Regulatory Commission for its listing application, and became the first innovative medical device company approved for listing after the issuance of the *Guidelines No. 7 for the Application of the Regulations on Review of the Issuance and Listing on the STAR Market of the Shanghai Stock Exchange – Application of the Fifth Set of Listing Standards to Medical Device Enterprises* (《上海證券交易所科創板發行上市審核規則適用指引第 7 號－醫療器械企業適用第五套上市標準》).

Cardiovascular Devices Business

The cardiovascular devices business offers products and services for the treatment of coronary artery-related diseases, as well as developing, manufacturing and commercialising industry leading coronary stents and related delivery systems, along with balloon catheters and accessories, and is committed to providing integrated and precise cardiovascular solutions to doctors and patients around the world.

With the expansion of the global aging population, the incidence of cardiovascular disease is rising, and therefore the overall demand for coronary interventional therapy will maintain a steady growth. As for the treatment methods, the concept of percutaneous coronary intervention ("PCI") precision treatment, which is characterized by intracavity imaging technology, robot-assisted surgery and artificial intelligence, has become a development trend, driving the continued growth in the global market terminal of coronary intervention treatment. In terms of the number of surgeries, China is currently the world's largest market for PCI surgery. However, it still lags behind developed countries such as European countries, the United States and Japan in terms of PCI surgery penetration rate (number of surgeries per million population). Benefited from the continuous construction of Chinese hierarchical medical system, primary hospitals are seeking to improve their capability in medical technology and quality in surgical treatment, which will further facilitate the penetration of PCI surgeries in lower-tier regions.

As at the end of the Reporting Period, this business segment has four drug-eluting stents and four balloon products on sale, with operations in 38 countries and regions around the world, and has become the global leader in the area of coronary interventional precision treatment. During the Reporting Period, the Group's cardiovascular devices business recorded global revenue of US$60.7 million, representing a decrease of 7.2% excluding the foreign exchange impact as compared to the corresponding period of last year, mainly due to the repeated disruption caused by the pandemic in China.



During the Reporting Period, with the expiration of the first-year agreement of the national centralised volume-based procurement ("VBP") on coronary stents, the Chinese government organised the renewal of the second-year procurement contract. The cumulative renewed procurement volume of the Group's two bid-winning products, namely Firebird2® Rapamycin Eluting Coronary CoCr Stent System ("Firebird2®") and Firekingfisher™ Rapamycin Eluting Coronary CoCr Stent System ("Firekingfisher™"), increased significantly as compared to the first year's procurement volume. With the support of the large-scale digitalised production and supply chain capacity, the Group will continue to fulfill our commitment of product supply with both quality and quantity ensured. While fully undertaking our social responsibilities and satisfying patients' needs, we are expected to further expand our market share and penetration rate in the cardiovascular interventional treatment area. As at the end of the Reporting Period, our drug eluting stent products have covered over 3,000 hospitals nationwide, with the Firebird2® newly penetrating over 240 hospitals and the Firehawk® Rapamycin Target Eluting Coronary Stent System ("Firehawk®") newly penetrating over 100 hospitals during the Reporting Period. Our balloon products have covered about 1,400 hospitals nationwide, newly entering around 150 hospitals during the Reporting Period. Since its launch in 2017, the "Swallow Program", which focuses on serving the unsatisfied healthcare needs in lower-tier regions, has penetrated over 1,100 county-level hospitals across the country and saved more than 170,000 patients' lives. By ways of medical education, internet system construction, patient management and referral capabilities establishment, the program is committed to helping county hospitals increase their ability in precision interventional treatment, enabling patients in lower-tier regions to enjoy quality and affordable high-end medical solutions.

In overseas regions, through the layout of diversified sales model, the Group continued to cultivate mature markets and explore emerging markets. During the Reporting Period, the segment recorded overseas revenue of approximately US$9.9 million, representing an increase of approximately 28.1% excluding the foreign exchange impact as compared to the corresponding period of last year. Regionally, revenue in Europe, the Middle East and Africa ("EMEA") and South America grew by approximately 62.7% and 48.7% excluding the foreign exchange impact as compared to the corresponding period of last year respectively.

During the Reporting Period, our coronary stent products obtained 5 new initial registrations in 4 countries or regions, and balloon products obtained 7 new initial registrations in 3 countries or regions, while realizing sales for the first time in several new markets, including Saudi Arabia, Cameroon and Azerbaijan. In the Indian market, which sees the third largest number of PCI operations in the world, the effect of multi-product portfolio strategy since the Group successfully launched Firehawk IN™ as its first locally manufactured coronary stent in overseas market, has gradually appeared with a significant increase in sales revenue. In Turkey, benefited from the successive winning of government and hospital tenders, MicroPort® products have already penetrated into more than half of the public and private hospitals, further expanding the brand influence and laying a solid foundation for the further penetration of our product porfolio. In Europe, with the support of the abundant clinical data from the Firehawk® TARGET series, the Group's coronary stent products are successfully admitted into the government tender or medical insurance negotiation frameworks in France, Italy and Portugal, driving a steady grow in the market share.

Orthopedics Devices Business

The orthopedics devices business offers an extensive range of orthopedics products that include reconstructive joints, spine and trauma, and other professional implants and instruments.

Despite the impact of the national VBP policy of artificial joint products and the COVID-19 pandemic, the international business maintained a steady growth. During the Reporting Period, the Group's global orthopedics devices business recorded a revenue of US$107.7 million, representing an increase of 2.4% excluding the foreign exchange impact over the same period last year.

During the Reporting Period, the international (non-China) orthopedics business recorded a revenue of US$99.7 million, representing an increase of 9.7% excluding the foreign exchange impact as compared to the corresponding period of last year. In EMEA, one of our major direct sales markets, through continuous channel development and medical education promotion, the Group recorded a significant year-on-year increase of 32.3% in revenue excluding the foreign exchange impact during the Reporting Period, which is much higher than the average rate of the market average growth. The Group's self-developed MedialPivot Knee System has continued to increase the international market share with its advanced treatment concept and long-term proven clinical evidence. As for cost reduction and efficiency enhancement, the Group has fully integrated its global supply chain capabilities by strengthening cross-border collaboration, and launched a number of cost control projects.

During the Reporting Period, the orthopedics devices business in the PRC recorded a revenue of approximately US$8.0 million, representing a decrease of 43.9% excluding the foreign exchange impact as compared to the corresponding period of last year, mainly affected by the price reduction due to the VBP of artificial joints as well as the COVID-19 pandemic. For the joint business, as the Group's joint products won bids in the state-organised VBP, our market share and penetration rate have both significantly increased with a large number of new hospitals added to our procurement list, and thus the time for the selected products to be admitted to hospitals was significantly shortened. During the Reporting Period, our joint products newly entered over 140 hospitals nationwide, bringing the total coverage to approximately 1,540 hospitals across the country, and the domestically made joint products have realized a substantial growth in clinical implantation. In terms of spine and trauma business, the revenue recorded during the Reporting Period amounted to US$3.4 million, representing a significant increase of 34.9% excluding the foreign exchange impact as compared to the corresponding period of last year. As our spine and trauma products successfully won the bids in provincial and inter-provincial alliance VBPs, we have achieved a major breakthrough in channel expansion, newly entered approximately 200 hospitals with a cumulative penetration of more than 500 hospitals across the country. The self-developed Takin Spinal Posterior Fixation System and Arbores Balloon Dilatation System have been launched and realised the first batch of commercial sales in Argentina. Meanwhile, the Group has actively expanded its production capacity to meet the requirements of the VBP, and steadily reduced the cost of key products by means of upgrading the manufacturing process and improving production efficiency. We have fully realised the self-production for our domestic orthopedic tools, and our global supply capacity of orthopedic tools has been greatly improved.

In the future, the Group will continue to strengthen its market presence in the areas of revision products, unicondyle joints, small joints, intelligent auxiliary instruments and biologics to provide more accessible and whole-course medical solutions of precision diagnosis and treatment to patients with osteoarticular diseases in the world.

CRM BUSINESS

The CRM business principally engages in the development, manufacturing and marketing of products including pacemakers, defibrillators and cardiac resynchronisation therapy devices for the diagnosis, treatment and management of heart rhythm disorders and heart failure, and is committed to creating the world's leading comprehensive CRM solutions.

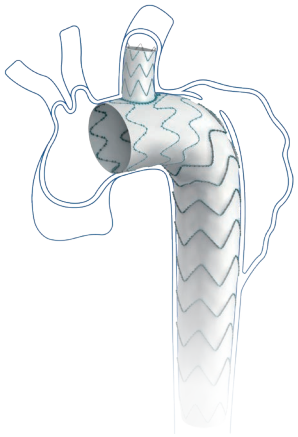
During the Reporting Period, the CRM business recorded a global revenue of approximately US$104.4 million, representing an increase of 7.2% excluding the foreign exchange impact as compared to the corresponding period of last year, which was mainly due to the rapid market penetration of newly launched products.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the international (non-China) CRM business recorded a revenue of US$98.9 million, representing an increase of 8.1% excluding the foreign exchange impact as compared to the corresponding period of last year; among which, the United States, Japan and EMEA have recorded a year-on-year growth in revenue of 51.7%, 41.0% and 5.0% excluding the foreign exchange impact, respectively. In terms of product coverage, the new generation of pacemakers and home monitors, which are equipped with Bluetooth® technology, has been widely recognised by local clinicians and patients for its convenient remote monitoring functions since its launch in Europe and Japan, driving the rapid growth in sales of pacemakers. During the Reporting Period, the series of Bluetooth® pacemakers were also approved for launch in Australia, which will further expand our global market share of high-end heart rhythm management products. The Group's self-developed Invicta™ Defibrillation Lead, which is compatible to 1.5T and 3T magnetic resonance imaging ("MRI"), has obtained CE Marking during the Reporting Period and it can be used together with Ulys™ and Edis™ implantable cardioverter-defibrillators ("ICD"), Gali™ Cardiac Resynchronization Therapy and Defibrillation (CRT-Ds) and NAVIGO™ Left Ventricular Pacing Lead. Equipped with the advanced AutoMRI™ technology that allows them to automatically turn on or off the MRI examination mode, these series of products will fully unleash the potential of the Group's cardiac defibrillation product line and provide a strong growth momentum for our earnings in the future.

During the Reporting Period, the CRM business in the PRC recorded a revenue of US$5.5 million, representing a decrease of 6.6% excluding the foreign exchange impact as compared to the corresponding period of last year, mainly due to the reduction in elective surgeries and difficulties in order shipment as a result of the COVID-19 pandemic. However, despite the challenges brought on by the pandemic, our team overcame all the obstacles and successfully promoted the Rega®, the first and currently the only Chinese-developed MRI-conditional implantable pacemaker, to be approved by the National Medical Products Administration ("NMPA"). We have also completed the first batch of clinical implants in several medical centers, marking a major technological breakthrough for domestic products in this field. In addition, through the creation of a differentiated product portfolio, the Group's various types of dual-chamber pacemakers have successfully won the bids in the provincial and inter-provincial alliance VBPs, bringing in a significant increase in market share and penetration rate. Our pacemaker products newly entered approximately 50 hospitals across the country during the Reporting Period, and have already covered approximately 1,000 hospitals. With the full launch of MRI-compatible pacemakers, the competitiveness and influence of this business segment will continue to grow, substantially solidifying our leading position with the largest market share among domestic players.

Endovascular and Peripheral Vascular Devices Business



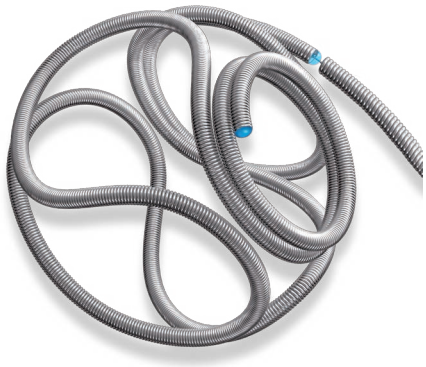
The endovascular and peripheral vascular devices business provides a range of products and services for the interventional treatment of thoracic and abdominal aortic aneurysm, peripheral vascular disease, aortic dissection, and other endovascular related diseases.

During the Reporting Period, despite the impact of the COVID-19 pandemic in China, the endovascular and peripheral vascular devices business achieved a revenue of approximately US$70.8 million, representing an increase of 26.6% excluding the foreign exchange impact as compared to the corresponding period of last year, which was driven by the accelerated market penetration of innovative products approved and launched in recent years, especially the strengthening of the distribution channels in the primary market. As for the aortic products, the Castor® Branched Aortic Stent Graft System ("Castor®"), being the world's first branched aortic stent graft and delivery system, has achieved steady growth in sales, and has penetrated more than 750 hospitals across the country with over 12,000 implantations completed since its launch to the end of the Reporting Period. The revenue growth was also contributed by the significant increase in sales volume of our Minos® Abdominal Aortic Aneurysm and Delivery System ("Minos®"), which covered over 500 hospitals across the country as at the end of the Reporting Period. Since its launch in 2020, Reewarm® PTX Drug Balloon Dilation Catheter ("Reewarm®") has covered more than 500 hospitals in total as at the end of the Reporting Period, achieving a remarkable increase in market penetration. During the Reporting Period, the Group's self-developed innovative product, Talos® Thoracic Stent Graft System ("Talos®") was approved for launch in China and the first clinical implantation was completed in July 2022. The first clinical implantation of Fontus® Branched Surgical Stent Graft System ("Fontus®") was also completed during the Reporting Period, with the continuous implantations in many hospitals.

As for the international business, the Group continued to enrich its innovative product lines to bring our high-quality and affordable "Chinese medical solutions" to more patients around the world. During the Reporting Period, the Hyperflex® Balloon Dilation Catheter ("Hyperflex®") has been approved for launch in Japan, marking the debut in the Japanese market for this business segment and laid a solid foundation for the further exploration in the Asian and even the global market. In addition, the Reewarm® received registration approval in Brazil, and the first commercial implantation of the Hercules™ Low Profile Aneurysm and Delivery System was completed in India. In July 2022, the Castor® Branched Aortic Stent-Graft System was approved for customised distribution in Europe. As at the end of the Reporting Period, the sales scope of this business segment had covered 21 countries and regions across Europe, Latin America and Southeast Asia, and achieved significant breakthroughs in product implantation in the European markets such as Germany and Poland.

Neurovascular Devices Business

The neurovascular devices business specialises in R&D, production and commercialisation of neurovascular therapeutic and access devices for neurovascular diseases, including hemorrhagic stroke, cerebral atherosclerotic stenosis and acute ischemic stroke.



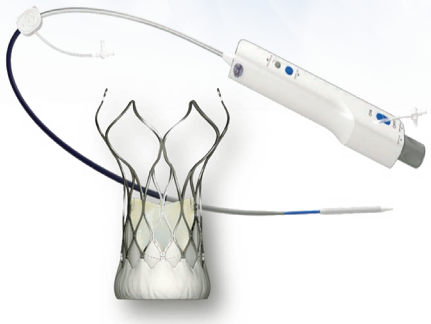
Although the business in the PRC continued to be affected by COVID-19, the Group has actively taken all kinds of countermeasures to maintain its production and operation, as well as putting efforts into the the development of the overseas markets, which partially offset the aforementioned negative impact. During the Reporting Period, the neurovascular devices business recorded a revenue of US$31.3 million, representing a significant increase of 22.9% excluding the foreign exchange impact as compared to the corresponding period of last year, of which, the international (non-China) business realised approximately US$1.8 million in revenue (which was zero for the same period last year).

During the Reporting Period, three products launched in recent years, namely the NUMEN® Coil Embolisation System ("NUMEN® Coil"), the Bridge® Vertebral Artery Drug-eluting Stent ("Bridge®") and the U-track™ Intracranial Support Catheter System("U-track™"), have gained a fast-growing market share in key areas, bringing new impetus to the continuous growth of the segment. By continuously expanding clinical applications and deepening market cultivation, the Tubridge® Flow-Diverting Stent("Tubridge®"), the first and currently the only Chinese-developed flow-diverting stent in China, achieved sustainable growth in clinical use. Benefited from the application of stenosis cases during emergency thrombectomy in lower-tier hospitals, the APOLLO™ Intracranial Arterial Stent System ("APOLLO™") has seen a steady growth in demand with its market share maintaining the No. 1 position for many consecutive years. In addition, during the Reporting Period, the VBP policy for coil products in Hebei Province was officially implemented, and the results of VBP of coils in Jiangsu Province and Fujian Province were both announced in July 2022. The Group's NUMEN® series of coil products won the bids in the above-mentioned regions, which will significantly shorten the time for hospital admission, expected to achieve a major breakthrough in the market share. As at the end of the Reporting Period, the Group's neurovascular devices had covered a total of approximately 2,400 hospitals across the country, with 250 hospitals newly penetrated during the Reporting Period. The Eagle & Swallows program, which focuses on serving stroke patients in the primary market, has covered about 130 lower-tier cities and counties, further solidifying the Group's leading position among all domestic neurointerventional medical device companies.

During the Reporting Period, significant progress was achieved in the globalization of the neurovascular devices business. NUMEN® Coil has completed multiple commercial implantations in Korea, the United States and several European countries and was approved for marketing in Brazil and Japan, while APOLLO™ has generated sales in Brazil for the first time. Moreover, the Group has established local sales teams in several countries including the United States, the United Kingdom, Brazil, Japan and Australia, and continued to initiate collaboration around the world to build an international innovative R&D and business platform. In the United States, with the abundant channel resources of Rapid Medical, our associate company, the Group has facilitated the commercial implantations of NUMEN® Coil, which has received a high recognition from the local clinicians for its advantages of both flexibility and excellent support. NUMEN® Coil can also be used together with the Comaneci® Embolization Assist Device (FDA Breakthrough Medical Device) of Rapid Medical, thereby providing product competitiveness of both parties in the field of coil embolization procedures. In the future, both parties will leverage each other's complementary advantages in sales channels and product coverage to drive the application of innovative neurovascular disease solutions in the global market.

MANAGEMENT DISCUSSION AND ANALYSIS

Heart Valve Business



The Group's heart valve products include three self-developed and commercialized products: VitaFlow® Transcatheter Aortic Valve Implantation and Delivery System ("VitaFlow®"), VitaFlow Liberty™ Transcatheter Aortic Valve Implantation and Retrievable Delivery System (VitaFlow Liberty™) (including the procedural accessories as their offerings), Alwide® Plus Balloon Catheter, and various transcatheter aortic valve implantation ("TAVI") products, transcatheter mitral valve ("TMV") products, transcatheter tricuspid valve ("TTV") products, surgical valve products and procedural accessories at different development stage.

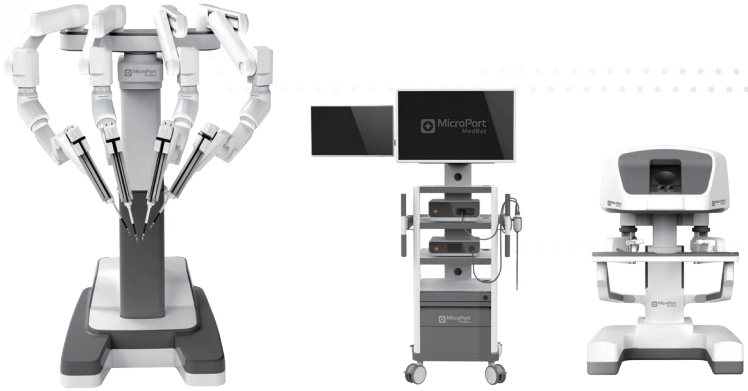
During the Reporting Period, despite the adverse impact brought by the COVID-19 pandemic, the heart valve business recorded a revenue of approximately US$19.0 million, representing an increase of 44.8% excluding the foreign exchange impact as compared to the corresponding period of last year, which was mainly due to the rapid growth in sales volume and implantations of VitaFlow® and VitaFlow Liberty™. Benefited from the constant improvement of localization rate of raw materials and operational efficiency, the gross profit margin of this business segment recorded a substantial year-on-year rise of 8.6 percentage points to 63.7%.

The Group has accelerated the integration of its advantageous resources in the pan-cardiac treatment field to further promote the penetration of the innovative transcatheter solutions for structural heart diseases to the lower-tier regions through medical education and marketing activities. As at the reporting date, the VitaFlow® and VitaFlow Liberty™ products have newly penetrated more than 80 hospitals across the country, with a cumulative penetration of over 390 hospitals and a leading market share in over 230 hospitals therein. As for market development, the TAVI business team continued to strengthen the collaboration with the team from the cardiovascular devices business as well as the "Swallow Program" and fully utilized the Group's nationwide channel network and clinical resources to jointly carry out screening, diagnosis and referral of patients, effectively breaking through geographic barriers and establishing a presence in lower-tier healthcare market.

For the international market, since the launch of the VitaFlow® product series in Argentina, multiple commercial implantations have been successfully completed in more than 20 local hospitals. At the same time, the Group is actively pursuing the registration approvals for the second generation TAVI product, VitaFlow Liberty™, in multiple regions including Europe, India, Brazil and Korea. In August 2022, the VitaFlow Liberty™ and the matching tip-preshaped super-stiff guidewire Angelguide® ("Angelguide®"), were successfully registered in Colombia, marking another important step forward in the exploration of the global market.

Surgical Robot Business

The surgical robot business is dedicated to designing, developing and commercialising innovative surgical robots. To meet the most cutting-edge development needs of minimally invasive surgery, we focus on the R&D of five foundation technologies in relation to surgical robots, including robot ontology, control algorithm, electrical engineering, image-based navigation and precision imaging, covering the whole life cycle of surgical robot development. Relying on our strong ability in product industrialization and operation, we innovatively provide robotic intelligent surgical total solutions that can prolong and reshape life.



The Group is the only company in the global surgical robot industry with a product portfolio covering five major and fast-growing surgical specialties, namely laparoscopic, orthopedic, panvascular, natural orifice and percutaneous surgical procedures. One of the Group's flagship products, Toumai® Laparoscopic Surgical Robot ("Toumai®"), was approved by NMPA for marketing during the Reporting Period, and became the first four-arm laparoscopic robot developed by a Chinese company and approved for launch. The launch of Toumai® marks a major breakthrough in the field of Chinese laparoscopic surgical robots. During the Reporting Period, Toumai® has successfully completed the longest-distance 5G ultra-remote robotic surgery in the world to date, fully demonstrating the leading technical strength and advantages of Chinese-developed surgical robots in the field of 5G ultra-remote robotic surgery. Another flagship product, the Honghu Orthopedic Surgical Robot ("Honghu®"), obtained 510(k) clearance from the U.S. Food and Drug Administration ("FDA") in July 2022 following its approval for marketing in China, becoming the first and the only Chinese surgical robot cleared by the FDA to date. In addition, Honghu® has submitted its application for CE Marking during the Reporting Period. The registration approval of Honghu® in China and the United States will rapidly improve the clinical application of Chinese-developed surgical robots, further enhancing the competitiveness and influence of "intelligently made-in-China" high-end medical devices in the international market.

During the Reporting Period, the Group has newly established more than ten clinical application and training centers nationwide, providing one-stop and comprehensive services covering professional education, technical services and digital learning platforms, empowering primary medical institutions across the country and even the world, in order to benefit more patients with intelligent robot-assisted surgical technology.

Surgical Devices Business

The surgical devices business is committed to providing total solutions for cardiac surgery and emergency life support. Its main products include: extracorporeal circulation series consumable products such as oxygenation system (artificial lungs) and arterial and venous cannulas, extracorporeal membrane oxygenation ("ECMO") system for cardiopulmonary support, occlusion series products used in congenital heart disease treatment and hernia patch series products for hernia repair.

During the Reporting Period, the surgical devices business recorded a revenue of US$2.4 million, representing an increase of 5.4% excluding the foreign exchange impact as compared to the corresponding period of last year. The surgical intubation products and the occluder products have successfully entered the Egyptian and Mexican markets during the Reporting Period, and realised the first batch of commercial sales. As at the end of the Reporting Period, products of this business segment have entered 13 overseas markets. The study results for MOBYBOX® ECMO system, which is a core product of the Group's wholly-owned subsidiary, Hemovent GmbH, on the treatment of patients with COVID-19, have been published in the ASAIO Journal – a leading international medical journal. Confirmed by the research results, MOBYBOX® system, as the world's first ECMO system that uses the combination of a displacement pump with an artificial lung, fully shows its safety and efficacy in the treatment of ARDS. With its excellent clinical results, the MOBYBOX® system has already obtained the CE Marking. The Group is actively promoting the clinical registration, industrialisation and commercialisation of this innovative product in China and globally.

Emerging Business Segments

While actively promoting the steady development of its established business segments, the Group is also exploring emerging business fields including urology, respiration, digestion and gynecology, medical imaging, rehabilitation treatment, sports medicine, the management of blood glucose, tumor chemotherapy and pain, assisted reproduction, as well as ophthalmology and ENT through its subsidiaries or associates. By leveraging on the efficiency and synergies from group operation, we are committed to building a complete business portfolio from prevention and diagnosis to treatment and rehabilitation that covers the entire life cycle of human beings.

In the field of urology, respiration, digestion and gynecology, during the Reporting Period, the Group's two major products, namely the single-use flexible digital ureteroscope catheter and the single-use hemostatic clip device, were approved by the NMPA for launch in China, and five new products were approved for marketing in Brazil and Thailand. The "Green Path" product, the prostatic urethral lift system, has completed the first-in-man (FIM) clinical trial and is preparing for the registrational clinical trial. As for the field of medical imaging, the Group launched the MicroPort Argus™ intravascular optical coherence tomography ("OCT") system, the only purge-free disposable imaging catheter in China, which has achieved a rapid market introduction and realised the first batch of commercial sales by leveraging our existing channel resources. Besides, we have submitted the registration application to the NMPA for the second generation of high-speed OCT system, and the intravascular ultrasound system ("IVUS") has successfully completed the preliminary animal study, further complementing our integrated precision diagnosis and treatment solutions to pan-vascular diseases. For rehabilitation treatment, the Group mainly focuses on the fields of musculoskeletal rehabilitation, cardiopulmonary rehabilitation and neurological rehabilitation, owning a total of six commercialized products and over 100 patents. After receiving the registration certificate in China for the TherMotion® Cryo-Thermo Compression Device, we have also submitted the application for the FDA clearance during the Reporting Period; the lower-limb rehabilitation robot-assisted system, as the first rehabilitation robotic product, has submitted the registration application in China. As for the sports medicine, the multi-center registrational clinical trial for Archimedes®, the world's first long-term implantable balloon rotator cuff system self-developed by an associated company, is close to completion, with the accomplishment of its FDA pre-submission. The 4K high-resolution arthroscope system, suture anchor series and suspension device system are under registration process. In the field of the management of blood glucose, tumor chemotherapy and pain, the first chemotherapy injection pump, AutoEx®, was approved for marketing and the patient-controlled analgesia (PCA) pump has entered the NMPA registration stage. In the field of assisted reproduction, our associated company has a total of six commercialized products, with the separate vitrification freeze kit newly approved for marketing during the Reporting Period. In the field of ophthalmology and ENT, orthokeratology lenses for the treatment of ametropia have completed type validation.

Research and Development ("R&D")

During the Reporting Period, the R&D projects of the Group achieved fruitful results. From the beginning of 2022 to the date of this report, the Group and its associated companies have 14 products obtaining the Class III initial registration certificates from the NMPA, and have obtained the FDA clearances for 5 products and the CE Marking for 5 products. Meanwhile, our self-developed product, prostatic urethral lift system, was newly admitted in the Green Path. As at the date of this report, the Group and its associated companies had a total of 26 products being approved to enter the Green Path, ranking the first in the medical device industry for seven consecutive years.

As for the cardiovascular devices business, the Group has a variety of innovative and iterative products under R&D, including coronary stent and balloon catheter, active interventional treatment device and intravascular imaging equipment. During the Reporting Period, the two-year clinical follow-up results of the FUTURE II study on the second generation bioabsorbable vascular stent system, Firesorb® Bioresorbable Rapamycin Targeted Eluting Coronary Scaffold System ("Firesorb®"), released and further verified that it was comparable to a market-leading metal drug-eluting stent in terms of safety and reliability. Another large-scale clinical trial of Firesorb®, FUTURE III, is under the one-year clinical follow-up, and this series of studies will help promote the concept of "leave nothing behind" for bioabsorbable scaffolds to be widely applied in clinical practice. Meanwhile, the TARGET global clinical studies on Firehawk® have been steadily proceeded with plenty of strong clinical evidence, moving a solid step forward in obtaining future approvals in the United States, Canada and Japan. During the Reporting Period, the results of the OCT clinical study of Firehawk® applied in high-risk populations were first announced at the Euro-PCR, further verifying its safety and effectiveness as the world's lowest drug-loaded coronary stent in high-risk complex patients. In terms of special coronary balloon products, the registration application of self-developed anchor balloon has been submitted to the NMPA, and we have completed the first patient enrollment in the pre-marketing clinical trial of the coronary rapamycin drug-coated balloon catheter ("PROMISE-BIF Study") on the treatment of primary coronary bifurcation lesions. In terms of active interventional products, the pre-marketing clinical trial of the rotational atherectomy system ("CORRECT Study") on the treatment of coronary artery calcification have completed the first patient enrollment, signifying that the first Chinese-developed rotational atherectomy system has officially entered the clinical stage, providing a new option for clinical interventional treatment of coronary artery calcification lesions, especially for moderate to severe calcification.

As for the orthopedics devices business, the Group has promoted a variety of products in an orderly manner to obtain certifications in both domestic and overseas markets. In view of the wide recognition of the Procotyl® P-Series acetabular system since its launch in Europe in 2020, the Group plans to promote the product globally and the type testing has begun during the Reporting Period for a FDA submission. In the future, we will also move forward with a Dual-Mobility Cup option and Revision Cup option. The self-developed hinge knee joint system and the fixed platform unicondylar system of the Group are both in the type testing stage for a FDA submission. In addition, the classic Profemur® Cemented XM® Femoral Stem is under the type testing stage prior to the submission for CE marking. In the PRC market, the new generation of China-made Medial-Pivot Knee System, total knee prosthesis and joint bone guides have been approved for launch by the NMPA, while the registration applications of six products have been submitted to NMPA, including the "Green Path" products Zirconium-Niobium Alloy Femoral Head, the second generation knee joint revision system, the fixed platform unicondylar system, VenusOne Eco Bio-Acetabular System, VenusOne Ceramic Acetabular Liner and Knee Joint Image Processing Software. The Group has also explored new business areas such as small joints to meet diversified clinical needs, and its self-developed "personalised and precise" wrist joint prosthesis has been used in a number of wrist joint replacement surgeries. In the area of spine and trauma, three products, including the spinal plate fixation system kit, were approved for marketing in the PRC during the Reporting Period, while five products, including the Kyphoplastic Balloon Catheter, were in the design validation stage. In Colombia, the Group has submitted applications for the registration of a whole series of trauma products.

As for the CRM business, the Invicta™ Defibrillation Lead compatible to 1.5T and 3T magnetic resonance imaging ("MRI") obtained the CE Marking ahead of schedule and became a major breakthrough in our brand new product series of implantable defibrillation system. In addition, the Group is developing a new generation of Implantable Cardioverter Defibrillator ("ICD") and Cardiac Resynchronisation Therapy and Defibrillation ("CRT-D") equipped with Bluetooth® technology. In the PRC market, during the Reporting Period, the Group actively promoted the R&D progress of MRI-compatible products: Rega®, the first made-in-China out-of-chest MRI-compatible pacemaker, and the matching Beflex™ pacing lead have been both approved for marketing; the next-generation 3T whole-body MRI-compatible pacemaker ENO™ and its matching Vega pacing lead have completed safety verification and pilot production, with their registration applications both submitted to the NMPA in August 2022. Moreover, the BonaFire® whole-body MRI-compatible passive pacing lead, a self-designed "Green Path" product, has completed the enrollment of all patients for the registrational clinical trial, and is in the late stage of clinical follow-up.

As for the endovascular and peripheral vascular devices business, all pipeline products are under rapid R&D progress. For the aortic products, Cratos® Thoracic Endovascular Stent Graft System and the new generation Aegis® Abdominal Aortic Stent Graft System are preparing for the launch of registrational clinical trials. For the peripheral vascular products, the iliac vein stent system ("Green Path" product), has completed all patients enrollment for the registrational clinical trial, the Fishhawk® mechanical thrombectomy catheter has successfully carried out the pre-market clinical trial, and the vena cava filter has obtained the type verification report and the animal experiment report. In the field of interventional oncology, the TIPS Stent Graft System, one of our core products, has received the type verification report and the ethical approval from the main PI unit.

As for the neurovascular devices business, a total of four self-developed products were approved by the NMPA during the Reporting Period, and the commercialised product portfolio has covered three major areas of neurovascular diseases. In the treatment of hemorrhagic stroke, the new generation NUMEN Silk® 3D Electronically Detachable Coil ("NUMEN Silk® Coil") was approved for launch during the Reporting Period. With its ultra-soft design, NUMEN Silk® Coil could reduce the pressure on the aneurysm wall, and lower the risk of aneurysm rupture during surgery. In the treatment of cerebral atherosclerotic stenosis, Diveer® Intracranial Balloon Dilatation Catheter ("Diveer® Ballon Catheter") was approved for marketing by NMPA, further enriching the product line in this segment. In acute ischemic stroke treatment, the Group's self-developed and fully visualised Neurohawk® Intracranial Thrombectomy Stent ("Neurohawk®") and the X-track™ Intracranial Distal Access Catheter ("X-track™ Distal Access Catheter") were both approved for marketing by NMPA. The world's first adjustable fully visualised Thrombectomy Stent Tigertriever® ("Tigertriever®"), for which we act as the exclusive distributor in Greater China of Rapid Medical, is at the NMPA registration stage. In addition, another flagship product of Rapid Medical, the Tigertriever®13 Distal Access Thrombectomy Device ("Tigertriever®13"), for which we have exclusive distribution right in Greater China, received FDA clearance in July 2022. Tigertriever®13 is compatible with smaller microcatheters for safe access to remote lesion locations, making it the world's smallest thrombectomy stent to date. Through the planning of "multi-stent" portfolio of Neurohawk®, Tigertriever® and Tigertriever®13, the Group has become the only Chinese company owning the stent retrievers that are compatible with procedures in varying sizes of blood vessels.

As for the heart valve business, during the Reporting Period, the Group released the result of the five-year follow-up data for the clinical study of VitaFlow®, the post-operation five year survival rate is 81.8%, with a significant improvement in quality of life after surgery. The excellent clinical data will establish a solid evidence base for the global expansion of the VitaFlow® series of products. During the Reporting Period, the application for CE Marking of VitaFlow Liberty™ made progress to the next stage, and we have submitted the application for the NMPA Green Path regarding the VitaGuardian™ Embolic Protection Device. The Group also has several transcatheter mitral valve ("TMV") and transcatheter tricuspid valve ("TTV") treatment products under development, which strategically cover all mainstream and feasible therapies for mitral valve and tricuspid valve regurgitation. For TMV repair replacement products, our self-developed TMV product has completed first-in-man(FIM) trial in July 2022, with excellent 30 days' follow-up results after surgery. The system is the first of its kind to use a self-developed unique anti-calcification and dry valve treatment technique to further improve the durability of prosthetic valves, making it the world's first dry-tissue transcatheter mitral valve replacement system with clinical application. The jointly-developed AltaValve™ transcatheter mitral valve replacement system ("AltaValve™") has successfully completed a number of clinical procedures and the clinical results from its Early Feasibility Study (EFS) were released, demonstrating a significant improvement in mitral regurgitation symptoms after surgery, fully proving its safety and efficacy. For the TMV repair products, the Group's self-developed product is at the design stage. The Amend™ Transcatheter Mitral Valve Repair Product ("Amend™"), a jointly-developed TMV repair product, has completed several transseptal implantations. For the TTV treatment products, the self-developed edge-to-edge TTV repair product, the jointly-developed TTV repair product and the TTV replacement product are all in the design stage.

As for the surgical robot business, the Group continued to build an all-around fundamental technology system and to accelerate the innovation and development of domestic surgical robot technology. As at the date of this report, Toumai® Laparoscopic Surgical Robot has completed all enrolled surgeries in the multidisciplinary and multicenter registrational clinical trials, and the application for registration has been submitted to NMPA for the expansion of its multi-disciplinary application, making Toumai® the second laparoscopic surgical robot in the world, and the first of its kind in China that can cover important and complex procedures in the thoracic, abdominal and pelvic cavities (urology and gynecology). Toumai® Single-arm Laparoscopic Surgical Robot ("Toumai® Single-arm") has completed tens of exploratory clinical trials and we are proceeding steadily with the preparations for its registrational clinical trial. With the support of the National key technologies R&D program, the Group will make every effort to fill the gap in the area of single-arm laparoscopic surgical robot in China. In addition, the Trans-bronchial Surgical Robot has completed the first-in-man (FIM) trial of transbronchial robotic lung biopsy, which is also a breakthrough achieved by a Chinese-developed surgical robot in the field of non-invasive natural cavity surgery. As as the date of this report, the Mona Lisa Robotic Transperined Prostate Biopsy System, developed through international cooperation, has completed the registrational clinical trial and its application for registration has been submitted to the NMPA; the R-ONE Vascular Interventional Surgical Robot has also completed all patients enrollment for the registrational clinical trial.

As for the surgical devices business, the Group strives to improve the overall extracorporeal life support solutions, including membrane oxygenators and premium cannulas, through continuous technological innovation. The VitaSprings® Spiral Diversion Integrated Membrane Oxygenator ("VitaSprings®"), being the first highly integrated membrane oxygenator developed in China, has submitted the application for the NMPA approval during the Reporting Period. The self-developed ECMO System is at the design validation stage and the accumulation of the above technology will promote the localisation of ECMO high-end medical rescue equipment with membrane oxygenator as the core. During the Reporting Period, the Hemovent WATCHA blood oxygen saturation monitoring sensor has been awarded with CE Marking and the new generation of disposable intravenous cannulae has been submitted for type testing.

FINANCIAL REVIEW

Overview

Despite facing an increasingly fierce competition from the rapidly growing medical device industry in China and abroad as well as the impact of the COVID-19 pandemic, the revenue of the Group increased by 5.3% (in US$) for the six months ended 30 June 2022 as compared to the six months ended 30 June 2021. The Group persisted in providing a diversified product portfolio and pursued the Group's globalization strategy with non-China sales contributing 53.4% of the total revenue. The Group aims to continuously bring its innovations, technologies and services to millions of global patients and become a patient oriented global leading enterprise in high technology medical segments represented by minimal invasive and other emerging medical markets.

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

Revenue

	Six months ended 30 June		Percent change	
US$'000	**2022**	2021	In US$	Excluding the foreign exchange impact
Cardiovascular devices business	**60,684**	66,837	(9.2%)	(7.2%)
Orthopedics devices business	**107,711**	110,140	(2.2%)	2.4%
CRM business	**104,394**	108,258	(3.6%)	7.2%
Endovascular and peripheral vascular devices business	**70,765**	55,843	26.7%	26.6%
Neurovascular devices business	**31,326**	25,368	23.5%	22.9%
Heart valve business	**18,987**	13,385	41.9%	44.8%
Surgical robot business	**156**	–	N/A	N/A
Surgical devices business	**2,433**	2,288	6.3%	5.4%
Other business (Note)	**8,528**	2,492	242.2%	230.1%
Total	**404,984**	384,611	5.3%	10.1%

Note:

Other business did not meet the quantitative thresholds for determining reportable segments.

The Group's revenue for the six months ended 30 June 2022 was US$405.0 million, increasing by 5.3% compared to US$384.6 million for the six months ended 30 June 2021. The Group's reported revenue was impacted by translation from functional currencies of the Group's subsidiaries to US$, the presentation currency of the Group, due to the appreciation or depreciation of US$ against functional currencies. Excluding the foreign exchange impact, the Group's revenue increased by 10.1%. Such growth was principally attributable to the rapid market penetration and new product revenue contribution. The following discussion is based on the Group's major business segments.

– Cardiovascular Devices Business

The Group's cardiovascular devices business recorded a revenue of US$60.7 million for the six months ended 30 June 2022, representing a decrease of 7.2% excluding the foreign exchange impact or a decrease of 9.2% in US$ compared to the six months ended 30 June 2021. Such decrease was mainly attributable to (i) the negative impact of the COVID-19 pandemic, resulting in disruptions to the manufacturing and logistics network of the Group's cardiovascular devices business, as well as (ii) the reduction in elective surgeries at medical institutions in certain regions.

– Orthopedics Devices Business

	Six months ended 30 June		Percent change	
US$'000	**2022**	2021	In US$	Excluding the foreign exchange impact
Orthopedics Devices Business	**107,711**	110,140	(2.2%)	2.4%
– US	**43,707**	42,323	3.3%	3.3%
– Europe, Middle East and Africa	**30,380**	24,688	23.1%	32.3%
– Japan	**16,585**	19,529	(15.1%)	(3.4%)
– the PRC	**7,990**	15,104	(47.1%)	(43.9%)
– Others	**9,049**	8,496	6.5%	7.0%

The Group's orthopedics devices business recorded a revenue of US$107.7 million for the six months ended 30 June 2022, representing an increase of 2.4% excluding the foreign exchange impact or a decrease of 2.2% in US$ compared to the six months ended 30 June 2021. This change was mainly due to the increase in overseas revenue brought about by investments in market development and product promotion, which was offset by the price reduction due to the VBP of joints products as well as the Covid-19 pandemic in the PRC.

– CRM Business

	Six months ended 30 June		Percent change	
US$'000	**2022**	2021	In US$	Excluding the foreign exchange impact
CRM business	**104,394**	108,258	(3.6%)	7.2%
–US	**1,256**	828	51.7%	51.7%
–Europe, Middle East and Africa	**89,181**	95,186	(6.3%)	5.0%
–Japan	**6,135**	4,916	24.8%	41.0%
–the PRC	**5,485**	5,992	(8.5%)	(6.6%)
–Others	**2,337**	1,336	74.9%	66.5%

CRM business recorded a revenue of US$104.4 million for the six months ended 30 June 2022, representing an increase of 7.2% excluding the foreign exchange impact or a decrease of 3.6% in US$ compared to the six months ended 30 June 2021, which was mainly attributable to the rapid penetration of the new generation of pacemakers and home monitors equipped with Bluetooth® technology, that has been widely recognised by local clinicians and patients for its convenient remote monitoring functions since its launch in Europe and Japan.

– **Endovascular and Peripheral Vascular Devices Business**

The Group's endovascular and peripheral vascular devices business achieved a revenue of US$ 70.8 million for the six months ended 30 June 2022, representing a growth of 26.6% excluding the foreign exchange impact or a growth of 26.7% in US$ compared to the six months ended 30 June 2021. Such growth was mainly attributable to: (i) the further enhanced competitiveness of the Group's endovascular and peripheral vascular devices benefited from the recent approvals obtained for the Castor® Branched Aortic Stent-Graft System, Minos® Abdominal Aortic Aneurysm and Delivery System, Reewarm® PTX Drug Coated Balloon, all of which maintained rapid growth during the Reporting Period; and (ii) an increase in market share in second and third tier cities as a result of effective marketing.

– **Neurovascular Devices Business**

The Group's neurovascular devices business recorded a revenue of US$31.3 million for the six months ended 30 June 2022, representing a growth of 22.9% excluding the foreign exchange impact or a growth of 23.5% in US$ compared to the six months ended 30 June 2021. Such increase was mainly attributable to: (i) the innovative products approved in recent years were rapidly ramping up including NUMEN® Coil Embolisation System, the Bridge® Rapamycin Target Eluting Vertebral Artery Stent System and U-track™ Intracranial Support Catheter System; (ii) the market-leading products, Tubridge® Flow-diverting stent continued to grow in clinical usage; and (iii) the export sales revenue generated by some existing products that have obtained overseas registration, primarily in the US, Korea and Europe.

– **Heart Valve Business**

The Group's heart valve business recorded a revenue of US$19.0 million for the six months ended 30 June 2022, representing a growth of 44.8% excluding the foreign exchange impact or a growth of 41.9% in US$ compared to the six months ended 30 June 2021, primarily attributable to positive market recognition and rapid growth in sales volume and implantation of VitaFlow® and VitaFlow Liberty™.

– **Surgical Robot Business**

The Group's surgical robot business recorded a revenue of US$0.2 million for the six months ended 30 June 2022, mainly contributed by the first commercialized product DFVision® 3D Electronic Laparoscope ("DFVision®").

– **Surgical Devices Business**

The Group's surgical devices business recorded a revenue of US$2.4 million for the six months ended 30 June 2022, representing an increase of 5.4% excluding the foreign exchange impact or an increase of 6.3% in US$ compared to the six months ended 30 June 2021.

– **Other Business**

The Group's other business recorded a revenue of US$8.5 million for the six months ended 30 June 2022, representing an increase of 230.1% excluding the foreign exchange impact or an increase of 242.2% in US$ compared to the six months ended 30 June 2021, which was mainly due to the sales revenue contribution of Fujian Kerui Pharmaceutical Co., Ltd ("Kerui Pharma") and Suzhou MicroPort Argus Medtech Co., Ltd. ("Suzhou Argus"), the newly acquired subsidiaries of the Group in the second half of 2021. The revenue of other business did not meet the quantitative thresholds for determining reportable segments.

Cost of Sales

For the six months ended 30 June 2022, the Group's cost of sales was US$157.3 million, representing a 14.8% increase compared to US$137.0 million for the six months ended 30 June 2021. Such increase was primarily attributable to the increased sales volume of the major businesses.

Gross Profit and Gross Profit Margin

As a result of the foregoing factors, the Group's gross profit amounted to US$247.7 million for the six months ended 30 June 2022, which is generally at the same level with US$247.6 million for the six months ended 30 June 2021. Gross profit margin is calculated as gross profit divided by revenue. The Group's gross profit margin decreased to 61.2% for the six months ended 30 June 2022 as compared to 64.4% for the six months ended 30 June 2021, which was mainly attributable to unfavorable sales mix and cost increase from COVID-19 lockdowns, new manufacturing plants and inflation.

Other Net Income

Other net income increased by 68.0% from US$24.6 million for the six months ended 30 June 2021 to US$41.4 million for the six months ended 30 June 2022. Such increase was mainly due to the reversal of loss provisions recognised in previous years, an increase on net foreign exchange gains, etc.

Research and Development Costs

Research and development costs increased by 59.3% from US$117.1 million for the six months ended 30 June 2021 to US$186.4 million for the six months ended 30 June 2022. Such increase was primarily due to the increased investments in the on-going and newly kicked off research and development projects.

Distribution Costs

Distribution costs increased by 12.2% from US$130.7 million for the six months ended 30 June 2021 to US$146.6 million for the six months ended 30 June 2022. Such increase was primarily attributable to the market development and an increase in product promotion of the surgical robots and heart valve businesses.

Administrative Expenses

Administrative expenses increased by 29.4% from US$103.0 million for the six months ended 30 June 2021 to US$133.3 million for the six months ended 30 June 2022. Such increase was mainly attributable to: (i) the increase in costs related to new office premises and facilities; (ii) additional administrative expenses of subsidiaries newly acquired in the second half of 2021.

Other Operating Costs

Other operating costs increased by 52.4% from US$5.5 million for the six months ended 30 June 2021 to US$8.3 million for the six months ended 30 June 2022. Such increase was mainly attributable to an increase in donation expenses during the Reporting Period.

Finance Costs

Finance costs increased by 110.2% from US$21.9 million for the six months ended 30 June 2021 to US$46.1 million for the six months ended 30 June 2022. Such increase was mainly due to the accrued interest of convertible bonds issued by the Company and preferred shares issued by the subsidiaries of the Group.

Income Tax

Income tax decreased from US$12.3 million for the six months ended 30 June 2021 to US$5.4 million for the six months ended 30 June 2022, primarily due to the decrease in profit before tax earned by the subsidiaries in the PRC.

Capital Management

The primary goal of the Group's capital management is to maintain the Group's stability and growth, safeguard its normal operations and maximize shareholders' value. The Group reviews and manages its capital structure on a regular basis, and makes timely adjustments to it in light of changes in economic conditions. To maintain or realign the capital structure, the Group may raise capital by way of bank loans or issuance of equity or convertible bonds.

Liquidity and Financial Resources

As at 30 June 2022, the Group had US$1,380.8 million of cash and cash equivalents on hand, as compared to US$1,754.4 million as at 31 December 2021. Such decrease was mainly attributable to (i) operating expenditure on research and development, registration, and commercialisation of businesses such as surgical robots, heart valves and surgical devices through independent financing channels; (ii) capitalised expenditure of the Group; (iii) investments in associates; (iv) share repurchases. The Board's approach to managing liquidity of the Group is to ensure sufficient liquidity at any time to meet its matured liabilities in order to avoid any unacceptable losses or damage to the Group's reputation.

Borrowings and Gearing Ratio

Total borrowings of the Group, including interest-bearing borrowings and convertible bonds, as at 30 June 2022 were US$1,090.0 million, representing an increase of US$65.2 million as compared to US$1,024.8 million as at 31 December 2021. During the Reporting Period, the gearing ratio (calculated as total bank borrowings and convertible bonds divided by total equity) of the Group increased from 46.2% as at 31 December 2021 to 58.4% as at 30 June 2022.

Net Current Assets

The Group's net current assets as at 30 June 2022 were US$1,503.8 million, as compared to US$1,840.0 million as at 31 December 2021.

Foreign Exchange Exposure

The Group is exposed to currency risk primarily from sales, purchases, borrowing and lending which give rises to receivables and payables that are denominated in a foreign currency (mainly RMB, Euro and JPY). For the six months ended 30 June 2022, the Group recorded a net exchange gain of US$6.0 million, as compared to a net foreign exchange loss of US$2.2 million for the six months ended 30 June 2021. The Group did not have any significant hedging arrangements to manage foreign exchange risk but has been actively monitoring and overseeing its foreign exchange risk.

Capital Expenditure

In addition, during the six months ended 30 June 2022, the Group's total capital expenditure amounted to approximately US$109.0 million, which was used in (i) construction and renovation of buildings; (ii) acquiring equipment and machinery; and (iii) expenditures for R&D projects in development stage.

Charge on Assets

As at 30 June 2022, the Group had mortgaged its buildings held for own use and right-of-use assets for the purpose of securing bank loans with a carrying value of US$85.2 million, and pledged the equity interest held by the Group in Kerui Pharma, Suzhou Argus and MicroPort Vision Power MedTech (Shanghai) Co., Ltd. and Hemovent GmbH for the purpose of securing bank loans for acquisitions and capital injections with a carrying value of US$105.8 million.

HUMAN RESOURCES AND TRAINING

As at 30 June 2022, the Group had a total of 9,186 employees around the world, of which 1,746 or 19% were overseas employees in the Asia Pacific region, Europe, the Middle East, Africa, North America and Australia.

Adhering to the principle of "maturity, usage, cultivation, remuneration and care" regarding human resources, the Group has built a comprehensive talent development platform through the construction mechanism of organisational competence. Focus is placed on the enhancement and development of the intellectual, emotional, reactive and instrumental quotient of staff and the organisation. We emphasise on recruiting the world's top technical leaders, and accurately cultivating core technicians and future leaders. The Group takes the lead to design an employee career path of "2 ways, 3 levels, 6 paths, 18 steps and 108 posts", providing employees with a development path in combined directions horizontally and vertically, and accompanying employees to grow together by building a learning organisation. Within the Group, we have set up four internal learning institutions, namely the "Jixia Leadership Academy", "Basic Knowledge, Skills and Innovation School", "Emerging Medical Science and Technology Knowledge and Practice Workshop", and "Culture Lecture Hall". Through the extraction of internal knowledge and experience and the transmission of the spirit of "passing on the knowledge to others", and with an aim of comprehensively cultivating "professional, excellent, special and uncommon" technical talents and future enterprise leaders, we will work together to achieve our mission of "breaking barriers to support billions of people thrive beyond the age of 115 years old".

PROSPECTS

With the expanding ageing population in the world, the improved living standards of the people and the economic growth of the developing countries, the global market demand for medical devices has steadily increased. As for the PRC market, thanks to the economic and social development, the health awareness among its people has been raised significantly, and reform of the medical system has also brought policy bonus. The medical device market in China has huge development opportunities, while at the same time attracting more and more multinational medical enterprises. In order to seize the development opportunities and enhance the Group's core competitiveness in the increasingly fierce market competition, the Group will continue to actively implement its business strategies, including but not limited to the following:

1. Consolidating its leading position in the medical device market in the PRC. With its strong brand recognition, extensive distribution network, and the economies of scale achieved by the deployment of multiple channels, the Group will further increase its market share in the PRC and continue to play to the advantages of being a leading enterprise in the industry and make breakthroughs in every aspect of the domestic high-end medical device industry, thereby maximising value for the shareholders, customers, employees and society.

2. Expediting the global penetration to realise integration of our brand and global operations. The Group will continuously deepen the globalised branding and operation strategy based on local language families by consistently implementing the operation model of "globalisation in operational strategy, localised implementation, deployment with diversification, and unified positioning", thereby realising global deployment through effective integration of resources and markets around the world, which in turn will bring the products of MicroPort® to more countries or regions and benefit patients and doctors around the world.

3. Constantly improving its existing products and actively promoting the development of innovative products to create a diversified product portfolio. While continuously improving the performance and manufacturing processes of existing products and carrying out a vast variety of R&D activities, the Group will expedite the R&D and commercialisation of innovative products which align with its corporate strategy, with an aim to provide patients and doctors with quality integrated medical solutions at affordable charges.

4. Deepening the reform of its management system. In order to further enhance its competitiveness and risk prevention capability, the Group will constantly improve the system development and enhance the efficiency of internal governance by integrating resources and streamlining processes, thereby maintaining the unique entrepreneurial vitality, flexibility and efficiency of MicroPort® to the greatest extent while expanding its business scale more rapidly.

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

As at 30 June 2022, interests and short positions in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) held by the directors of the Company ("Directors") and chief executives of the Company which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

Name of Director/ Chief Executive	No. of Shares	Note	Capacity	Nature of interest	Approximate percentage of interest in the Company
Zhaohua Chang	46,889,899	1	Beneficial owner	Long position	2.57%
Jonathan H. Chou	1,161,290	2	Beneficial owner	Long position	0.06%
Guoen Liu	161,290	1	Beneficial owner	Long position	0.00%
Chunyang Shao	161,290	1	Beneficial owner	Long position	0.00%

Notes:

(1) Dr. Zhaohua Chang, Dr. Guoen Liu and Mr. Chunyang Shao are interested in the underlying Shares of the Company by virtue of the options granted to them under the share option scheme(s) of the Company. For further details, please refer to the section headed "Company's Share Option Schemes" below.

(2) Mr. Jonathan H. Chou is interested in (i) 557,133 underlying Shares of the Company by virtue of the options granted to him under the share option scheme(s) of the Company and (ii) 604,157 Shares of the Company. For further details, please refer to the section headed "Company's Share Option Schemes" below.

INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE ASSOCIATED CORPORATIONS

Name of Director/ Chief Executive	Name of associated corporation	No. of shares/ registered capital	Notes	Capacity	Nature of interest	Approximate percentage of interest in the associated corporation
Zhaohua Chang	MicroPort CardioFlow Medtech Corporation	6,000,000	1	Beneficial owner	Long position	0.24%

(1) Dr. Zhaohua Chang is interested in the underlying shares of the associated corporation by virtue of the options granted to him under the share option scheme of that associated corporation. For further details, please refer to the below section headed "Subsidiary's Share Option Scheme".

Save as disclosed above, as at 30 June 2022, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2022, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would need to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

INTERESTS AND SHORT POSITIONS IN THE SHARES

Name of Substantial Shareholder	No. of Shares	Notes	Capacity	Nature of interest	Percentage of total number of Shares in issue (%)
Otsuka Holdings Co., Ltd.	382,994,120	1	Interest of controlled corporation	Long position	20.99
Otsuka Medical Devices Co., Ltd.	382,994,120	1	Beneficial owner	Long position	20.99
Maxwell Maxcare Science Foundation Limited	328,363,355	2	Interest of controlled corporation/ Beneficial owner	Long position	18.00
We'Tron Capital Limited	264,291,373	2	Beneficial owner	Long position	14.49
Shanghai Zhangjiang (Group) Co., Ltd.	221,748,050	3	Interest of controlled corporation	Long position	12.15
Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd.	221,748,050	3	Interest of controlled corporation	Long position	12.15
Shanghai Zhangjiang Science and Technology Investment Co.	221,748,050	3	Interest of controlled corporation	Long position	12.15
Shanghai Zhangjiang Haocheng Venture Capital Co., Ltd.	221,748,050	3	Interest of controlled corporation	Long position	12.15
Shanghai Zhangjiang Science and Technology Investment (Hong Kong) Company Limited	221,748,050	3	Interest of controlled corporation	Long position	12.15
Shanghai ZJ Hi-Tech Investment Corporation	221,748,050	3	Interest of controlled corporation/ Beneficial owner	Long position	12.15
Shanghai ZJ Holdings Limited	221,748,050	3	Interest of controlled corporation	Long position	12.15
Shanghai Zhangjiang Health Solution Holdings Limited	214,705,470	3	Beneficial owner	Long position	11.77
Hillhouse Capital Advisors, Ltd.	153,694,000		Investment manager	Long position	8.42
Gaoling Fund, L.P.	147,009,000		Beneficial owner	Long position	8.06

Notes:

(1) Otsuka Holdings Co., Ltd. holds the entire issued share capital of Otsuka Medical Devices Co., Ltd., and therefore, is deemed to be interested in the same number of Shares held by Otsuka Medical Devices Co., Ltd..

(2) Maxwell Maxcare Science Foundation Limited ("Maxwell") holds 99.99% interest of We'Tron Capital Limited, and therefore, is deemed to be interested in the same number of Shares held by We'Tron Capital Limited. Maxwell is also deemed to be interested in the 63,049,863 shares interests of the Company held by Hopeway Limited, a wholly-owned company of Maxwell. In addition, Maxwell is the beneficial owner of 1,021,324 Shares.

(3) Shanghai Zhangjiang (Group) Co., Ltd. is wholly-owned by the State-owned Assets Supervision and Administration Commission of the Shanghai Pudong New Area People's Government. Shanghai Zhangjiang (Group) Co., Ltd. holds 100% interest in Shanghai Zhangjiang Science and Technology Investment Co., which in turn holds 100% interest in Shanghai Zhangjiang Science and Technology Investment (Hong Kong) Company Limited, which in turn holds 50% interest in Shanghai ZJ Hi-Tech Investment Corporation. Shanghai Zhangjiang (Group) Co., Ltd. also holds 50.75% interest in Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd., which in turn holds 100% interest in Shanghai Zhangjiang Haocheng Venture Capital Co., Ltd., which in turn holds 100% interest in Shanghai ZJ Holdings Limited, which in turn holds 50% interest in Shanghai ZJ Hi-Tech Investment Corporation. Shanghai ZJ Hi-Tech Investment Corporation holds 100% interest in Shanghai Zhangjiang Health Solution Holdings Limited. The interest in 221,748,050 Shares relates to the same block of Shares in long position held by the following companies:

Name of Controlled Corporation	No. of Shares	Approximate Percentage of total number of Shares in issue (%)
Shanghai Zhangjiang Health Solution Holdings Limited	214,705,470	11.77
Shanghai ZJ Hi-Tech Investment Corporation	7,042,580	0.38
Total	221,748,050	12.15

Save as disclosed above, as at 30 June 2022, the Directors of the Company were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would need to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save for the 2,755,400 Shares of the Company purchased by the trustee of the share award scheme at cash consideration of approximately US$6,390,000 on the Stock Exchange for the share award scheme, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Save as disclosed in note 14 to the unaudited interim financial report as set out on page 61 of this interim report, the Group did not have any material acquisition or disposal of subsidiaries or associated companies during the six months ended 30 June 2022.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the six months ended 30 June 2022, the Directors were not aware of any business or interest of the Directors or any substantial shareholder (as defined under the Listing Rules) of the Company and their respective associates (as defined under the Listing Rules) that had competed or might compete directly or indirectly with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry by the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the period of the six months ended 30 June 2022.

SHARE AWARD SCHEME

The Board approved and adopted a share award scheme (the "Share Award Scheme") as a means of recognizing the contributions of selected employees of the Group.

Pursuant to the Share Award Scheme, the Board may, from time to time and at its absolute discretion, award eligible participants by granting share of the Company ("Awarded Shares"). The Board shall cause to be paid the purchase price for the Awarded Shares and the related expenses to the trustee of the Share Award Scheme (the "Trustee"), who will purchase the Awarded Shares on the Stock Exchange at the prevailing market price. The Awarded Shares are held on trust by the Trustee until such Awarded Shares are vested in accordance with the provisions of the Share Award Scheme. The Board shall not make any further award of Awarded Shares which will result in the nominal value of the Share awarded by the Board under the Share Award Scheme exceeding 10% of issued share capital of the Company from time to time. The maximum number of Shares which may be awarded to an eligible participant shall not exceed 1% of the issued share capital of the Company from time to time. For further details of the Share Award Scheme, please refer to the announcements of the Company dated 15 September 2011 and 28 August 2020.

During the six months ended 30 June 2022, the Trustee purchased a total of 2,755,400 Shares at cash consideration of approximately US$6,390,000 on the Stock Exchange pursuant to the rules of the Share Award Scheme.

COMPANY'S SHARE OPTION SCHEMES

A share option scheme (the "2010 Share Option Scheme") was approved and adopted pursuant to a written resolution of all the Shareholders on 3 September 2010.

The purpose of the 2010 Share Option Scheme was to provide the Company with a means of incentivizing eligible participants to work towards enhancing the value of our Company and promote the long-term growth of the Company. The 2010 Share Option Scheme will link the value of the Company with the interests of participants, enabling participants and the Company to develop together and promoting the Company's corporate culture.

The Directors of the Company may, at their discretion, invite any Directors (including Executive Directors, Non-executive Directors and Independent non-executive Directors), employees and officers of any members of the Group and any advisors, consultants, distributors, contractors, contract manufacturers, agents, customers, business partners, joint venture business partners and service providers of any members of our Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group to participate in the 2010 Share Option Scheme.

The Company shall be entitled to issue options, provided that the total number of Shares which may be allotted and issued upon exercise of all outstanding options to be granted under the 2010 Share Option Scheme of the Company shall not exceed 10% of the aggregate Shares in issue as at the date when the Shares were first listed on the Stock Exchange, which was 140,411,234 Shares. The Company may at any time refresh this 10% limit, subject to compliance with the Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme and any other share option scheme of the Company does not exceed 30% of the Shares in issue from time to time.

Unless approved by Shareholders of the Company, the total number of Shares issued and to be issued upon exercise of the options granted under the 2010 Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-months period shall not exceed 1% of the then issued share capital of the Company.

An option may be accepted by a participant within 28 days from the date of the offer of the grant of such share option. The amount payable by each grantee of option to the Company on acceptance of the offer for the grant of such share option is US$1.00.

The 2010 Share Option Scheme does not contain any minimum period for which an option must be held before it can be exercised. At the time of the grant of the options, the Company will specify such minimum period. The period within which the option must be exercised will be specified by the Company at the time of grant. Such period must expire no later than 10 years from the relevant date of grant (being the date on which the Board resolves to make an offer of options to the relevant grantee).

The Board will determine the price per Share upon the exercise of an option according to the terms of the 2010 Share Option Scheme, provided that it shall not be lower than the highest of: (i) the closing price of the Shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of the offer of a grant; (ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of the offer of a grant; and (iii) the nominal value of a share on the date of grant.

As at 30 June 2022, the total outstanding options that has been granted under the 2010 Share Option Scheme was 99,615,818.

As the 2010 Share Option Scheme was nearing the expiry of its term, the shareholders of the Company has resolved at the annual general meeting held on 18 June 2020 to adopt a new share option scheme (the "2020 Share Option Scheme") with largely similar terms as that of the 2010 Share Option Scheme. Upon the adoption of the 2020 Share Option Scheme on 18 June 2020, the 2010 Share Option Scheme was cancelled. Options that have been granted under the 2010 Share Option Scheme prior to its cancellation shall remain valid in accordance with its terms.

The purpose of the 2020 Share Option Scheme is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contribution or potential contribution to the Group. The Directors consider that the 2020 Share Option Scheme will serve to motivate the eligible participants to contribute to the Group's development. The 2020 Share Option Scheme, which will be in the form of options to subscribe for Shares, will enable the Group to recruit, incentivize and retain high-calibre staff, which the Directors consider that it is in line with modern commercial practice that eligible participants, which will include any directors (including executive directors, non-executive directors and independent non-executive directors), employees and officers of any members of the Group and any advisors, consultants, distributors, contractors, contract manufacturers, agents, customers, business partners, joint venture business partners and service providers of any member of the Group who have contributed or will contribute to the Group, be given incentives and align their interests and objectives with that of the Group.

The 2020 Share Option Scheme does not specify a minimum period for which an option must be held nor a performance target which must be achieved before an option can be exercised. However, the rules of the 2020 Share Option Scheme provide that the Board may determine, at its sole discretion, such terms and conditions on the grant of an option. Based on 1,736,355,940 Shares in issue as at the date of the annual general meeting, the maximum number of Shares that may be issued upon the exercise of the options that may be granted under the 2020 Share Option Scheme is 173,635,594 Shares, being 10% of the issued share capital of the Company as at the date of the adoption of the 2020 Share Option Scheme.

The maximum number of Shares in respect of which options may be granted under the 2020 Share Option Scheme to any eligible participant shall not exceed 1% of the Shares in issue within any 12-month period.

Any option offer will be deemed to have been granted and accepted by the grantee when the duplicate offer document constituting acceptance of the option duly signed by the grantee, and a remittance in favour of the Company of US$1.00 as consideration for the grant thereof is received by the Company within the prescribed period under the scheme.

The exercise price of the options is determined by the Board at its absolute discretion and will be not less than the highest price of the official closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer a grant, the average official closing prices of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant and the nominal value of the shares of the Company.

The aggregate number of Shares which may be issued upon the exercise of all share options that may be granted under the 2020 Share Option Scheme and all outstanding share options granted and yet to be exercised under the other share option schemes of the Company has not exceeded 30% of the Shares in issue.

On 21 January 2022, 1 April 2022, 16 May 2022 and 23 June 2022, the Company granted 4,116,337 options at the exercise price of HK$28.05 per Share, 10,977,650 options at the exercise price of HK$18.12 per Share, 19,120,255 options at the exercise price of HK$14.26 per Share and 300,000 options at the exercise price of HK$19.92 per Share respectively under the 2020 Share Option Scheme. As at 30 June 2022, the total outstanding options that has been granted under the 2020 Share Option Scheme was 61,085,725.

During the six months ended 30 June 2022, 34,514,242 share options of the Company were granted and the status of the share options of the Company granted up to 30 June 2022 is as follows:

Category of participants	As at 31 Dec 2021	Granted during the Period	Exercised during the Period	Expired during the Period	Cancelled during the Period	As at 30 Jun 2022	Date of Grant of Share Options	Vesting Period	Exercise Period	Exercise Price	Share Price of the Company as at the date of grant of share options	Share Price of the Company Immediately before the exercise date of share options (Note 1)
Directors												-
Zhaohua Chang	13,500,000	-	-	-	-	13,500,000	23 Jan 2017	23 Jan 2017 – 23 Jan 2022	23 Jan 2022 – 22 Jan 2027	HKD5.628	HKD5.450	
	313,636	-	-	-	-	313,636	30 Mar 2017	30 Mar 2017 – 30 Mar 2022	30 Mar 2022 – 29 Mar 2027	HKD5.798	HKD5.700	
	214,535	-	-	-	-	214,535	29 Mar 2018	29 Mar 2023	29 Mar 2023 – 28 Mar 2028	HKD8.510	HKD8.510	
	15,594,188	-	-	-	-	15,594,188	24 Dec 2018	24 Dec 2018 – 30 Dec 2022	24 Dec 2020 – 23 Dec 2028	HKD7.692	HKD7.150	
	225,752	-	-	-	-	225,752	1 Apr 2019	1 Apr 2024	1 Apr 2024 – 31 Mar 2029	HKD7.448	HKD7.270	
	80,306	-	-	-	-	80,306	31 Mar 2020	31 Mar 2025	31 Mar 2025 – 30 Mar 2030	HKD17.54	HKD17.54	
	-	615,360	-	-	-	615,360	21 Jan 2022	21 Feb 2022 – 21 Jan 2023	21 Feb 2022 – 20 Jan 2032	HKD28.05	HKD28.05	
	-	47,754	-	-	-	47,754	1 Apr 2022	1 Apr 2027	1 Apr 2027 – 31 Mar 2032	HKD18.12	HKD17.70	
	-	615,360	-	-	-	615,360	1 Apr 2022	1 May 2022 – 1 Apr 2023	1 May 2022 – 31 Mar 2032	HKD18.12	HKD17.70	
	-	15,683,008	-	-	-	15,683,008	16 May 2022	16 Jun 2022-16 May 2023	16 Jun 2022 – 15 May 2032	HKD14.26	HKD14.26	
Jonathan H. Chou	395,843	-	-	-	-	395,843	23 Jan 2019	23 Jan 2019 – 23 Jan 2023	2 3 Feb 2019 – 22 Jan 2029	HKD7.730	HKD7.730	
	80,645	-	-	-	-	80,645	14 May 2021	13 Jun 2021-13 May 2022	14 May 2021 – 13 May 2031	HKD57.59	HKD57.45	
	-	26,881	-	-	-	26,881	21 Jan 2022	21 Feb 2022 – 21 Jan 2023	21 Feb 2022 – 20 Jan 2032	HKD28.05	HKD28.05	
	-	26,881	-	-	-	26,881	1 Apr 2022	1 May 2022 – 1 Apr 2023	1 May 2022 – 31 Mar 2032	HKD18.12	HKD17.70	
	-	26,883	-	-	-	26,883	16 May 2022	16 Jun 2022-16 May 2023	16 Jun 2022 – 15 May 2032	HKD14.26	HKD14.26	
Guoen Liu	80,645	-	-	-	-	80,645	14 May 2021	13 Jun 2021-13 May 2022	14 May 2021 – 13 May 2031	HKD57.59	HKD57.45	
	-	26,881	-	-	-	26,881	21 Jan 2022	21 Feb 2022 – 21 Jan 2023	21 Feb 2022 – 20 Jan 2032	HKD28.05	HKD28.05	
	-	26,881	-	-	-	26,881	1 Apr 2022	1 May 2022 – 1 Apr 2023	1 May 2022 – 31 Mar 2032	HKD18.12	HKD17.70	
	-	26,883	-	-	-	26,883	16 May 2022	16 Jun 2022-16 May 2023	16 Jun 2022 – 15 May 2032	HKD14.26	HKD14.26	
Chunyang Shao	80,645	-	-	-	-	80,645	14 May 2021	13 Jun 2021-13 May 2022	14 May 2021 – 13 May 2031	HKD57.59	HKD57.45	
	-	26,881	-	-	-	26,881	21 Jan 2022	21 Feb 2022 – 21 Jan 2023	21 Feb 2022 – 20 Jan 2032	HKD28.05	HKD28.05	
	-	26,881	-	-	-	26,881	1 Apr 2022	1 May 2022 – 1 Apr 2023	1 May 2022 – 31 Mar 2032	HKD18.12	HKD17.70	
	-	26,883	-	-	-	26,883	16 May 2022	16 Jun 2022-16 May 2023	16 Jun 2022 – 15 May 2032	HKD14.26	HKD14.26	
In Aggregate	30,566,195	17,203,417	-	-	-	47,769,612						
Business associates												-
Maxwell Maxcare Science Foundation Limited	11,575,000	-	-	-	-	11,575,000	20 Jan 2015	20 Jan 2015 – 20 Jan 2021	20 Jan 2016 – 19 Jan 2025	HKD3.210	HKD3.170	
	14,100,000	-	-	-	-	14,100,000	30 Mar 2016	30 Mar 2016 – 30 Mar 2021	30 Mar 2017 – 29 Mar 2026	HKD3.482	HKD3.360	
	36,940	-	-	-	-	36,940	31 Mar 2021	31 Mar 2026	31 Mar 2026 – 30 Mar 2031	HKD43.75	HKD43.75	
	16,876,788	-	-	-	-	16,876,788	14 May 2021	13 Jun 2021-13 May 2022	14 May 2021 – 13 May 2031	HKD57.59	HKD57.45	
In Aggregate	42,588,728	-	-	-	-	42,588,728						

Note 1: The share price of the Company disclosed is the weighted average closing price of the shares immediately before the exercise dates of share options during the period.

Category of participants	As at 31 Dec 2021	Granted during the Period	Exercised during the Period	Expired during the Period	Cancelled during the Period	As at 30 Jun 2022	Date of Grant of Share Options	Vesting Period	Exercise Period	Exercise Price	Share Price of the Company as at the date of grant of share options	Share Price of the Company Immediately before the exercise date of share options (Note 1)
Employees												HKD21.67
	1,679,600	-	466,000	-	200,000	1,013,600	28 Aug 2012	28 Aug 2018 – 28 Aug 2019	28 Aug 2019 – 27 Aug 2022	HKD3.350	HKD3.350	
	500,000	-	-	-	-	500,000	7 Sep 2012	7 Sep 2012 – 7 Sep 2017	7 Sep 2013 – 6 Sep 2022	HKD3.330	HKD3.330	
	895,000	-	159,000	-	-	736,000	10 Dec 2012	10 Dec 2012 – 10 Dec 2019	10 Dec 2019 – 9 Dec 2022	HKD4.600	HKD4.600	
	250,000	-	-	-	-	250,000	28 Aug 2013	28 Aug 2013 – 28 Aug 2018	28 Aug 2014 – 27 Aug 2023	HKD4.970	HKD4.970	
	630,000	-	-	-	-	630,000	20 Jan 2015	20 Jan 2015 – 20 Jan 2019	20 Jan 2016 – 19 Jan 2025	HKD3.210	HKD3.170	
	150,000	-	-	-	-	150,000	20 Jan 2015	20 Jan 2015 – 20 Jan 2021	20 Jan 2016 – 19 Jan 2025	HKD3.210	HKD3.170	
	8,286,000	-	100,000	-	-	8,186,000	30 Mar 2016	30 Mar 2016 – 30 Mar 2021	30 Mar 2017 – 29 Mar 2026	HKD3.482	HKD3.360	
	9,040,000	-	950,000	-	-	8,090,000	23 Jan 2017	23 Jan 2022	23 Jan 2022 – 22 Jan 2027	HKD5.628	HKD5.450	
	2,486,413	-	171,178	-	-	2,315,235	30 Mar 2017	30 Mar 2022	30 Mar 2022 – 29 Mar 2027	HKD5.798	HKD5.700	
	2,000,000	-	-	-	-	2,000,000	25 Aug 2017	25 Aug 2017 – 25 Aug 2022	25 Aug 2018 – 24 Aug 2027	HKD7.418	HKD7.020	
	2,192,866	-	-	-	110,500	2,082,366	29 Mar 2018	29 Mar 2023	29 Mar 2023 – 28 Mar 2028	HKD8.510	HKD8.510	
	11,373,706	-	1,184,636	-	208,761	9,980,309	24 Dec 2018	24 Dec 2018 – 30 Dec 2022	24 Dec 2020 – 23 Dec 2028	HKD7.692	HKD7.150	
	1,349,758	-	28,000	-	-	1,321,758	23 Jan 2019	23 Jan 2019 – 31 Jan 2023	23 Jan 2021 – 22 Jan 2029	HKD7.730	HKD7.730	
	225,320	-	-	-	-	225,320	23 Jan 2019	23 Jan 2019 – 23 Jan 2024	23 Jan 2020 – 22 Jan 2029	HKD7.730	HKD7.730	
	312,500	-	-	-	-	312,500	23 Jan 2019	23 Jan 2019 – 23 Jan 2020	23 Feb 2019 – 22 Jan 2029	HKD7.730	HKD7.730	
	3,835,852	-	-	-	79,238	3,756,614	1 Apr 2019	1 Apr 2024	1 Apr 2024 – 31 Mar 2029	HKD7.448	HKD7.270	
	500,000	-	-	-	-	500,000	30 Aug 2019	30 Aug 2019 – 30 Aug 2024	30 Aug 2020 – 29 Aug 2029	HKD6.95	HKD6.95	
	1,337,691	-	-	-	76,060	1,261,631	31 Mar 2020	31 Mar 2025	31 Mar 2025 – 30 Mar 2030	HKD17.54	HKD17.54	
	160,000	-	-	-	-	160,000	31 Mar 2020	31 Mar 2021 – 31 Mar 2025	31 Mar 2021 – 30 Mar 2030	HKD17.54	HKD17.54	
	145,225	-	-	-	-	145,225	31 Mar 2020	31 Mar 2022 – 31 Mar 2024	31 Mar 2022 – 30 Mar 2030	HKD17.54	HKD17.54	
	600,000	-	-	-	-	600,000	28 Aug 2020	28 Aug 2021 – 28 Aug 2025	28 Aug 2021 – 27 Aug 2030	HKD34.70	HKD34.70	
	1,150,000	-	-	-	-	1,150,000	28 Dec 2020	28 Dec 2021 – 28 Dec 2025	28 Dec 2021 – 27 Dec 2030	HKD42.20	HKD42.20	
	661,085	-	-	-	16,848	644,237	31 Mar 2021	31 Mar 2026	31 Mar 2026 – 30 Mar 2031	HKD43.75	HKD43.75	
	740,240	-	-	-	26,012	714,228	31 Mar 2021	31 Mar 2023–31 Mar 2025	31 Mar 2023 – 30 Mar 2031	HKD43.75	HKD43.75	
	6,300,000	-	-	-	100,000	6,200,000	31 Aug 2021	31 Aug 2028	31 Aug 2023 – 30 Aug 2031	HKD48.15	HKD48.15	
	1,740,000	-	-	-	1,050,000	690,000	2 Nov 2021	2 Nov 2028	2 Nov 2021 – 1 Nov 2031	HKD36.79	HKD34.65	
	-	3,420,334	-	-	31,959	3,388,375	21 Jan 2022	21 Feb 2022 – 21 Jan 2023	21 Feb 2022 – 20 Jan 2032	HKD28.05	HKD28.05	
	-	3,363,668	14,822	-	40,361	3,308,485	1 Apr 2022	1 May 2022 – 1 Apr 2023	1 May 2022 – 31 Mar 2032	HKD18.12	HKD17.70	
	-	5,506,007	-	-	412,978(note 2)	5,093,029	1 Apr 2022	1 Apr 2024 – 1 Apr 2026	1 Apr 2024 – 31 Mar 2032	HKD18.12	HKD17.70	
	-	1,364,218	-	-	30,627	1,333,591	1 Apr 2022	1 Apr 2027	1 Apr 2027 – 31 Mar 2032	HKD18.12	HKD17.70	
	-	3,356,598	8,801	-	43,097	3,304,700	16 May 2022	16 Jun 2022-16 May 2023	16 Jun 2022 – 15 May 2032	HKD14.26	HKD14.26	
	-	300,000	-	-	-	300,000	23 June 2022	23 Jun 2023-23 Jun 2027	23 Jun 2023 – 22 Jun 2032	HKD19.92	HKD19.92	
In Aggregate	58,541,256	17,310,825	3,082,437	-	2,426,441	70,343,203						
Total	131,696,179	34,514,242	3,082,437	-	2,426,441	160,701,543						

Note 2: Such options were lapsed in May 2022.

OTHER INFORMATION

SUBSIDIARY'S SHARE OPTION SCHEME

MicroPort CardioFlow Medtech Corporation

MicroPort CardioFlow Medtech Corporation ("CardioFlow") is a company established in the Cayman Islands and is indirectly owned as to 46.25% by the Company as at 30 June 2022. The shares of CardioFlow are listed on the Mian Board of the Stock Exchange (Stock Code: 2160).

On 13 March 2020, the shareholders of the Company resolved to approve the adoption of a share option scheme (the "CardioFlow Scheme") for CardioFlow. The purpose of the CardioFlow Scheme is to provide incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of, CardioFlow and its subsidiaries (the "CardioFlow Group") and for such other purposes as the Board may approve from time to time.

Under the CardioFlow Scheme, the directors of CardioFlow may, at their discretion, grant options to any full-time or part-time employee, any director including executive director, non-executive director and independent non-executive director of the CardioFlow Group; and any director (including executive, non-executive and independent non-executive directors) or employee (whether full-time or part-time) of the Company whom the board of CardioFlow, at its absolute discretion, considered had or will contribute to the development of the CardioFlow Group.

The CardioFlow Scheme does not stipulate either a minimum period for which an option must be held or any performance targets a grantee is required to achieve before an option may be exercised. However, under the CardioFlow Scheme, the board of CardioFlow may at its discretion specify any conditions which must be satisfied before the option may be exercised.

The aggregate number of shares in CardioFlow (the "CardioFlow Shares") which may be issued upon exercise of all options to be granted under the CardioFlow Scheme and any new CardioFlow Scheme of CardioFlow which may be adopted thereafter must not, in aggregate, exceed 5% of the total number of CardioFlow Shares in issue as at the date of adoption of the CardioFlow Scheme or any new subsidiary share option scheme (as the case may be). The maximum aggregate number of CardioFlow Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the CardioFlow Scheme and any other share option schemes of CardioFlow, must not, in aggregate, exceed 30% of the total number of CardioFlow Shares in issue from time to time. As at the date of the adoption of the CardioFlow Scheme, CardioFlow had 98,750,000 CardioFlow Shares in issue, the total number of CardioFlow Shares which may be issued upon the exercise of all options to be granted under the CardioFlow Scheme at the time was 4,937,500 CardioFlow Shares. On 15 January 2021, for the purpose of the separate listing of CardioFlow on the Main Board of the Stock Exchange, the issued and unissued share capital of CardioFlow was subdivided from one share of US$0.0001 each into twenty shares of US$0.000005 each. As such, the total number of CardioFlow Shares which may be issued upon the exercise of all options to be granted under the CardioFlow Scheme was adjusted to 98,750,000 CardioFlow Shares. On 17 March 2022 and 18 March 2022, the shareholders of CardioFlow and the Company resolved to amend CardioFlow Scheme, and the mandate scheme limit was increased to 240,383,611.

The maximum number of shares in respect of which options may be granted to each grantee in any 12-month period cannot exceed 1% of the total number of the issued share of CardioFlow. The exercise price of the option shall be a price determined by the board of CardioFlow at its sole and absolute discretion subject to compliance with the requirements of the Listing Rules.

The CardioFlow Scheme shall be valid and effect for a period of 10 years from the date of its adoption. On 19 January 2022, 30 March 2022, and 22 June 2022, the CardioFlow granted 15,576,616 options at the exercise price of HK$3.754 per CardioFlow Share, 997,237 options at the exercise price of HK$2.63 per CardioFlow Share, 3,745,000 options at the exercise price of HK$2.802 per CardioFlow Share under the CardioFlow Scheme respectively. As of 30 June 2022, the total outstanding options that has been granted under the CardioFlow Scheme was 77,052,607.

Suzhou MicroPort Orthopedics Scientific (Group) Co., Ltd.

Suzhou MicroPort Orthopedics Scientific (Group) Co., Ltd. ("Orthopedics") is a limited liability company established in the PRC and is indirectly owned as to 85.17% by the Company.

On 15 April 2021, the shareholders of the Company resolved to approve the adoption of a share option scheme (the "Orthopedics Scheme") for Orthopedics. The purpose of the Orthopedics Scheme is to provide incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of, Orthopedics and its subsidiaries (the "Orthopedics Group") and for such other purposes as the Board may approve from time to time.

Under the Orthopedics Scheme, the directors of Orthopedics may, at their discretion, grant options to any full-time or part-time employee, any director including executive director, non-executive director and independent non-executive director of the Orthopedics Group whom the board of Orthopedics, at its absolute discretion, considered had or will contribute to the development of the Orthopedics Group.

The Orthopedics Scheme does not stipulate either a minimum period for which an option must be held or any performance targets a grantee is required to achieve before an option may be exercised. However, under the Orthopedics Scheme, the board of Orthopedics may at its discretion specify any conditions which must be satisfied before the option may be exercised.

The registered capital or number of shares in Orthopedics (the "Orthopedics Shares") which may be issued upon exercise of all options to be granted under the Orthopedics Scheme and any other schemes of Orthopedics which may be adopted thereafter must not, in aggregate, exceed 5% of the registered capital of Orthopedics (or 5% of its issued shares if Orthopedics becomes a company limited by shares, same as hereinafter) as at the date of adoption of the Orthopedics Scheme or any new subsidiary share option scheme (as the case may be). The maximum aggregate number of Orthopedics Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Orthopedics Scheme and any other share option schemes of Orthopedics, must not, in aggregate, exceed 30% of the equity capital of Orthopedics from time to time. As at the date of the adoption of the Orthopedics Scheme, Orthopedics has a registered capital of US$375,735,736, the registered capital that may be involved upon the exercise of all options to be granted under the Orthopedics Scheme would be US$18,786,786.

The maximum number of equity capital that may be granted to each grantee in any 12-month period cannot exceed 1% of the registered capital of Orthopedics. The exercise price of the option shall be a price determined by the board of Orthopedics at its sole and absolute discretion. If Orthopedics is separately listed on the Stock Exchange or another securities exchange, the exercise price of the options shall be subject to the requirements of the Listing Rules and any other applicable legal and regulatory requirements of the stock exchange on where it is listed.

The Orthopedics Scheme shall be valid and effect for a period of 10 years from the date of its adoption. On 21 April 2022 and 29 June 2022, an aggregate of 1,946,403 options and 1,995,000 options at the exercise price of US$1.58 per Orthopedics Share were granted under the Orthopedics Scheme respectively. As of 30 June 2022, the total outstanding options that has been granted under the Orthopedics Scheme was 12,079,039.

Shenzhen MicroPort Surgical (Group) Co. Ltd.

Shenzhen MicroPort Surgical (Group) Co. Ltd. ("Surgical") is limited liability company established in the PRC and is indirectly owned as to 61.29% by the Company.

On 24 June 2021, the shareholders of the Company resolved to approve the adoption of a share option scheme (the "Surgical Scheme") for Surgical. The purpose of the Surgical Scheme is to provide incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of, Surgical and its subsidiaries (the "Surgical Group") and for such other purposes as the Board may approve from time to time.

Under the Surgical Scheme, the directors of Surgical may, at their discretion, grant options to any full-time or part-time employee, any director including executive director, non-executive director and independent non-executive director of the Surgical Group whom the board of Surgical, at its absolute discretion, considered had or will contribute to the development of the Surgical Group.

The Surgical Scheme does not stipulate either a minimum period for which an option must be held or any performance targets a grantee is required to achieve before an option may be exercised. However, under the Surgical Scheme, the board of Surgical may at its discretion specify any conditions which must be satisfied before the option may be exercised.

The registered capital or number of shares in Surgical (the "Surgical Shares") which may be issued upon exercise of all options to be granted under the Surgical Scheme and any other schemes of Surgical which may be adopted thereafter must not, in aggregate, exceed 5% of the registered capital of Surgical (or 5% of its issued shares if Surgical becomes a company limited by shares, same as hereinafter) as at the date of adoption of the Surgical Scheme or any new subsidiary share option scheme (as the case may be). The maximum aggregate number of Surgical Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Surgical Scheme and any other share option schemes of Surgical, must not, in aggregate, exceed 30% of the equity capital of Surgical from time to time. As at the date of the adoption of the Surgical Scheme, Surgical has a registered capital of RMB195 million, the registered capital that may be involved upon the exercise of all options to be granted under the Surgical Scheme would be RMB9.75 million.

The maximum number of equity capital that may be granted to each grantee in any 12-month period cannot exceed 1% of the registered capital of Surgical. The exercise price of the option shall be a price determined by the board of Surgical at its sole and absolute discretion. If Surgical is separately listed on the Stock Exchange or another securities exchange, the exercise price of the options shall be subject to the requirements of the Listing Rules and any other applicable legal and regulatory requirements of the stock exchange on where it is listed.

The Surgical Scheme shall be valid and effect for a period of 10 years from the date of its adoption. During the six months ended 30 June 2022, no options was granted under the Surgical Scheme. As of 30 June 2022, the total outstanding options that has been granted under the Surgical Scheme was 5,824,000.

Shanghai MicroPort MedBot (Group) Co., Ltd.

Shanghai MicroPort MedBot (Group) Co. Ltd. ("MedBot") is a company incorporated in the PRC with limited liability. The H shares (the "H Shares") of MedBot are listed on the main board of the Stock Exchange (Stock Code: 2252). It is indirectly owned as to 50.47% by the Company.

On 17 March 2022, the shareholders of MedBot and its domestic shareholders and H shareholders resolved in its extraordinary general meeting and respective class meetings to approve the adoption of a share option scheme (the "MedBot Scheme"). On 18 March 2022, the shareholders of the Company resolved to approve the adoption of the MedBot Scheme.

The purpose of the MedBot Scheme is to provide incentive or reward to eligible participants for their contribution to, and continuing efforts to promote the interests of, MedBot and its subsidiaries (the "MedBot Group") and for such other purposes as the board of MedBot may approve from time to time.

Under the MedBot Scheme, the directors of MedBot may, at their discretion, grant options to any eligible participants whom the board of MedBot, at its absolute discretion, considered had or will contribute to the development of the MedBot Group.

The MedBot Scheme does not stipulate either a minimum period for which an option must be held or any performance targets a grantee is required to achieve before an option may be exercised. However, under the MedBot Scheme, the board of MedBot may at its discretion specify any conditions which must be satisfied before the option may be exercised.

The maximum aggregate number of H Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the MedBot Scheme and any other share option schemes of MedBot, must not, in aggregate, exceed 30% of the total number of H Shares in issue from time to time. No options may be granted under the MedBot Scheme and any other share option schemes of MedBot if this will result in such limit being exceeded. As at the date of the adoption of the MedBot Scheme, MedBot had 951,994,288 H Shares in issue. The maximum number of H Shares that may be issued upon the exercise of the options that may be granted under the MedBot Scheme would be 95,199,428 H Shares, being 10% of the total number of H Shares in issue as at the date of the adoption of the MedBot Scheme.

The maximum number of options that may be granted to each grantee in any 12-month period cannot exceed 1% of the total number of H Shares in issue at such time. The exercise price of the option shall be a price determined by the board of MedBot subject to the requirements of the Listing Rules.

The MedBot Scheme shall be valid and effect for a period of 10 years from the date of its adoption. During the six months ended 30 June 2022, no options was granted under the MedBot Scheme.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period of the six months ended 30 June 2022, the Company had complied with all the applicable code provisions (the "Code Provisions") as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules, except for the deviation as addressed below:

Pursuant to the Code Provision C.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Dr. Zhaohua Chang ("Dr. Chang") has assumed the responsibility of the executive Director and the chairman of the Board and is responsible for managing the Board and the Group's business. As the Board considers that Dr. Chang has in-depth knowledge in the Group's business and can make appropriate decisions promptly and efficiently, he has also assumed the position of the chief executive officer of the Company. Nevertheless, the Board will continue to review the efficacy of the Group's corporate governance structure to assess whether the separation of the positions of chairman and chief executive officer of the Company is necessary.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend to the Shareholders for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

INDEPENDENT REVIEW OF AUDITOR

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

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Company has established the Audit Committee in accordance with written terms of reference in compliance with the CG Code. As at the date of this report, the Audit Committee comprises three members: Mr. Jonathan H. Chou (Chairman), Mr. Norihiro Ashida and Mr. Chunyang Shao.

The Audit Committee has reviewed and discussed the interim results and interim report for the six months ended 30 June 2022.

CHANGES IN DIRECTORS' INFORMATION

Changes in the Directors' information required to be disclosed pursuant to R13.51B(1) of the Listing Rules are set out below:

Name of Director	Details of change
Mr. Norihiro Ashida	Re-elected by rotation as non-Executive Director and entered into a letter of appointment dated 23 June 2022 with the Company for no fixed term
Mr. Jonathan H. Chou	Re-elected by rotation as Independent non-Executive Director and entered into a letter of appointment dated 23 June 2022 with the Company for no fixed term
Dr. Guoen Liu	Re-elected by rotation as Independent non-Executive Director and entered into a letter of appointment dated 23 June 2022 with the Company for no fixed term

OTHER INFORMATION

Upon specific enquiry by the Company and confirmations from the Directors, save as otherwise set out in this interim report, there are no other changes in the directors' information required to be disclosed pursuant to R13.51B(1) of the Listing Rules since the Company's last published annual report up to the publication date of this interim report.

ISSUE OF ZERO COUPON CONVERTIBLE BONDS

On 1 June 2021, the Company and J.P. Morgan Securities plc and China International Capital Corporation (the "Managers") entered into a subscription agreement (the "Subscription Agreement") pursuant to which the Company agreed to issue zero coupon convertible bonds due 2026 (the "Bonds") with an aggregate principal amount of US$700 million. The Bonds may be convertible into shares of the Company ("Shares") at the initial conversion price of HK$92.8163 per Share. Assuming full conversion of the Bonds, the Bonds will be convertible into 58,519,678 Shares ("Conversion Shares"), representing approximately 3.22% of the issued share capital of the Company as at the date of Subscription Agreement and approximately 3.12% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares. The Conversion Shares have a nominal value of approximately US$585.20 and a market value of approximately HK$4,099.3 million based on the closing price of the Shares of HK$70.05 on 1 June 2021. The net issue price of the Conversion Shares is approximately HK$91.4241 per Share. The net proceeds from the issue of the Bonds in the amount of approximately US$689.5 million were intended to be applied for research and development investment, certain capital expenditure and for working capital purposes. The issue of the Bonds have been completed and the Bonds are listed on the Stock Exchange (Stock Code: 40720). As at 30 June 2022, approximately US$432.6 million from the proceeds have been utilized as intended and approximately US$256.9 million was still unused.

	US$ million
Certain capital expenditure	258.8
Research and development and working capital	173.8
Total	432.6

By Order of the Board
MicroPort Scientific Corporation
Dr. Zhaohua Chang
Chairman

Shanghai, The PRC
30 August 2022

INDEPENDENT AUDITOR'S REPORT

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

INTRODUCTION

We have reviewed the interim financial report set out on pages 36 to 68 which comprises the consolidated statement of financial position of MicroPort Scientific Corporation (the "Company") as of 30 June 2022 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and 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 2022 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

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

30 August 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2022 (unaudited)
(Expressed in United States dollars)

	Note	Six months ended 30 June 2022 US$'000	2021 US$'000
Revenue	*3*	**404,984**	384,611
Cost of sales		**(157,282)**	(137,003)
Gross profit		**247,702**	247,608
Other net income	*4*	**41,356**	24,622
Research and development costs		**(186,430)**	(117,064)
Distribution costs		**(146,610)**	(130,689)
Administrative expenses		**(133,259)**	(102,987)
Other operating costs	*5(b)*	**(8,328)**	(5,466)
Loss from operations		**(185,569)**	(83,976)
Finance costs	*5(a)*	**(46,050)**	(21,905)
Gain on deemed disposal of a subsidiary		**–**	8,219
Gain on deemed disposal of interests in equity-accounted investees		**1,920**	523
Share of profits less losses of equity-accounted investees		**(18,141)**	(5,255)
Loss before taxation	*5*	**(247,840)**	(102,394)
Income tax	*6*	**(5,435)**	(12,282)
Loss for the period		**(253,275)**	(114,676)
Attributable to:			
Equity shareholders of the Company		**(198,130)**	(90,266)
Non-controlling interests		**(55,145)**	(24,410)
Loss for the period		**(253,275)**	(114,676)
Loss per share	*7*		
– Basic (in cents)		**(10.94)**	(5.00)
– Diluted (in cents)		**(11.28)**	(5.62)

The notes on pages 44 to 68 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 13(a).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2022 (unaudited)
(Expressed in United States dollars)

	Six months ended 30 June	
	2022	2021
	US$'000	US$'000
Loss for the period	**(253,275)**	(114,676)
Other comprehensive income for the period, net of tax		
Items that will not be reclassified to profit or loss:		
Remeasurement of net defined benefit liabilities	**471**	418
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements, net of nil tax	**(120,958)**	(30,103)
Share of other comprehensive income of equity-accounted investees	**785**	–
Other comprehensive income for the period	**(119,702)**	(29,685)
Total comprehensive income for the period	**(372,977)**	(144,361)
Attributable to:		
Equity shareholders of the Company	**(285,248)**	(127,053)
Non-controlling interests	**(87,729)**	(17,308)
Total comprehensive income for the period	**(372,977)**	(144,361)

The notes on pages 44 to 68 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2022 (unaudited)
(Expressed in United States dollars)

	Note	At 30 June 2022		At 31 December 2021	
		US$'000	**US$'000**	US$'000	US$'000
Non-current assets					
Investment properties			**7,003**		7,407
Property, plant and equipment	*8*		**921,380**		922,874
			928,383		930,281
Intangible assets	*8*		**238,458**		256,609
Goodwill			**280,194**		290,565
Equity-accounted investees			**406,087**		363,103
Financial assets measured at fair value through profit or loss			**25,942**		25,221
Derivative financial instruments			**4,769**		4,963
Deferred tax assets			**21,305**		20,368
Other non-current assets	*9*		**89,996**		102,652
			1,995,134		1,993,762
Current assets					
Derivative financial instruments		**–**		1,406	
Inventories		**320,878**		289,931	
Trade and other receivables	*10*	**292,879**		308,126	
Pledged deposits and time deposits		**63,221**		32,890	
Cash and cash equivalents		**1,380,798**		1,754,414	
		2,057,776		2,386,767	
Current liabilities					
Trade and other payables	*11*	**336,843**		358,792	
Contract liabilities		**21,153**		23,590	
Interest-bearing borrowings	*12*	**112,890**		94,746	
Lease liabilities		**65,520**		50,505	
Income tax payable		**16,696**		19,124	
Derivative financial instruments		**871**		–	
		553,973		546,757	
Net current assets			**1,503,803**		1,840,010
Total assets less current liabilities			**3,498,937**		3,833,772

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2022 (unaudited)
(Expressed in United States dollars)

	Note	**At 30 June 2022**		At 31 December 2021	
		US$'000	**US$'000**	US$'000	US$'000
Non-current liabilities					
Interest-bearing borrowings	*12*	**308,720**		269,637	
Lease liabilities		**137,454**		168,437	
Deferred income		**32,885**		35,098	
Contract liabilities		**24,238**		26,243	
Convertible bonds		**668,380**		660,369	
Other payables	*11*	**434,361**		425,914	
Deferred tax liabilities		**24,720**		27,692	
Derivative financial instruments		**611**		2,890	
			1,631,369		1,616,280
NET ASSETS			**1,867,568**		2,217,492
CAPITAL AND RESERVE	*13*				
Share capital			**18**		18
Reserves			**1,234,675**		1,490,732
Total equity attributable to equity shareholders of the Company			**1,234,693**		1,490,750
Non-controlling interests			**632,875**		726,742
TOTAL EQUITY			**1,867,568**		2,217,492

Approved and authorised for issue by the board of directors on 30 August 2022.

Zhaohua Chang
Chairman

Jonathan H. Chou
Director

The notes on pages 44 to 68 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2022 (unaudited)
(Expressed in United States dollars)

	Attributable to equity shareholders of the Company								
	Share capital US$'000	Share premium US$'000	Exchange reserve US$'000	Capital reserve US$'000	Statutory general reserve US$'000	Accumulated loss US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2021	18	661,714	54,842	466,044	97,842	(152,497)	1,127,963	259,983	1,387,946
Changes in equity for the six months ended 30 June 2021:									
Loss for the period	–	–	–	–	–	(90,266)	(90,266)	(24,410)	(114,676)
Other comprehensive income	–	–	(37,102)	315	–	–	(36,787)	7,102	(29,685)
Total comprehensive income	–	–	(37,102)	315	–	(90,266)	(127,053)	(17,308)	(144,361)
Net contributions from non-controlling shareholders of subsidiaries	–	–	–	164,934	–	–	164,934	220,837	385,771
Issuance of convertible bonds by the Company	–	–	–	37,929	–	–	37,929	–	37,929
Issuance of convertible bonds by a subsidiary	–	–	–	693	–	–	693	–	693
Equity-settled share-based transactions	–	–	–	28,297	–	–	28,297	7,430	35,727
Shares issued under share option scheme of the Company	–	6,785	–	(1,569)	–	–	5,216	–	5,216
Shares issued under share option scheme of a subsidiary	–	–	–	(100)	–	–	(100)	777	677
Shares purchased under share award scheme	–	–	–	(26,035)	–	–	(26,035)	–	(26,035)
Shares granted under share award scheme	–	–	–	10,397	–	–	10,397	–	10,397
Lapse of share options	–	–	–	(28)	–	28	–	–	–
Conversion of preferred shares to ordinary shares of a subsidiary	–	–	–	199,491	–	–	199,491	113,935	313,426
Share of other changes in net assets of associates	–	–	–	60,364	–	–	60,364	–	60,364
Effect of reorganisation in subsidiaries	–	–	–	429	–	–	429	(429)	–
Dividends approved in respect of the previous year	–	(10,064)	–	–	–	–	(10,064)	–	(10,064)
Dividends to holders of non-controlling interests	–	–	–	–	–	–	–	(5,290)	(5,290)
Disposal of a subsidiary	–	–	–	–	(201)	201	–	–	–
Balance at 30 June 2021	18	658,435	17,740	941,161	97,641	(242,534)	1,472,461	579,935	2,052,396

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2022 (unaudited)
(Expressed in United States dollars)

	Attributable to equity shareholders of the Company								
	Share capital US$'000	Share premium US$'000	Exchange reserve US$'000	Capital reserve US$'000	Statutory general reserve US$'000	Accumulated loss US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2022	18	664,862	46,507	1,110,446	119,075	(450,158)	1,490,750	726,742	2,217,492
Changes in equity for the six months ended 30 June 2022:									
Loss for the period	–	–	–	–	–	(198,130)	(198,130)	(55,145)	(253,275)
Other comprehensive income	–	–	(88,201)	1,083	–	–	(87,118)	(32,584)	(119,702)
Total comprehensive income	–	–	(88,201)	1,083	–	(198,130)	(285,248)	(87,729)	(372,977)
Net contributions from non-controlling shareholders of subsidiaries	–	–	–	10,719	–	–	10,719	13,775	24,494
Acquisition of non-controlling interests	–	–	–	(9,263)	–	–	(9,263)	(8,626)	(17,889)
Equity-settled share-based transactions	–	–	–	27,945	–	–	27,945	9,410	37,355
Shares issued under share option scheme of the Company	–	3,091	–	(887)	–	–	2,204	–	2,204
Shares issued under share option scheme of a subsidiary	–	–	–	28	–	–	28	418	446
Shares purchased under share award scheme	–	–	–	(14,173)	–	–	(14,173)	(9,030)	(23,203)
Shares granted under share award scheme	–	–	–	11,731	–	–	11,731	–	11,731
Lapse of share options	–	–	–	(61)	–	61	–	–	–
Dividends to holders of non-controlling interests	–	–	–	–	–	–	–	(12,085)	(12,085)
Balance at 30 June 2022	18	667,953	(41,694)	1,137,568	119,075	(648,227)	1,234,693	632,875	1,867,568

The notes on pages 44 to 68 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2022 (unaudited)
(Expressed in United States dollars)

	Six months ended 30 June	
	2022	2021
	US$'000	US$'000
Operating activities		
Cash used in operations	**(151,925)**	(44,105)
Income tax paid	**(10,385)**	(69,425)
Income tax refund received	**12**	7,168
Net cash used in operating activities	**(162,298)**	(106,362)
Investing activities		
Payments for purchase of property, plant and equipment and intangible assets	**(109,012)**	(65,345)
Payments for the investments in equity-accounted investees	**(71,732)**	(163,164)
Payments for the investments in other non-current financial assets	**(470)**	(13,345)
Increase in pledged deposits and time deposits	**(30,331)**	(12,977)
Uplift of structured deposits with banks	**221,634**	94,308
Placement of structured deposits with banks	**(223,385)**	(94,308)
Loans to related parties	**–**	(17,800)
Loans repaid by related parties	**–**	35,602
Loans to equity-accounted investees	**(9,476)**	(20,183)
Loans repaid by equity-accounted investees	**8,555**	42,209
Other cash flows arising from investing activities	**5,096**	518
Net cash used in investing activities	**(209,121)**	(214,485)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2022 (unaudited)
(Expressed in United States dollars)

	Note	Six months ended 30 June 2022 US$'000	2021 US$'000
Financing activities			
Capital element of lease rentals paid		**(17,804)**	(7,223)
Interest element of lease rentals paid		**(4,879)**	(1,292)
Lease deposits paid		**(390)**	(36,384)
Net proceeds from initial public offerings of a subsidiary		**–**	357,069
Payments for purchase of non-controlling interests		**(17,889)**	–
Repayments of interest-bearing borrowings		**(60,640)**	(69,349)
Proceeds from issuance of convertible bonds, net of transaction costs		**–**	709,471
Proceeds from interest-bearing borrowings, net of transaction costs		**137,038**	64,724
Capital contributions from non-controlling interests, net of transaction costs		**31,421**	28,776
Payment for repurchase of shares under share award schemes	*13(b)*	**(23,203)**	(26,035)
Other cash flows arising from financing activities		**(4,172)**	(3,759)
Net cash generated from financing activities		**39,482**	1,015,998
Net (decrease)/increase in cash and cash equivalents		**(331,937)**	695,151
Cash and cash equivalents at 1 January		**1,754,414**	1,002,077
Effect of foreign exchange rate changes		**(41,679)**	2,182
Cash and cash equivalents at 30 June		**1,380,798**	1,699,410

The notes on pages 44 to 68 form part of this interim financial report.

1 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It has been reviewed by the audit committee of the Company and approved for issue on 30 August 2022.

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

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

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

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed* by the independent auditor of the entity, issued by the HKICPA. KPMG's independent review report to the Board of Directors of the Company is included on page 35.

The financial information relating to the financial year ended 31 December 2021 that is included in the interim financial report as comparative information does not constitute the Company's annual consolidated financial statements for that financial year but is derived from those financial statements. The Company's annual consolidated financial statements for the year ended 31 December 2021 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2022.

2 CHANGES IN ACCOUNTING POLICIES

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

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

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

3 REVENUE AND SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both lines of business (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified a number of reportable segments. No operating segments have been aggregated to form the following reportable segments.

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines and geographical location of customers is as follows:

	Six months ended 30 June	
	2022	2021
	US$'000	US$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products of service lines		
– Sales of medical devices	**399,521**	379,644
– Revenue from post-sales services	**2,054**	450
– Others	**1,578**	3,358
	403,153	383,452
Revenue from other sources		
– Gross rentals from operating leases	**1,831**	1,159
	404,984	384,611

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Disaggregation of revenue (continued)

	Six months ended 30 June	
	2022	2021
	US$'000	US$'000
Disaggregated by geographical location of external customers		
– the People's Republic of China (the "PRC") (country of domicile)	**188,660**	174,009
– North America	**48,936**	48,375
– Europe	**123,806**	123,502
– Asia (excluding the PRC)	**30,040**	33,571
– South America	**6,161**	2,327
– Others	**7,381**	2,827
	216,324	210,602
	404,984	384,611

The geographical analysis above includes property rental income from external customers in the PRC and the United States for the six months ended 30 June 2022 of US$1,831,000 (six months ended 30 June 2021: US$1,159,000).

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 3(b).

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Information about profit or loss, assets and liabilities

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below:

	Six months ended 30 June 2022									
	Cardiovascular devices business US$'000	Orthopedics devices business US$'000	Cardiac rhythm management business US$'000	Endovascular and peripheral vascular devices business US$'000	Neurovascular devices business US$'000	Heart valve business US$'000	Surgical robot business US$'000	Surgical devices business US$'000	Others# US$'000	Total US$'000
Disaggregated by timing of revenue recognition										
Point in time – sales of medical devices	60,216	107,295	102,340	70,765	31,326	18,987	156	2,433	6,003	399,521
Over time – post-sales services	–	–	2,054	–	–	–	–	–	–	2,054
Over time – rental income	335	391	–	–	–	–	–	–	1,105	1,831
Others	133	25	–	–	–	–	–	–	1,420	1,578
Revenue from external customers	60,684	107,711	104,394	70,765	31,326	18,987	156	2,433	8,528	404,984
Inter-segment revenue	8,923	963	43	–	139	–	–	–	177	10,245
Reportable segment revenue	69,607	108,674	104,437	70,765	31,465	18,987	156	2,433	8,705	415,229
Reportable segment net (loss)/profit	(4,327)	(27,172)	(36,777)	32,793	(14,258)	(18,822)	(71,177)	(13,324)	(39,310)	(192,374)

	At 30 June 2022									
	Cardiovascular devices business US$'000	Orthopedics devices business US$'000	Cardiac rhythm management business US$'000	Endovascular and peripheral vascular devices business US$'000	Neurovascular devices business US$'000	Heart valve business US$'000	Surgical robot business US$'000	Surgical devices business US$'000	Others# US$'000	Total US$'000
Reportable segment assets	629,646	496,126	374,171	294,301	210,668	480,101	378,232	224,581	613,507	3,701,333
Reportable segment liabilities	229,660	362,783	317,964	56,803	254,109	33,897	82,532	86,133	108,519	1,532,400

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Information about profit or loss, assets and liabilities (continued)

	Six months ended 30 June 2021									
	Cardiovascular devices business US$'000	Orthopedics devices business US$'000	Cardiac rhythm management business US$'000	Endovascular and peripheral vascular devices business US$'000	Neurovascular devices business US$'000	Heart valve business US$'000	Surgical robot business US$'000	Surgical devices business US$'000	Others[#] US$'000	Total US$'000
Disaggregated by timing of revenue recognition										
Point in time – sales of medical devices	64,500	109,932	107,808	55,843	24,986	13,385	–	2,288	902	379,644
Over time – post-sales services	–	–	450	–	–	–	–	–	–	450
Over time – rental income	130	149	–	–	74	–	–	–	806	1,159
Others	2,207	59	–	–	308	–	–	–	784	3,358
	66,837	110,140	108,258	55,843	25,368	13,385	–	2,288	2,492	384,611
Reportable segment net profit/(loss)	7,849	(16,799)	(35,050)	28,459	5,568	(10,835)	(47,179)	(1,868)	(13,279)	(83,134)

	At 31 December 2021									
	Cardiovascular devices business US$'000	Orthopedics devices business US$'000	Cardiac rhythm management business US$'000	Endovascular and peripheral vascular devices business US$'000	Neurovascular devices business US$'000	Heart valve business US$'000	Surgical robot business US$'000	Surgical devices business US$'000	Others# US$'000	Total US$'000
Reportable segment assets	678,287	490,510	435,891	275,451	210,226	524,108	436,895	210,071	601,020	3,862,459
Reportable segment liabilities	195,723	240,742	329,785	38,489	237,683	40,233	59,314	93,448	83,849	1,319,266

[#] Revenues and results from segments below the quantitative thresholds are mainly attributable to fermentation-based active pharmaceutical ingredients business, medical imaging business and electrophysiology devices, etc. None of those segments individually met any of the quantitative thresholds for reportable segments.

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2022	2021
	US$'000	US$'000
Reportable segment net loss	**(153,064)**	(69,855)
Other segments net loss	**(39,310)**	(13,279)
Share awards scheme	**(8,144)**	(4,921)
Other equity-settled share-based payment expenses	**(18,957)**	(17,391)
Unallocated exchange gain/(loss)	**3,869**	(769)
Interest on convertible bonds issued by the Company	**(8,011)**	(733)
Gain on deemed disposal of subsidiaries	**–**	8,219
Unallocated expenses, net	**(29,658)**	(15,947)
Consolidated loss for the period	**(253,275)**	(114,676)

4 OTHER NET INCOME

	Six months ended 30 June	
	2022	2021
	US$'000	US$'000
Government grants	**6,125**	10,795
Interest income on financial assets carried at amortised cost	**10,275**	8,630
Net loss on disposal of property, plant and equipment (note 8)	**(79)**	(163)
Net foreign exchange gain/(loss)	**6,044**	(2,193)
Net realised and unrealised gain on financial instruments carried at fair value through profit or loss	**6,272**	7,832
Others	**12,719**	(279)
	41,356	24,622

5 LOSS BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2022	2021
	US$'000	US$'000
Interest on the convertible bonds	**8,011**	2,726
Interest on other interest-bearing borrowings	**8,726**	2,351
Interest on preferred shares issued by subsidiaries	**23,224**	14,124
Interest on lease liabilities	**4,313**	1,427
Total interest expense on financial liabilities not at fair value through profit or loss	**44,274**	20,628
Less: interest expense capitalised into properties under development	**(194)**	–
	44,080	20,628
Others	**1,970**	1,277
	46,050	21,905

(b) Other operating costs

	Six months ended 30 June	
	2022	2021
	US$'000	US$'000
Legal and professional fee	**4,032**	5,234
Donations	**3,478**	38
Others	**818**	194
	8,328	5,466

5 LOSS BEFORE TAXATION (CONTINUED)

(c) Other items

	Six months ended 30 June	
	2022	2021
	US$'000	US$'000
Amortisation of intangible assets	**9,586**	4,926
Depreciation charge		
– owned property, plant and equipment	**26,131**	25,043
– right-of-use assets	**27,818**	8,663
Less: Amounts capitalised as development costs	**(282)**	(198)
	63,253	38,434
Research and development costs	**195,051**	125,874
Less: Amortisation of capitalised development costs	**(3,092)**	(3,722)
Costs capitalised into intangible assets	**(8,621)**	(8,810)
	183,338	113,342
Provision of inventories write-down	**1,299**	3,580
Provision for impairment of:		
– trade and other receivables	**4,536**	595

6 INCOME TAX

	Six months ended 30 June	
	2022	2021
	US$'000	US$'000
Current tax – the PRC corporate income tax ("CIT")	**6,696**	7,519
Current tax – other jurisdictions	**1,538**	1,617
	8,234	9,136
Deferred taxation	**(2,799)**	3,146
	5,435	12,282

Pursuant to the CIT Law of the PRC, during the six months ended 30 June 2022, all of the Company's PRC subsidiaries are liable to PRC CIT at a rate of 25% except for 13 entities entitled to a preferential income tax rate of 15% as they are certified as "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.

Taxation for overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

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 US$198,130,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: US$90,266,000) and the weighted average of 1,811,000,000 ordinary shares in issue during the six months ended 30 June 2022 (six months ended 30 June 2021: 1,806,579,000 ordinary shares).

(b) Diluted loss per share

The calculation of diluted loss per share is based on the loss attributable to ordinary equity shareholders of the Company of US$204,794,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: US$102,203,000) and the weighted average number of ordinary shares of 1,816,084,000 shares for the six months ended 30 June 2022 (six months ended 30 June 2021: 1,818,291,000 ordinary shares) after adjusting the effects of dilutive potential issuable ordinary shares under a put option granted to Sino Rhythm Limited ("SRL") that may be settled in ordinary shares of the Company.

8 OTHER PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the six months ended 30 June 2022, certain subsidiaries of the Group entered into lease agreements for use of manufacturing facilities, warehouses and office buildings, and therefore recognised the additions to right-of-use assets of US$8,802,000 (six months ended 30 June 2021: US$17,251,000).

During the six months ended 30 June 2022, the Group acquired items of property, plant and equipment with a cost of US$58,613,000 (six months ended 30 June 2021: US$29,536,000), incurred construction costs for buildings of US$30,338,000 (six months ended 30 June 2021: US$11,984,000) and capitalised development costs of US$8,621,000 (six months ended 30 June 2021: US$8,810,000).

Items of property, plant and equipment with a net book value of US$612,000 were disposed of during the six months ended 30 June 2022 (six months ended 30 June 2021: US$913,000), resulting in losses on disposal of US$79,000 (six months ended 30 June 2021: gains on disposal of US$163,000).

9 OTHER NON-CURRENT ASSETS

	At 30 June 2022 US$'000	At 31 December 2021 US$'000
Lease and security deposits (i)	**45,872**	47,075
Income tax recoverable (ii)	**17,427**	13,500
Lease receivables	**1,141**	–
Valued-added tax recoverable	**4,795**	20,575
Prepayment for non-current assets	**16,872**	18,159
Others	**3,889**	3,343
	89,996	102,652

Note i:

Lease and security deposits are typically paid for leased properties, which are refundable after the expiry of the lease.

Note ii:

Income tax recoverable primarily represents a tax credit totalling US$18,945,000 (31 December 2021: US$17,500,000) from French government, which is an incentive tax programme to support the research and development projects of a subsidiary in France ("France CIR"). The French CIR is deductible from the following 3 years' income tax or is receivable from the France government after 3 years if there are no sufficient profits available to deduct such research and development costs. As at 30 June 2022, the France CIR are classified as current and non-current receivables amounting US$3,674,000 (31 December 2021: US$4,000,000) and US$15,271,000 (31 December 2021: US$13,500,000), respectively.

10 TRADE AND OTHER RECEIVABLES

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

	At 30 June 2022 US$'000	At 31 December 2021 US$'000
Within 1 month	**75,044**	121,960
1 to 3 months	**60,094**	31,253
3 to 12 months	**27,061**	30,878
More than 12 months	**2,135**	1,705
	164,334	185,796
Other debtors	**50,713**	41,780
Amounts due from investors in connection of the restructuring of neurovascular devices business	**–**	10,457
Amounts due from the holders of non-controlling interests in relation to the capital contributions	**4,635**	–
Lease receivables	**349**	–
Income tax recoverable (note 9)	**5,752**	4,575
Deposits and prepayments	**67,096**	65,518
	292,879	308,126

Trade receivables are due within 30 to 360 days from the date of billing.

11 TRADE AND OTHER PAYABLES

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

	At 30 June 2022 US$'000	At 31 December 2021 US$'000
Current		
Within 1 month	**102,676**	110,136
Over 1 month but within 3 months	**15,455**	8,662
Over 3 months but within 6 months	**6,046**	6,985
Over 6 months but within 1 year	**6,616**	1,241
Over 1 year	**3,195**	4,030
Trade payables	**133,988**	131,054
Dividends payables to ordinary shareholders (note 13(a))	**29**	62
Dividends payables to non-controlling shareholders	**12,085**	–
Consideration payables in connection with the acquisition of subsidiaries	**13,926**	16,081
Other payables and accrued charges	**176,815**	211,595
	336,843	358,792
Non-current		
Share repurchase obligation (Note)	**389,127**	365,903
Contingent consideration in connection with the acquisition of a subsidiary	**29,983**	32,179
Net defined benefit obligation	**8,336**	11,118
Other payables	**6,915**	16,714
	434,361	425,914

11 TRADE AND OTHER PAYABLES (CONTINUED)

Note:

MicroPort Cardiac Rhythm Management Limited ("CRM Cayman") and MicroPort NeuroTech Limited ("MP NeuroTech") issued preferred shares to certain investors in connection with their separate financings. These preferred shares include liquidation preference right, redemption right and conversion right, etc., granted to the investors.

As these preferred shares can be converted into ordinary shares of respective subsidiary where the number of shares to be issued is fixed, the conversion right is recognised as equity component. The redemption obligations embedded in these preferred shares, which are settled by cash, give rise to financial liabilities, which are measured at the highest of those amounts that could be payable, and on a present value basis. The subsequent changes of liabilities under amortised costs are recognised in profit or loss.

Movement of the share repurchase obligations arising from these preferred shares are as follows:

	Preferred shares issued by CRM Cayman US$'000	Preferred shares issued by MP NeuroTech US$'000	Total US$'000
As at 1 January 2022	**171,730**	**194,173**	**365,903**
Charge to finance costs (note 5(a))	**9,846**	**13,378**	**23,224**
As at 30 June 2022	**181,576**	**207,551**	**389,127**
Representing			
Non-current portion	**181,576**	**207,551**	**389,127**

As at 30 June 2022, the balance of share repurchase obligations represented the redemption obligations arising from (i) series B preferred shares and series C preferred shares issued by CRM Cayman; and (ii) series A-1 and series A-2 preferred shares issued by MP NeuroTech..

12 INTEREST-BEARING BORROWINGS

As of the end of the reporting period, the interest-bearing borrowings were repayable as follows:

	At 30 June 2022 US$'000	At 31 December 2021 US$'000
Within 1 year or on demand	**112,890**	94,746
After 1 year but within 2 years	**45,097**	33,545
After 2 years but within 5 years	**190,591**	155,714
After 5 years	**73,032**	80,378
	308,720	269,637
	421,610	364,383

As of the end of the reporting period, the interest-bearing borrowings were secured as follows:

	At 30 June 2022 US$'000	At 31 December 2021 US$'000
Bank loans		
– secured	**190,988**	131,176
– unsecured	**230,622**	233,207
	421,610	364,383

At 30 June 2022, the bank facilities drawn down by the Group of US$85,210,000 (31 December 2021: US$71,283,000) were secured by right-of-use assets and buildings held for own use with net book values of US$8,577,000 and US$118,951,000, respectively (31 December 2021: right-of-use assets of US$9,173,000 and buildings held for own use of US$91,984,000, respectively).

At 30 June 2022, the bank loans amounting to US$9,536,000, US$32,536,000, US$14,081,000 and US$49,625,000 were secured by the equity interest in Fujian Kerui Pharmaceutical Co., Ltd., Suzhou MicroPort Argus Medtech Co., Ltd., MicroPort Vision Power MedTech (Shanghai) Co., Ltd. and Hemovent GmbH held by the Group, respectively (31 December 2021: US$10,352,000, US$34,249,000, US$15,292,000 and nil, respectively).

Part of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 June 2022, none of the covenants relating to drawn down facilities had been breached.

13 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

The directors of the Company did not propose any payment of final dividend in respect of the previous year during the six months ended 30 June 2022 (six months ended 30 June 2021: HK$4.3 cents per share).

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

(b) Purchase of own shares

During the six months ended 30 June 2022, the Company purchased its own ordinary shares through the designated trustees under the share award scheme (note 13(c)(iii)) as follows:

Month/year	No. of shares repurchased	Highest price paid per share US$	Lowest price paid per share US$	Aggregate considerations paid US$'000
April 2022	2,755,400	2.33	2.31	6,390

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

At 30 June 2022, the trustee under a long-term benefit plan held 172,000 ordinary shares of the Company (31 December 2021: 172,000 ordinary shares). These shares are treated as plan assets and carried at fair value with reference to the share price of ordinary shares of the Company, which are presented as a deduction of non-current defined benefit obligation.

13 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Equity-settled share-based payment transactions

(i) Share option plans adopted by the Company

The Company has adopted two share options plans (referred as the "2010 Option Plan" and "2020 Option Plan") pursuant to which, the board of directors may authorise, at their discretion, the issuance of share options to the executives, employees, external consultants or business associates 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:

	2022		2021	
	Weighted average exercise price HK$	**Number of options US$'000**	Weighted average exercise price HK$	Number of options US$'000
Outstanding at 1 January	**15.65**	**130,646,179**	6.29	117,168,421
Granted during the period	**17.18**	**34,514,242**	56.51	18,568,109
Exercised during the period	**6.07**	**(3,068,437)**	5.39	(7,480,703)
Forfeited during the period	**15.93**	**(1,376,441)**	17.12	(502,894)
Outstanding at 30 June	**16.16**	**160,715,543**	13.60	127,752,933

The amount payable by each grantee on acceptance of the offer for the option granted is US$1.00. The share options granted during the six months ended 30 June 2022 are exercisable upon vesting and then expire in a period from February 2022 to June 2032.

(Expressed in United States dollars unless otherwise indicated)

13 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

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

(ii) Share option plans adopted by subsidiaries

Several subsidiaries of the Group have adopted their respective share option plans (the "Subsidiary Option Plans"), pursuant to which, the board of directors of each subsidiary may authorise, at their discretion, the issuance of share options to the eligible person as defined in each subsidiary option plan. Each option gives the holder the right to subscribe for one ordinary share or one registered capital unit of the respective subsidiary.

During the six months ended 30 June 2022, the number and weighted-average exercise prices of share options granted under the Subsidiary Option Plans are as follow:

Name of subsidiary	Month/ year	Number of share options granted	Weight-average exercise price US$	Vesting period	Contractual life
MicroPort CardioFlow Medtech Corporation ("MP CardioFlow")	January 2022	15,576,616	0.47	From January 2022 to January 2027	10 years
MP CardioFlow	March 2022	997,237	0.34	From March 2022 to March 2027	10 years
MP CardioFlow	June 2022	3,745,000	0.36	From June 2022 to June 2027	10 years
Suzhou MicroPort Orthopedics Scientific (Group) Co., Ltd. ("Suzhou MP Orthopedics")	April 2022	1,946,403	1.58	From April 2022 to April 2027	10 years
Suzhou MP Orthopedics	June 2022	1,995,000	1.58	From June 2022 to June 2027	10 years

(iii) Share award scheme

Pursuant to the share award scheme (as amended) adopted by the Company approved by the Board in 2021, the Company may purchase its own shares and grant such shares to certain employees of the Group at nil consideration. For the six months ended 30 June 2022, the Company granted 1,578,325 shares (six months ended 30 June 2021: 5,004,150) with a fair value of US$3,559,000 (six months ended 30 June 2021: US$10,397,000) to the Group's executives and employees.

MP CardioFlow has also adopted its share award scheme and may purchase its own shares and grant such shares to certain employee of the eligible person. For the six months ended 30 June 2022, MP CardioFlow granted 1,030,424 shares (six months ended 30 June 2021: nil) at nil consideration with a fair value of US$343,000 (six months ended 30 June 2021: nil) to the executives of MP CardioFlow.

13 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

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

(iv) Bonus distribution plan

On 30 March 2020, the board of the Company approved a bonus distribution plan, pursuant to which, the Company may purchase the shares of the designated subsidiaries and grant such shares to the executive and the employee of the Group at nil consideration. During the six months ended 30 June 2022, 8,631,000 ordinary shares of MP CardioFlow and 624,500 Ordinary shares of Shanghai MicroPort MedBot (Group) Co., Ltd. ("MicroPort MedBot") were purchased with aggregated consideration of US$5,388,000 and 6,503,842 ordinary shares of MP CardioFlow and 154,546 ordinary shares of MicroPort MedBot were granted with a fair value of US$2,891,000.

(v) Employee share purchase plan ("ESPP")

Since 2014, the Group adopted several ESPPs, pursuant to which, the partnership firms, whose limited partners consisted of employees of the Group, invested in the Group's subsidiaries and equity-accounted investees (together, the "Target Companies") by way of subscribing newly issued equity interests of the Target Companies, or acquiring equity interests from the Group. All participants of above ESPPs have purchased equity interests in respective partnership firms at amounts specified in the respective partnership agreements.

All ESPPs contain a service condition. Employees participating in the plan have to transfer out their equity interests if their employments with the Group or the Group's equity-accounted investees were terminated within the vesting period, to a person or a party nominated by the general partners of the partnership firms at a price no higher than the amounts specified in the respective partnership agreements. The fair value of the ESPP at the grant date, being the difference between the considerations and the fair value of the equity interests subscribed shall be spread over the vesting period and recognised as staff costs in the profit or loss.

14 DILUTION OF INTERESTS IN SUBSIDIARIES

(a) Shenzhen MicroPort Surgical (Group) Co., Ltd.

In April 2022, Shenzhen MicroPort Surgical (Group) Co., Ltd. ("Shenzhen Surgical"), a subsidiary of the Group, entered into a capital increase agreement with several third-party investors and certain partnership firms whose limited partners consisted of employees of the Group (the "Surgical Series A Investors"), pursuant to which the Surgical Series A Investors agreed to subscribe for 7.50% of the enlarged registered capital of Shenzhen Surgical at an aggregate cash consideration of RMB150 million.

The Group's equity interest in Shenzhen Surgical was diluted from 61.29% as at 31 December 2021 to 56.70% upon the completion of the transaction and the Group retained its control over Shenzhen Surgical. Accordingly, the dilution of the equity interest in Shenzhen Surgical was treated as a transaction within its shareholders in their capacity as equity holders. Hence, the amount of US$11,071,000, being the difference between (i) the cash consideration of US$22,426,000 and (ii) the carrying amount of net assets in the proportion of the deemed disposed equity interests in Shenzhen Surgical as at the date of disposal was credited to capital reserve of the Group.

14 DILUTION OF INTERESTS IN SUBSIDIARIES (CONTINUED)

(b) Other subsidiaries

During the six months ended 30 June 2022, several ESPPs made contributions to certain subsidiaries of the Group in aggregate amount of US$3,381,000 in cash, including Shentu Medical Technology (Shanghai) Co., Ltd., Shanghai MicroPort Shield Medtech Co., Ltd., Shanghai MicroPort CardioPower Medtech Co., Ltd., Shanghai MicroPort Busuanzi Medtech Co., Ltd. and Shenzhen MicroPort Angiography Medical Equipment Co., Ltd.. The Group retained its control over the foresaid subsidiaries.

15 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 the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has a team with assistance of external valuers, performing valuations for the financial instruments, including unlisted equity securities and put options which are categorised into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the Group's management.

		Fair value measurements as at 30 June 2022 categorised into		
	Fair value at 30 June 2022 US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000
Recurring fair value measurement				
Financial assets:				
Unlisted debt and equity securities	**25,942**	**–**	**3,712**	**22,230**
Call options held	**4,769**	**–**	**–**	**4,769**
Financial liabilities:				
Contingent liabilities in business combination	**(35,768)**	**–**	**–**	**(35,768)**
Put option written to				
– SRL ("SRL Put Option")	**(871)**	**–**	**–**	**(871)**
– Witney Global Limited ("Witney Put Option")	**(611)**	**–**	**–**	**(611)**

15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

(i) Fair value hierarchy (continued)

		Fair value measurements as at 31 December 2021 categorised into		
	Fair value at 31 December 2021 US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000
Recurring fair value measurement				
Financial assets:				
Unlisted debt and equity securities	25,221	–	10,702	14,519
Call options held	4,963	–	–	4,963
Derivative financial instruments				
– Warrants issued by an equity-accounted investee (the "Warrants")	1,406	–	–	1,406
Financial liabilities:				
Contingent liabilities in business combination	(39,633)	–	–	(39,633)
Put option written to				
– SRL Put Option	(1,651)	–	–	(1,651)
– Witney Put Option	(1,239)	–	–	(1,239)

During the six months ended 30 June 2022, there were no transfers between Level 1 and Level 2, unlisted equity securities amounting to US$7,400,000 were transferred from Level 2 into Level 3, for that in determining the fair value of investments in unlisted equity instruments with no recent transaction prices available, valuation techniques were used, and significant unobservable inputs were involved in such techniques (six months ended 30 June 2021: nil).

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

The fair value of the unlisted debt and equity securities in Level 2 is determined with reference to the pricing of the recent transactions of the investee's shares with no significant unobservable inputs used.

(Expressed in United States dollars unless otherwise indicated)

15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

(iii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range
Unlisted equity securities	Equity allocation model (Note a)	Expected volatility, taking into account the historical volatility of the comparable companies	57%
		Expected probability of event	30%
Call options	Black-Scholes option pricing model (Note b)	Expected volatility, taking into account the historical volatility of the comparable companies	51%
Contingent liabilities in business combination	Probability-weighted discounted cash flow method (Note c)	Expected probability of achievement of milestones and conditions	100%
		Discount rate	0% – 0.98%
SRL Put Option	Black-Scholes option pricing model (Note d)	Expected volatility, taking into account the historical volatility of the comparable companies	41%
		Expected probability of event	35%
Witney Put Option	Black-Scholes option pricing model (Note e)	Expected volatility, taking into account the historical volatility of the comparable companies	38%
		Expected probability of event	50%

15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

(iii) Information about Level 3 fair value measurements (continued)

Note a As at 30 June 2022, it is estimated that with all other variables held constant, an increase/decrease in the expected probability of event by 10% would have increased/decreased the Group's loss by US$$316,000/US$$316,000 and an increase/decrease in the expected volatility by 5% would have decreased/increased the Group's loss by US$13,000/US$20,000.

Note b As at 30 June 2022, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 5% would have decreased/increased the Group's loss by US$566,000/US$371,000.

Note c As at 30 June 2022, it is estimated that with all other variables held constant, a decrease in the expected probability of achievement of milestones and conditions by 10% would have decreased the Group's loss by US$3,577,000 and an increase in the discount rate by 1% would have decreased the Group's loss by US$488,000.

Note d As at 30 June 2022, it is estimated that with all other variables held constant, an increase/decrease in the expected probability of event by 10% would have increased/decreased the Group's loss by US$249,000/US$249,000 and an increase/decrease in the expected volatility by 5% would have increased/decreased the Group's loss by US$319,000/US$284,000.

Note e As at 30 June 2022, it is estimated that with all other variables held constant, an increase/decrease in the expected probability of event by 10% would have increased/decreased the Group's loss by US$122,000/US$122,000 and an increase/decrease in the expected volatility by 5% would have increased/decreased the Group's loss by US$54,000//US$54,000.

(iv) Reconciliation of Level 3 fair value measurements

	Financial assets US$'000	Financial liabilities US$'000
At 1 January 2022	**20,888**	**(42,523)**
Changes in fair value recognised in profit or loss during the period	**1,481**	**4,791**
Transfer out of Level 2	**7,400**	**–**
Exercise of the Warrants	**(1,406)**	**–**
Settled	**–**	**482**
Exchange adjustments	**(1,364)**	**–**
At 30 June 2022	**26,999**	**(37,250)**

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2021 and 30 June 2022.

16 COMMITMENTS

Capital commitments outstanding at 30 June 2022 not provided for in the interim financial report are set out as below:

	At 30 June 2022 US$'000	At 31 December 2021 US$'000
Contracted for	**173,640**	200,538
Authorised but not contracted for	**181,471**	343,900
	355,111	544,438

17 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 15 July 2022, MP NeuroTech was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "NeuroTech Listing"). Upon the completion of the NeuroTech Listing, (i) all preferred shares issued by MP NeuroTech were converted into the ordinary shares; and (ii) MP NeuroTech issued 13,700,000 ordinary shares at the price of HK$24.64 per share and received gross proceeds of HK$337.6 million. The Group's equity interest in MP NeuroTech was then diluted to 53% and the Group retained its control over MP NeuroTech.

18 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	Six months ended 30 June	
	2022	2021
	US$'000	US$'000
Salaries and other benefits	**2,782**	2,872
Discretionary bonuses	**2,000**	1,323
Retirement scheme contributions	**80**	114
Equity-settled share-based payment expenses	**14,170**	20,681
Cash-settled share-based payment expenses	**53**	3,052
	19,085	28,042

(b) Financing arrangement

	Six months ended 30 June	
	2022	2021
	US$'000	US$'000
Loans to equity-accounted investees	**9,476**	20,183
Loans repaid by equity-accounted investees	**8,555**	42,209
Interest income on loans to equity-accounted investees	**703**	–
Loans to a related party	**–**	17,800
Loans repaid by a related party	**–**	35,602

(c) Leasing arrangement

As a lessor

The Group leased out certain property and building in China to several equity-accounted investees under operating lease. The lease term typically lasts 1 to 3 years. During the six months ended 30 June 2022, the Group recorded rental income from these equity-accounted investees of US$1,330,000 (six months ended 30 June 2021: US$1,053,000)

(d) Cash deposit with a related party

The Group placed cash deposit in Shanghai HuaRui Bank Co., Ltd. ("SHRB", an equity-accounted investee of the Group) with an interest rate from 1.90% to 3.45% per annum. As at 30 June 2022, the amount of bank deposits in SHRB was US$6,018,000 (31 December 2021: US$20,450,000).

During the six months ended 30 June 2022, the Group received interest income from the above bank deposits of US$104,000 (six months ended 30 June 2021: US$9,000).

18 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Sales, purchase and other related party transactions

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

Name of party	Relationship
Shanghai Horizon Medical Science Co., Ltd.	Equity-accounted investee of the Group
AccuPath Medical (Jiaxing) Co., Ltd.	Equity-accounted investee of the Group
Purple Medical Solutions Private Limited	Equity-accounted investee of the Group
Suzhou ProSteri Medical Technology Co., Ltd.	Equity-accounted investee of the Group
Optimum Medical Device Inc.	Equity-accounted investee of the Group

Particulars of the Group's sales, purchase and other transactions with related parties are as follows:

	Six months ended 30 June	
	2022	2021
	US$'000	US$'000
Sales of goods to:		
Equity-accounted investees	**3,269**	3,694
Purchase of goods from equity-accounted investees	**18,942**	13,175