MicroPort®

MicroPort Scientific Corporation

微創醫療科學有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00853)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2024	2023	Change
	US$'000	*US$'000*	*%*
	(unaudited)	(unaudited)	
Revenue	**558,702**	482,605	Increased by 17.0% (excluding the foreign exchange impact)
Gross profit	**330,580**	288,416	Increased by 14.6%
Loss for the period	**(106,674)**	(219,921)	Decreased by 51.5%
Loss attributable to equity shareholders of the Company	**(96,830)**	(162,618)	Decreased by 40.5%
Loss per share –			
Basic (in cents)	**(5.29)**	(8.94)	Decreased by 40.8%
Diluted (in cents)	**(5.63)**	(9.45)	Decreased by 40.4%
Non-HKFRS adjusted net loss for the period	**(68,432)**	(185,213)	Decreased by 63.1%

For the six months ended 30 June 2024 (the "**Reporting Period**"), MicroPort Scientific Corporation (the "**Company**" or "**MicroPort**") and its subsidiaries (collectively, the "**Group**") recorded revenue of US$558.7 million, representing an increase of 17.0% excluding the foreign exchange impact as compared to the six months ended 30 June 2023. Such increase was mainly attributable to the facts that:

(i) the subsidiaries that are separately listed all achieved strong year-on-year revenue growth. Specifically, revenue from Shanghai MicroPort Endovascular MedTech (Group) Co., Ltd. (endovascular and peripheral vascular devices business) ("**EV MedTech**") grew year-on-year by 26%, MicroPort NeuroScientific Corporation (neurovascular devices business) ("**MicroPort Neuro**") grew year-on-year by 37%, revenue from MicroPort CardioFlow Medtech Corporation (structural heart disease business) ("**CardioFlow Medtech**") grew year-on-year by 27% and revenue from Shanghai MicroPort Medbot (Group) Co., Ltd. (surgical robot business) ("**MicroPort Medbot**") grew year-on-year by 117% (such revenue growth rates had been excluded the foreign exchange impact and were the growth rate for revenue from external customers of the Group);

(ii) other major businesses within the Group have further consolidated their competitive advantages and achieved steady revenue growth, among which, revenue from the cardiovascular devices business increased by 13% year-on-year in which overseas revenue increased by 56% year on year, orthopedic devices business increased by 9% year-on-year in which revenue from China increased by 33% year-on-year and CRM business increased by 6% year-on-year in which revenue from China increased by 62% year-on-year;

(iii) during the Reporting Period, leveraging the Group's going abroad platform's extensive and in-depth global distribution layout, business segments effectively and constantly exported competitive products with excellent clinical performance, resulting in a steady increase in revenue of the Group's going abroad business by 44.0% over the corresponding period of the last year.

For the six months ended 30 June 2024, the Group recorded a significant decrease in the non-HKFRS adjusted net loss ("**adjusted net loss**") of 63.1% year-on-year. The change was mainly due to the facts that:

(i) benefiting from the further increase in market share driven by the commercialization of the leading products from the Group, the incremental revenue generated from new products' contribution and the rapid growth from overseas sales as a result of the continuous expansion of the global business of the Group, the revenue of the Group continued to grow steadily during the Reporting Period;

(ii) adhered to its focus on improving profitability, the Group has consistently executed and implemented resource concentration and cost-optimization measures, resulting in a drop in the operating expense ratio* from 94% for the corresponding period of last year to 64% (in which the research and development expense ratio declined from 39% to 21%), which significantly improved operational efficiency;

(iii) the Group implements a strategy of focusing on its core business. During the Reporting Period, we have successfully completed sales of several non-core loss-making businesses, and proactively closed a number of R&D projects in their early stages.

* The operating expense ratio is calculated by dividing the sum of research and development expenses, distribution costs and administrative expenses by revenue

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2024 (unaudited)
(Expressed in United States dollars)

		Six months ended 30 June	
		2024	2023
	Note	***US$'000***	*US$'000*
Revenue	*3*	**558,702**	482,605
Cost of sales		**(228,122)**	(194,189)
Gross profit		**330,580**	288,416
Other net (loss)/income	*4*	**(68)**	17,039
Research and development costs		**(115,033)**	(187,334)
Distribution costs		**(156,150)**	(169,800)
Administrative expenses		**(83,785)**	(95,890)
Other operating costs	*5(b)*	**(12,348)**	(12,374)
Loss from operations		**(36,804)**	(159,943)
Finance costs	*5(a)*	**(48,416)**	(37,256)
Gain on disposal of subsidiaries		**6,922**	2,845
Gain on deemed disposal of interests in equity-accounted investees		**–**	5,437
Share of profits less losses of equity-accounted investees		**(8,146)**	(17,258)
Loss before taxation	*5*	**(86,444)**	(206,175)
Income tax	*6*	**(20,230)**	(13,746)
Loss for the period		**(106,674)**	(219,921)
Attributable to:			
Equity shareholders of the Company		**(96,830)**	(162,618)
Non-controlling interests		**(9,844)**	(57,303)
Loss for the period		**(106,674)**	(219,921)
Loss per share	*7*		
– Basic (in cents)		**(5.29)**	(8.94)
– Diluted (in cents)		**(5.63)**	(9.45)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2024 (unaudited)
(Expressed in United States dollars)

	Six months ended 30 June	
	2024	2023
	US$'000	*US$'000*
Loss for the period	**(106,674)**	(219,921)
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	**494**	284
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements, net of nil tax	**(11,624)**	(46,882)
Share of other comprehensive income of equity-accounted investees	**16**	(426)
Other comprehensive income for the period	**(11,114)**	(47,024)
Total comprehensive income for the period	**(117,788)**	(266,945)
Attributable to:		
Equity shareholders of the Company	**(105,032)**	(195,553)
Non-controlling interests	**(12,756)**	(71,392)
Total comprehensive income for the period	**(117,788)**	(266,945)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2024 (unaudited)
(Expressed in United States dollars)

	Note	At 30 June 2024		At 31 December 2023	
		US$'000	***US$'000***	*US$'000*	*US$'000*
				(restated)	
Non-current assets					
Investment properties			**6,087**		6,256
Property, plant and equipment			**978,657**		1,004,573
			984,744		1,010,829
Intangible assets			**236,699**		234,435
Goodwill			**147,271**		149,393
Equity-accounted investees			**375,085**		372,637
Financial assets measured at fair value through profit or loss ("FVPL")			**8,479**		10,003
Derivative financial instruments			**–**		3,574
Deferred tax assets			**30,366**		31,382
Other non-current assets			**109,022**		109,705
			1,891,666		1,921,958
Current assets					
Financial assets measured at FVPL		**196,122**		40,028	
Inventories		**407,912**		414,868	
Trade and other receivables	*8*	**390,504**		310,648	
Pledged deposits and time deposits		**170,948**		225,352	
Cash and cash equivalents	*13*	**740,097**		1,019,551	
		1,905,583		2,010,447	
Current liabilities					
Trade and other payables	*9*	**411,693**		448,342	
Contract liabilities		**18,464**		18,770	
Interest-bearing borrowings	*10*	**317,891**		295,438	
Convertible bonds		**103,154**		549,470	
Lease liabilities		**47,470**		46,915	
Income tax payable		**11,648**		4,985	
		910,320		1,363,920	
Net current assets			**995,263**		646,527
Total assets less current liabilities			**2,886,929**		2,568,485

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2024(unaudited)
(Expressed in United States dollars)

	Note	At 30 June 2024		At 31 December 2023	
		US$'000	***US$'000***	*US$'000*	*US$'000*
				(restated)	
Non-current liabilities					
Interest-bearing borrowings	*10*	**801,523**		508,330	
Lease liabilities		**74,107**		85,327	
Deferred income		**50,110**		42,344	
Contract liabilities		**26,733**		27,669	
Convertible bonds	*11*	**341,841**		213,267	
Other payables	*9*	**275,202**		262,865	
Derivative financial instruments	*11*	**5,117**		–	
Deferred tax liabilities		**24,343**		25,686	
			1,598,976		1,165,488
NET ASSETS			**1,287,953**		1,402,997
CAPITAL AND RESERVE	*12*				
Share capital			**18**		18
Reserves			**699,795**		757,801
Total equity attributable to equity shareholders of the Company			**699,813**		757,819
Non-controlling interests			**588,140**		645,178
TOTAL EQUITY			**1,287,953**		1,402,997

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 (the "Stock Exchange"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It has been reviewed by the audit committee of the Company and was authorised for issue on 30 August 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 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 2023 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.

The financial information relating to the financial year ended 31 December 2023 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 2023 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 March 2024.

Material uncertainty related to going concern

In determining the appropriate basis of preparation of interim financial information, the directors of the Company (the "Directors") are required to consider whether the Group could continue in operational existence for the foreseeable future.

As at 30 June 2024, the Group had bank borrowings of US$317,891,000 due within 1 year and share repurchase obligations (included in non-current other payables) with a carrying value of US$227,427,000 (see note 9). Such share repurchase obligations represent the redemption rights included in the terms of the preferred shares issued by MicroPort Cardiac Rhythm Management Limited ("CRM Cayman"). If CRM Cayman does not complete a qualified public offering by July 2025, the holders of the preferred shares would have the right to request CRM Cayman to redeem their preferred shares at an amount equal to the original purchase price plus per annum interest of 8% in cash. For the six months ended 30 June 2024, the Group incurred a net loss of US$106,674,000 and a net operating cash outflow of US$33,454,000.

In addition, part of the Group's non-current bank borrowings and convertible bonds totalling US$726,243,000 (see notes 10 and 11) are subject to the fulfilment of covenants relating to certain of the Group's financial performance and ratios. If the Group were to breach the covenants, these bank borrowings or convertible bonds would be immediately repayable if requested by the lenders of these bank borrowings and the holders of the convertible bonds in accordance with the underlying facilities agreements. The occurrence of such circumstance may trigger the cross-default provisions of other borrowings available to the Group and, as a possible consequence, these other borrowings may also be declared to be immediately due and payable.

Given the above, the liquidity of the Group is primarily dependent on (i) its ability to renew or refinance existing borrowings and to utilise its cash and cash equivalents available to the Group (see note 13) for repayment of its borrowings; and (ii) whether the above-mentioned financial covenants could be achieved. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

In view of these circumstances, the Directors have given consideration to the future financial performance and liquidity of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. The Directors have reviewed the Group's forecast prepared by management, which covers a period of at least 12 months from 30 June 2024. Certain plans and measures have been taken to mitigate the liquidity pressures and to improve its financial position which include, but not limited to, the following:

(1) The Group has planned or implemented various strategies to improve the liquidity of the Group including to maintain more stringent cost control measure, substantially reduce the budget for research and development costs, defer the plan for discretionary capital expenditure;

(2) The Group has plans to realise additional cash from disposal of certain properties or other assets;

(3) The Group is in discussions with potential investors to make direct investment or to purchase certain equity interests in subsidiaries/equity-accounted investees of the Group; and

(4) The Group are in discussions with banks for the renewal of existing borrowings and obtaining new banking facilities.

The plans and measures as described above incorporate assumptions about future events and conditions. If the above plans and measures are successful, the Group will be able to generate sufficient financing and operating cash flows to meet its liquidity requirements for at least the next twelve months from the end of the reporting period. Based on the Directors' intentions and the forecast mentioned above, the Directors are of the opinion that it is appropriate to prepare the Group's interim financial information for the six months ended 30 June 2024 on a going concern basis. Should the Group not be able to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in these interim financial information.

2 Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current ("2020 amendments")*
- Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants ("2022 amendments")*
- Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7*, Financial instruments: Disclosures – Supplier finance arrangements*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKAS 1, *Presentation of financial statements* ("2020 and 2022 amendments", or collectively the "HKAS 1 amendments")

The HKAS 1 amendments impact the classification of a liability as current or non-current, and are applied retrospectively as a package.

The 2020 amendments primarily clarify the classification of a liability that can be settled in its own equity instruments. If the terms of a liability could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments and that conversion option is accounted for as an equity instrument, these terms do not affect the classification of the liability as current or non-current. Otherwise, the transfer of equity instruments would constitute settlement of the liability and impact classification.

The 2022 amendments specify that conditions with which an entity must comply after the reporting date do not affect the classification of a liability as current or non-current. However, the entity is required to disclose information about non-current liabilities subject to such conditions in a full set of financial statements.

Upon the adoption of the amendments, the Group has reassessed the classification of its liabilities as current or non-current. The Group has made the following reclassifications to conform to the revised policy:

- Reclassifying the CRM Convertible Bonds (defined in note 11(a)) measured at fair value through profit or loss from non-current to current, as the conversion rights of the CRM Convertible Bonds do not meet the definition of an equity instrument and the holders have the right to convert any portion of the CRM Convertible Bonds into shares of CRM Cayman at any time on or after the issue date.

The following table summarises the impact of the adoption of the HKAS 1 amendments on the comparatives presented in the Group's consolidated statement of financial position:

	As previously reported *US$'000*	Effect of adopting the HKAS 1 amendments *US$'000*	As restated *US$'000*
Condensed consolidated statement of financial position as at 31 December 2023:			
Convertible bonds	456,634	92,836	549,470
Total current liabilities	1,271,084	92,836	1,363,920
Net current assets	739,363	(92,836)	646,527
Total assets less current liabilities	2,661,321	(92,836)	2,568,485
Convertible bonds	306,103	(92,836)	213,267
Total non-current liabilities	1,258,324	(92,836)	1,165,488

The following table illustrates the amounts that would have been in the Group's consolidated statement of financial position as at 30 June 2024 if the HKAS 1 amendments had not been adopted:

	As reported *US$'000*	Backing out effect of adopting the HKAS 1 amendments *US$'000*	If accounting policy had not been changed *US$'000*
Condensed consolidated statement of financial position as at 30 June 2024:			
Convertible bonds	**103,154**	**(103,154)**	**–**
Total current liabilities	**910,320**	**(103,154)**	**807,166**
Net current assets	**995,263**	**103,154**	**1,098,417**
Total assets less current liabilities	**2,886,929**	**103,154**	**2,990,083**
Convertible bonds	**341,841**	**103,154**	**444,995**
Total non-current liabilities	**1,598,976**	**103,154**	**1,702,130**

The amendments have no effect on the Group's consolidated statement of profit or loss, cash flows and loss per share.

Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*

The amendments clarify how an entity accounts for a sale and leaseback after the date of the transaction. The amendments require the seller-lessee to apply the general requirements for subsequent accounting of the lease liability in such a way that it does not recognise any gain or loss relating to the right of use it retains. A seller-lessee is required to apply the amendments retrospectively to sale and leaseback transactions entered into after the date of initial application. The amendments do not have a material impact on these financial statements.

Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

The amendments introduce new disclosure requirements to enhance transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments do not have a material impact on disclosure as the Group has not entered into any supplier finance arrangements.

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	
	2024	2023
	US$'000	*US$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Sales of medical devices	**549,546**	472,745
– Others	**6,611**	6,328
	556,157	479,073
Revenue from other sources	**2,545**	3,532
	558,702	482,605

	Six months ended 30 June	
	2024	2023
	US$'000	*US$'000*
Disaggregated by geographical location of external customers		
– the People's Republic of China (the "PRC") (country of domicile)	**305,978**	248,179
– North America	**47,082**	50,354
– Europe	**145,340**	132,128
– Asia (excluding the PRC)	**37,837**	34,078
– South America	**13,453**	11,052
– Others	**9,012**	6,814
	252,724	234,426
	558,702	482,605

The geographical analysis above includes property rental income from external customers in the PRC and the United States of America (the "US") for the six months ended 30 June 2024 of US$2,048,000 (six months ended 30 June 2023: US$3,259,000).

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

(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 2024									
	Cardiovascular devices business	Orthopedics devices business	Cardiac rhythm management business	Endovascular and peripheral vascular devices business	Neurovascular devices business	Structural heart disease business	Surgical robot business	Surgical devices business	Others[#]	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Disaggregated by timing of revenue recognition										
Point in time	92,557	125,882	108,631	110,376	57,127	31,106	9,820	4,303	11,499	551,301
Over time	722	402	4,723	–	–	–	133	–	1,421	7,401
Revenue from external customers	93,279	126,284	113,354	110,376	57,127	31,106	9,953	4,303	12,920	558,702
Inter-segment revenue	4,728	523	7	332	275	278	4,007	268	800	11,218
Reportable segment revenue	98,007	126,807	113,361	110,708	57,402	31,384	13,960	4,571	13,720	569,920
Reportable segment net profit/(loss)	3,388	(16,573)	(41,149)	56,123	19,694	(7,675)	(39,394)	(18,191)	(22,587)	(66,364)

	At 30 June 2024									
	Cardiovascular devices business	Orthopedics devices business	Cardiac rhythm management business	Endovascular and peripheral vascular devices business	Neurovascular devices business	Structural heart disease business	Surgical robot business	Surgical devices business	Others[#]	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Reportable segment assets	584,689	529,679	361,326	634,735	291,845	350,426	157,558	85,920	543,139	3,539,317
Reportable segment liabilities	319,118	413,144	481,758	64,394	46,845	36,270	119,642	104,493	165,802	1,751,466

	Six months ended 30 June 2023 (Re-presented) *(Note)*									
	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$'000*	Structural heart disease business *US$'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	81,107	115,293	103,303	88,985	42,614	25,035	4,895	3,121	8,392	472,745
Over time	1,465	568	4,969	–	–	–	–	–	2,858	9,860
Revenue from external customers	82,572	115,861	108,272	88,985	42,614	25,035	4,895	3,121	11,250	482,605
Inter-segment revenue	7,230	496	98	183	145	228	1,888	361	–	10,629
Reportable segment revenue	89,802	116,357	108,370	89,168	42,759	25,263	6,783	3,482	11,250	493,234
Reportable segment net profit/(loss)	893	(26,503)	(48,927)	39,512	8,376	(25,264)	(77,848)	(9,446)	(32,629)	(171,836)

	At 31 December 2023 (Re-presented) *(Note)*									
	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$'000*	Structural heart disease business *US$'000*	Surgical robot business *US$'000*	Surgical devices business *US$'000*	Others[#] *US$'000*	Total *US$'000*
Reportable segment assets	600,417	528,697	394,871	599,250	276,821	383,485	201,498	98,459	510,891	3,594,389
Reportable segment liabilities	291,037	431,171	461,700	53,413	45,114	42,271	129,499	117,093	158,330	1,729,628

Note The comparative information of segment reporting has been re-presented to reflect the changes in allocation of resources and assessment of performance.

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

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2024	2023
	US$'000	*US$'000*
Segments total net loss	**(66,364)**	(171,836)
Share awards scheme	**(2,435)**	(4,241)
Other equity-settled share-based payment expenses	**(7,808)**	(6,729)
Unallocated exchange loss	**(5,903)**	(1,730)
Interest on convertible bonds issued by the Company	**(13,762)**	(8,208)
Gain on disposal of subsidiaries	**6,922**	2,845
Gain on deemed disposal of interests in equity-accounted investees	**–**	5,437
Unallocated expenses, net	**(17,324)**	(35,459)
Consolidated loss for the period	**(106,674)**	(219,921)

4 Other net (loss)/income

	Six months ended 30 June	
	2024	2023
	US$'000	*US$'000*
Government grants	**9,163**	10,842
Interest income on financial assets carried at amortised cost	**11,705**	15,871
Net loss on disposal of property, plant and equipment	**(1,075)**	(5,492)
Net foreign exchange loss	**(11,801)**	(2,077)
Net realised and unrealised loss on financial instruments carried at FVPL	**(12,458)**	(6,086)
Gain on repurchase of convertible bonds	**–**	2,948
Others	**4,398**	1,033
	(68)	17,039

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

5 Loss before taxation

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

(a) Finance costs

	Six months ended 30 June	
	2024	2023
	US$'000	*US$'000*
Interest on the convertible bonds *(note 11)*	**13,762**	8,208
Interest on other interest-bearing borrowings	**13,984**	11,007
Interest on preferred shares issued by subsidiaries *(note 9)*	**13,433**	11,018
Interest on lease liabilities	**5,277**	4,967
Total interest expense on financial liabilities not at FVPL	**46,456**	35,200
Less: interest expense capitalised into properties under development	**(1,064)**	(710)
	45,392	34,490
Others	**3,024**	2,766
	48,416	37,256

(b) Other operating costs

	Six months ended 30 June	
	2024	2023
	US$'000	*US$'000*
Legal and professional fee	**884**	1,632
Impairment losses of non-current assets	**6,561**	–
Donations	**4,079**	5,621
Others	**824**	5,121
	12,348	12,374

(c) Other items

	Six months ended 30 June	
	2024	2023
	US$'000	*US$'000*
Amortisation of intangible assets	**10,434**	10,288
Depreciation charge		
– owned property, plant and equipment	**46,264**	36,000
– right-of-use assets	**25,817**	22,490
Less: Amounts capitalised as development costs	**(454)**	(340)
Total amortisation and depreciation in the consolidated statement of profit or loss	**82,061**	68,438
Research and development costs	**128,267**	199,130
Less: Amortisation of capitalised development costs	**(2,245)**	(3,466)
Costs capitalised into intangible assets	**(13,234)**	(11,796)
	112,788	183,868
Provision of inventories write-down	**3,558**	4,537
Impairment loss on:		
– trade and other receivables	**561**	569
– property, plant and equipment	**4,358**	–
– equity-accounted investees	**2,203**	–

6 Income tax

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

	Six months ended 30 June	
	2024	2023
	US$'000	*US$'000*
Current tax – the PRC corporate income tax ("CIT")	**18,957**	10,192
Current tax – other jurisdictions	**1,854**	3,723
Deferred taxation	**(581)**	(169)
	20,230	13,746

Pursuant to the CIT Law of the PRC, during the six months ended 30 June 2024, all of the Company's PRC subsidiaries are liable to PRC CIT at a rate of 25% except for those subsidiaries 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.

(b) Pillar Two income tax

Effective 1 January 2024, many countries, including Japan and many European Union member states, adopted a global minimum effective tax rate of 15% based on the Pillar Two framework issued by the Organization for Economic Cooperation and Development ("OECD"). Other countries where the Group does business are also actively considering adopting the framework or are in various stages of enacting the framework into their country's laws. The Group continues to monitor legislative adoption of the Pillar Two rules by country, as well as for additional guidance from the OECD. The Group considers the current impact of the adoption of a global minimum effective tax is not material.

The Group has applied the temporary mandatory exception from deferred tax accounting for the top-up tax and would account for the tax as current tax when incurred.

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$96,830,000 for the six months ended 30 June 2024 (six months ended 30 June 2023: US$162,618,000) and the weighted average of 1,829,494,000 ordinary shares in issue during the six months ended 30 June 2024 (six months ended 30 June 2023: 1,819,936,000 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$103,083,000 for the six months ended 30 June 2024 (six months ended 30 June 2023: US$171,898,000) and the weighted average number of ordinary shares of 1,829,494,000 shares for the six months ended 30 June 2024 (six months ended 30 June 2023: 1,819,936,000 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 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 2024	At 31 December 2023
	US$'000	*US$'000*
Within 1 month	**156,879**	92,500
1 to 3 months	**74,259**	64,396
3 to 12 months	**31,978**	26,025
More than 12 months	**5,614**	3,527
Trade debtors, net of loss allowance	**268,730**	186,448
Amounts due from a related party in relation to transfer of non-current assets	**10,606**	10,672
Consideration receivable in relation to disposal of subsidiaries	**9,588**	–
Income tax recoverable	**1,098**	4,564
Deposits, prepayments and other receivables	**100,482**	108,964
	390,504	310,648

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

9 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 2024	At 31 December 2023
	US$'000	*US$'000*
Current		
Within 1 month	**119,033**	118,895
Over 1 month but within 3 months	**30,229**	34,593
Over 3 months but within 6 months	**5,030**	6,617
Over 6 months but within 1 year	**4,195**	14,857
Over 1 year	**23,049**	10,889
Trade payables	**181,536**	185,851
Consideration payables in connection with the acquisition of subsidiaries	**1,663**	2,497
Dividends payables to non-controlling interests	**3,829**	–
Other payables and accrued charges	**224,665**	259,994
	411,693	448,342
Non-current		
Share repurchase obligation *(Note)*	**254,462**	239,780
Contingent consideration in connection with the acquisition of a subsidiary	**5,004**	5,105
Net defined benefit obligation	**9,764**	10,273
Other payables	**5,972**	7,707
	275,202	262,865

Note:

As at 30 June 2024, CRM Cayman has several series of outstanding preferred shares issued to certain investors in connection with its previous financings. These preferred shares include liquidation preference right, redemption right and conversion right granted to these investors. If CRM Cayman does not complete a qualified public offering by July 2025, the holders of these preferred shares would have right to request CRM Cayman to redeem their preferred shares at an amount equal to the original purchase price plus per annum interest of 8%.

As at 30 June 2024, MicroPort Urocare (Jiaxing) Co., Ltd. (微創優通醫療科技(嘉興)有限公司, "MP Urocare") and another subsidiary of the Group has certain outstanding liquidation preference right and redemption right granted to certain investors in connection with their previous financings. If MP Urocare and that subsidiary does not complete a qualified public offering by July 2028 and October 2027, respectively, the respective shareholders would have the right to request the respective subsidiary to redeem their shares at an amount specified in the shareholder agreements.

The share repurchase obligations borne by CRM Cayman, MP Urocare and other subsidiaries are settled by cash, which give rise to financial liabilities and measured at the highest of those amounts that could be payable, and on a present value basis. Since these obligations are undertaken by the issuer itself, the subsequent changes of financial liabilities under amortised costs are recognised in profit or loss directly.

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

	Preferred shares issued by CRM Cayman *US$'000*	**Redemption rights issued by MP Urocare** *US$'000*	**Redemption rights issued by other subsidiary** *US$'000*	**Total** *US$'000*
At 1 January 2024	**215,028**	**19,028**	**5,724**	**239,780**
Issuance during the period	**–**	**1,407**	**–**	**1,407**
Exchange adjustments	**–**	**(124)**	**(34)**	**(158)**
Charge to finance costs *(note 5(a))*	**12,399**	**779**	**255**	**13,433**
At 30 June 2024	**227,427**	**21,090**	**5,945**	**254,462**

10 Interest-bearing borrowings

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

	At 30 June 2024 *US$'000*	At 31 December 2023 *US$'000*
Within 1 year or on demand	**317,891**	295,438
After 1 year but within 2 years	**257,306**	135,925
After 2 years but within 5 years	**433,654**	280,597
After 5 years	**110,563**	91,808
	801,523	508,330
	1,119,414	803,768

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

	At 30 June 2024	At 31 December 2023
	US$'000	*US$'000*
Bank loans		
– secured	**607,681**	288,883
– unsecured	**511,733**	514,885
	1,119,414	803,768

In May 2024, the Company entered into a facility agreement with several banks in the PRC in an aggregate facility amount of US$300 million for the repayment of the 2026 Convertible Bonds (defined in note 11(b)). The facility is secured by the shares of a subsidiary and two properties located in Shanghai. The Company drew down bank loans with a principal amount of US$300 million under the facility agreement which bear an interest of LPR+0.05% per annum and are repayable in six installments within 3 years. The facility is subject to the fulfillment of certain financial covenants, including the financial targets required in the 2029 Convertible Loans (defined in note 11(b)). If the Group were to breach the covenants, these borrowings would become payable on demand.

At 30 June 2024, the bank loans drawn down by the Group totalling US$607,681,000, including the above-mentioned bank loans (31 December 2023: US$288,883,000) were secured by (i) the land use rights and buildings held for own use with net book values of US$13,279,000 and US$233,130,000, respectively (31 December 2023: land use rights of US$9,803,000 and buildings held for own use of US$176,604,000, respectively); (ii) the Group's equity interest in several subsidiaries and (iii) certain patents held by the Group. The carrying amount of these patents is nil as they have not been capitalised as intangible assets.

Apart from the aforesaid banking facility of US$300 million, part of the Group's other banking facilities are also subject to the fulfilment of covenants relating to certain financial targets or 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 2024, none of the covenants relating to drawn down facilities had been breached.

11 Convertible bonds

	At 30 June 2024	At 31 December 2023
	US$'000	*US$'000* (restated)
Convertible bonds issued by CRM Cayman	**103,154**	92,836
Convertible bonds/loans issued by the Company	**337,631**	669,901
Convertible bonds issued by a subsidiary	**4,210**	–
	444,995	762,737
Representing		
Current portion	**103,154**	549,470
Non-current portion	**341,841**	213,267
	444,995	762,737

(a) Convertible bonds issued by CRM Cayman (the "CRM Convertible Bonds")

In October 2022, CRM Cayman issued the CRM Convertible Bonds with a principal amount of US$90 million to several external investors. The maturity date of the CRM Convertible Bonds is 14 October 2025, and each bondholder may, in its sole discretion, exercise a one-time option to extend the maturity date for two years. The holders have the right to convert any portion of the CRM Convertible Bonds into shares of CRM Cayman at any time on or after the issue date based on the enterprise value of CRM Cayman, being US$1.25 billion (subject to adjustments). The CRM Convertible Bonds are designated as financial liabilities at FVPL.

The movement of the CRM Convertible Bonds during the period represents as follow:

	US$'000
At 1 January 2024	**92,836**
Changes in fair value recognised in profit or loss during the period	**15,108**
Interests paid	**(4,790)**
At 30 June 2024	**103,154**

(b) Convertible bonds/loans issued by the Company

As at 31 December 2023, balance of convertible bonds issued by the Company represented the convertible bonds due in 2026 (the "2026 Convertible Bonds") and convertible bonds due in 2028 (the "2028 Convertible Bonds"). The bondholders of the 2026 Convertible Bonds have a right to require the Company to early redeem entire or partial of the 2026 Convertible Bonds on 11 June 2024. Accordingly, the liability portion of the outstanding 2026 Convertible Bonds was classified as current liabilities as at 31 December 2023.

To repay the 2026 Convertible Bonds, on 5 April 2024, the Company entered into a convertible facility agreement (the "Convertible Facility Agreement") with four lenders (the "Original Lenders"), pursuant to which, the Original Lenders agreed to make available to the Company a convertible term loan facility in an aggregate principal amount of US$150,000,000, with an accordion option (the "Accordion Option") to increase the total commitments by an aggregate principal amount of up to US$50,000,000.

As all of the Original Lenders are connected person of the Company, the Convertible Facility Agreement is subject to the approval from the independent shareholders of the Company, which was then approved in the annual general meeting of the Company held in May 2024.

In May and June 2024, the Company completed the drawdown of the convertible loans in an aggregate principal amount of US$170,000,000 (the "2029 Convertible Loans") under the Convertible Facility Agreement.

The 2029 Convertible Loans bear interest at of 5.75% per annum. The lender could convert part of or the entire outstanding balances into fully paid ordinary shares of the Company at an initial conversion price of HK$7.46 per share (the "Conversion Price"), subject to the adjustment under certain terms and conditions at the fixed exchange rate of HK$7.8285 to US$1 before the maturity date.

The Company shall repay the 2029 Convertible Loans in 2029, together with all interest, a premium, being 40% of the outstanding principal and any accrued but unpaid amounts payable to the lenders.

In addition, pursuant to the terms of the 2029 Convertible Loans, in May 2027, the lenders have right to require the Company to redeem all 2029 Convertible Loans, together with all interest, a premium, being 30% of the outstanding principal and any accrued but unpaid amounts payable to the lenders. And at any time after May 2027, the Company could redeem all 2029 Convertible Loans, together with all interest, a premium, being 40% of the outstanding principal and any accrued but unpaid amounts payable to the lenders, provided that the closing price of the ordinary shares of the Company for each of any 20 trading days within a period of 30 consecutive trading days, the last of which occurs not more than 5 trading days prior to the publishing date of such notice, is at least 130% of the Conversion Price, subject to further adjustments.

The Company shall also attain certain performance targets, failing which the lenders may require the Company to apply an amount equal to US$50,000,000 towards prepayment of the 2029 Convertible Loans and payment of all accrued interest on the prepayment amount and a premium, being 30% of the prepayment amount.

The 2029 Convertible Loans are secured by (i) assignment by way of security of certain intercompany loan(s) by the Company; (ii) security over a property located in the US; and (iii) share mortgage in respect of all issued ordinary shares of certain subsidiaries. As at 30 June 2024, the carrying value of the above-mentioned secured property was approximately US$45,397,000.

Further details of the Convertible Facility Agreement are set out in the Company's circular dated 6 May 2024.

The 2029 Convertible Loans are accounted for as compound financial instruments which contain a debt component, derivative components and an equity component. The debt component is initially measured as the present value of the future cash flows, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. The derivative components represent the aforesaid early redemption rights granted to the lenders and the Company and are initially measured at fair value. Any excess of proceeds over the amount initially recognised as the debt components and derivative components is recognised as the equity component. The debt component is subsequently carried at amortised cost. The interest expenses recognised in profit or loss on the debt component is calculated using the effective interest method. Changes in the fair value of the derivative components are recognised in profit or loss. The equity component is recognised in the capital reserve until the 2029 Convertible Loans are either converted or redeemed.

In May 2024, the Company also completed the drawdown of bank loans in a principal amount of US$300 million under a facility agreement with several banks in the PRC (see note 10) in connection with the repayment of the 2026 Convertible Bonds.

Notices of redemption had been served on the Company requiring the Company to redeem all the outstanding 2026 Convertible Bonds (the "Early Redemption"). In June 2026, the Early Redemption had been completed and all of the 2026 Convertible Bonds have been redeemed and cancelled.

As at 30 June 2024, the balance of convertible bonds issued by the Company represented the 2028 Convertible Bonds with an outstanding principal amount of US$220 million and the 2029 Convertible Loans with an outstanding principal amount of US$170 million.

As at 30 June 2024, the quoted market value of the 2028 Convertible Bonds is approximately US$183 million.

The movement of the convertible bonds/loans issued by the Company during the period represents as follow:

	Derivative component *US$'000*	**Debt component** *US$'000*	**Equity component** *US$'000*	**Total** *US$'000*
At 1 January 2024	**–**	**669,901**	**41,093**	**710,994**
Issued by the Company, net of transaction costs	**5,117**	**121,902**	**37,271**	**164,290**
Interest charged *(note 5(a))*	**–**	**13,762**	**–**	**13,762**
Interest paid	**–**	**(6,325)**	**–**	**(6,325)**
Repurchased by the Company	**–**	**(461,609)**	**–**	**(461,609)**
At 30 June 2024	**5,117**	**337,631**	**78,364**	**421,112**

As of 30 June 2024, none of the convertible bonds/loans issued by the Company had been converted.

(c) Convertible bonds issued by a subsidiary

In April 2024, Shenzhen MicroPort Surgical Medical (Group) Co., Ltd. ("Shenzhen Surgical", a subsidiary of the Group) entered into a convertible bond agreement with an investor, pursuant to which, the investor subscribed the convertible bond in a principal amount of RMB30,000,000 (equivalents to US$4,210,000) to Shenzhen Surgical (the "Surgical Convertible Bond"). The Surgical Convertible Bond bears an interest of 3.45% per annum and will be mature in April 2027. The investor has right to convert the entire Surgical Convertible Bond to the shares of Shenzhen Surgical based on the valuation of Shenzhen Surgical's next round financing.

The conversion right does not meet the fixed-for-fixed criteria and therefore is recognised as a derivative financial liability. Considering the conversion is based on the fair value of Shenzhen Surgical, the fair value of the conversion right is immaterial as at the initial recognition and 30 June 2024. The debt component is subsequently carried at amortised cost. The interest expenses recognised in profit or loss on the debt component is calculated using the effective interest method.

12 Capital, reserves and dividends

(a) Dividends

The Directors did not propose any payment of final dividend in respect of the previous year during the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

The Directors did not propose any payment of interim dividend during the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

(b) Purchase of own shares

During the six months ended 30 June 2024, the Company purchased its own ordinary shares (for the six months ended 30 June 2023: nil) through the designated trustees under the share award scheme.

Month/year	**No. of shares repurchased**	**Highest price paid per share** *HK$*	**Lowest price paid per share** *HK$*	**Aggregate considerations paid** *US$'000*
May 2024	1,877,400	5.80	5.80	1,522

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

At 30 June 2024, the trustee under a long-term benefit plan held 172,000 ordinary shares of the Company (31 December 2023: 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 Cash and cash equivalents

As at 30 June 2024, the balance of the deposits in the designated bank accounts of Shanghai MicroPort Endovascular MedTech (Group) Co., Ltd. (上海微創心脈醫療科技(集團)股份有限公司, "EV MedTech") is US$220,116,000 (31 December 2023: US$262,741,000) which is not available for general usage and could only be used for purposes specified in the initial pubic offering and placing prospectus of EV MedTech.

Apart from the above, as at 30 June 2024, cash and cash equivalents situated in Chinese Mainland amounted to US$382,714,000 (31 December 2023: US$657,991,000), which are not freely remissible to the Company as the remittance of funds out of Chinese Mainland is subject to relevant rules and regulations of foreign currency exchange control.

14 Non-adjusting events after the reporting period

(a) In July 2024, Shanghai MicroPort Medbot (Group) Co., Ltd. ("MicroPort Medbot", a subsidiary listed on the Main Board of the Stock Exchange, stock code: 2252) completed a placing and a total of 12,900,000 shares of MicroPort Medbot have been placed at a price of HK$9.10 per share. MicroPort Medbot received total net proceeds from the placing of approximately US$14.6 million. Upon the completion of the placing, the Group's interests in MicroPort Medbot decreased from 50.47% as at 31 December 2023 to 49.80% and the Group retains control over MicroPort Medbot.

(b) In July 2024, the Group entered into an agreement with a third party (the "Purchaser"), pursuant to which, the Purchaser agreed to subscribe for the CRM Convertible Bonds with an aggregate principal amount and capitalised paid-in-kind interest totalling US$41.7 million from the Group at a consideration of US$45 million settled by cash.

(c) In August 2024, EV MedTech completed an acquisition of 72.37% equity interest of Optimum Medical Device Inc. ("OMD", an equity-accounted investee of the Group prior to the acquisition). Upon the completion of the acquisition, OMD becomes a whole-owned subsidiary of the Group.

BUSINESS REVIEW

Overview

In the first half of 2024, the international environment remains complex and volatile, and China's economy continues to rebound and shows resilience and potential.

With the increasing aging population of the global society and the rising demand for high-quality medical devices from end-users, the overall medical device industry has maintained steady growth in long-term demand. In China, since 2024, the central and local governments have continuously introduced policies to support the innovative development of the medical industry and achieve refined management of medical insurance funds through reforms in medical insurance payment methods and centralised procurement of drugs and consumables. All of these innovation-supporting policies require promoting the innovative development of the entire medical and health industry chain through improving the quality and efficiency of innovative research and development, accelerating the review and approval process, and strengthening investment and financing support. In July 2024, the National Healthcare Security Administration issued a notice on the version 2.0 of the group payment scheme based on Diagnosis-Related Groups (DRG) and Diagnosis-Intervention Packet (DIP) and on further promoting related work, driving the in-depth development of payment method reform, and enhancing DRG/DIP payment management methods to promote the better quality and efficiency of the payment method reform. In July 2024, the National Healthcare Security Administration proposed expanding the scope of the alliance nationwide, strengthening system-wide coordination, focusing on key areas, actively promoting the expansion of centralised procurement, and improving the implementation mechanism to create a fair and competitive market environment.

At the same time, policies support the overseas expansion of domestic innovative pharmaceutical companies with international competitiveness to develop diversified markets. By promoting and strengthening full-chain empowerment, these policies support enterprises in establishing global innovation network systems, such as overseas R&D and clinical trials, and cultivating international professional service organizations, accelerating integration into global regulatory standards, mutual recognition, and cooperation systems. This is beneficial to China's medical device groups that have completed overseas brand building, possessed global academic influence, and accumulated global innovation network systems and extensive channel resources.

As a leading global enterprise of innovative high-end medical devices, the Group has established comprehensive marketing and service network platforms at home and abroad with a grid-like coverage. By strengthening the linkage of multiple pipelines within the Group and fine-tuning the allocation of resources and promoting the optimization and sharing of resources within the Group, the Group is able to fully leverage its advantages of corporatization and platformization, thereby enhancing the Group's operational efficiency and facilitating the sustainable development of the Group's business globally. A number of innovative products were approved in domestic and overseas markets for launch and various innovative products were nearing the clinical approval stage during the Reporting Period, delivering new driving forces for the high-quality and sustainable growth of the Group's business.

During the Reporting Period, the Group made every effort to promote the steady development of its businesses. Benefiting from the further increase in market share driven by the commercialization of its leading products, an increase in revenue from its new products well received by the market and the rapid growth in overseas sales as a result of the continuous expansion of its global business, the Group achieved revenue of approximately US$558.7 million, representing a steady growth of approximately 17.0% excluding the foreign exchange impact as compared to the corresponding period of last year. During the Reporting Period, leveraging the Group's going abroad platform's extensive and in-depth global distribution layout, business segments effectively and constantly exported competitive products with excellent clinical performance, resulting in an increase in revenue of the Group's going abroad business by approximately 44.0% excluding the foreign exchange impact over the corresponding period of the last year.

Adhered to its focus on improving profitability, the Group has consistently executed and implemented resource concentration and cost-optimization measures, resulting in a decline in the operating expense ratio from 94% for the corresponding period of last year to 64% (in which the research and development expense ratio declined from 39% to 21%), which significantly improved operational efficiency. Meanwhile, the Group implements a strategy of focusing on its core business. During the Reporting Period, we have successfully completed sales of several non-core loss-making businesses, and proactively closed a number of R&D projects in their early stages. During the Reporting Period, the Group recorded the non-HKFRS adjusted net loss ("adjusted net loss") of approximately US$68.4 million, representing a significant drop of approximately 63.1% as compared to the corresponding period of last year.

In the future, the Group will continue to enhance the health of its financial statements as its primary objective, focus on its core businesses, further explore the domestic market and accelerate the expansion into the international market. It will further consolidate the commercialization value and market share of the launched products in its niche segments, accelerate the R&D and registration process of innovative medical device products that are nearing the approval stage or have broad market prospects based on large unmet clinical needs. The Group will continue to optimize the its horizontal and vertical business presence and create a differentiated and sustainable core competitive advantage. At the same time, the Group will vigorously implement initiatives such as resource focus and cost control to continuously enhance operational efficiency. By actively identifying and withdrawing non-strategic, non-core and loss-making businesses, the Group continues to optimize its financial structure.

Cardiovascular Devices Business

The cardiovascular device business provides comprehensive treatment solutions for coronary artery-related diseases. As one of enterprises featuring the most complete product lines in the coronary artery segment to date, the Group offers an accessible integrated solution for the treatment of coronary artery diseases, including passive implantable devices, active therapeutic equipment, and imaging devices.

The cardiovascular devices market continues to grow due to expanded clinical demand and innovative technology applications. Due to the accelerated aging of the global population and the trends, such as incidence of cardiovascular diseases among younger individuals, the number of patients with cardiovascular diseases increased. In the meantime, the high number of comorbidities and the high incidence of complications make the diagnosis and treatment of such diseases a global challenge. In recent years, coronary interventions have become more and more precise and efficient. Precision medicine represented by intracavitary imaging technology has become a new trend in diagnosis and treatment, and innovative treatments like active intervention provide new choices for complex lesions. Surgical robots enhance the connectivity among devices, making surgeries more digital, precise and intelligent. The global cardiovascular interventional terminal market is expected to grow steadily over the long term due to the increase in the number of patients suffering from cardiovascular diseases and the support of a number of innovative technologies.

The cardiovascular devices business of the Group grew steadily and maintained its leading position in the global coronary intervention field. As of the end of the Reporting Period, the cardiovascular devices business of the Group had multiple drug eluting stents and balloon products on sale. During the Reporting Period, the Group's cardiovascular devices business achieved global revenue of US$93.3 million, representing a steady increase of 13.4% excluding the foreign exchange impact as compared to the corresponding period of last year.

– **In overseas markets, diversified product portfolio and extensive sales network drove robust growth in overseas revenue.** Revenue from this business segment in overseas markets increased by 56.3% excluding the foreign exchange impact as compared to the corresponding period of the last year. In particular, the Group's cardiovascular devices business recorded strong growth of 107.9% excluding the foreign exchange impact as compared to the corresponding period of the last year in Europe, the Middle East and Africa (the "EMEA") due to being selected in hospital tenders and increased sales upon agent channel adjustment. It also saw an increase in the overall revenue in Latin America and Asia Pacific (excluding China) due to added channels. With the Group's continuous efforts in overseas channel expansion and untapped market development, as of the end of the Reporting Period, stent products have been cumulatively approved for launch in 45 countries or regions; balloon products were cumulatively approved for launch in 38 countries or regions. Leveraging the advantages of a diverse product portfolio, this business segment has achieved a tiered product coverage of demand in overseas markets. On the overseas clinical study front, the enrollment of all patients in the TARGET FIRST clinical study on Firehawk® in Europe was completed in March 2024. Clinical studies on Firehawk®, including Target DAPT, Target Safe, and Target IV NA, are expected to release results between the second half of 2024 and the first half of 2025. Under the support of more abundant global clinical research data, the Group will provide more high-quality and affordable integrated cardiovascular intervention solutions for worldwide patients.

– **In China, market penetration continued to increase at all levels, and domestic sales continued to grow, solidifying the leading position of the Group in the Chinese market.** During the Reporting Period, sales revenue from this business segment in the Chinese market increased by 4.4% excluding the foreign exchange impact as compared to the corresponding period of last year. With the normalization of volume-based procurement and the continuous optimization of the relevant policies, the Group's cardiovascular devices business segment has accumulated competitive advantages by dint of its excellent product quality, abundant production capacity, extensive and in-depth sales channels and lean production management, consolidating its leading market share in the cardiovascular interventional field. As at the end of the Reporting Period, the Group's drug eluting stents had cumulatively covered more than 3,500 hospitals in China, balloon products had covered more than 1,500 hospitals, and accessories had covered over 600 hospitals in the domestic market.

  In terms of research and development and clinical progress, a number of products in this business segment were approved by the National Medical Products Administration ("NMPA") for marketing during the Reporting Period, including the Firefighter™ Pro mini Coronary Balloon Dilation Catheter and the Bilumos® Double-Lumen Microcatheter. In July 2024, the Group received marketing approval from the NMPA for its self-developed the world's first new generation Firesorb® Bioresorbable Scaffold System ("Firesorb®"). The product is the first target eluting bioresorbable stent with its reduced strut thickness comparable to metal stents while maintaining equal support. The large-scale clinical study data demonstrated that Firesorb® had a thrombosis rate of just 0.32% across all patients at the two-year follow-up visit, with no thrombosis event reported in the four-year RCT study. In the same month, the Group's guidewire for rotational atherectomy also received marketing approval from the NMPA, which is used in combination with the Group's first self-developed rotational atherectomy catheter system and the rotablator. The approval obtained for the aforesaid products will further diversify the Group's product offerings. In addition, with the existing product channels of cardiovascular interventional devices and commercialization capability of overseas platforms of the Group, these products will inject new growth momentum into its cardiovascular devices segment. At the same time, based on years of accumulated R&D innovation, the cardiovascular device segment has developed multiple innovative products that are expected to be approved and launched soon. These include the Intravascular Ultrasound (IVUS) imaging system and its accessories in the diagnostic field, and in the therapeutic field, products such as the rotational atherectomy system (which has entered the special review procedure for innovative medical devices by the NMPA), coronary shockwave balloon, sirolimus drug-eluting balloon, and spiked balloon catheter. These advancements will further enhance the Group's product portfolio and strengthen the Group's core competitiveness.

Orthopedics Devices Business

The orthopedics devices business offers comprehensive solutions for the treatment of orthopedic problems, with an extensive range of orthopedics products that include reconstructive joints, spine and trauma products, and other specialized implants and instruments.

The global orthopedics devices market has stable long-term demand, accelerating domestic substitution in the Chinese market. The global orthopedics market has recovered from the COVID-19 pandemic and the leading companies remain in a very strong position. The global knee joint and hip joint markets remained steady, with growth in the knee joint market driven by recent additions to the product portfolio, such as robotic-assisted surgical solutions. In the Chinese market, the volume-based procurement of orthopedic implant consumables has been fully implemented, which promoted the domestic substitution and broke the original geographic entry barriers, unleashing growth potentials of homegrown brands.

Losses significantly reduced and EBITDA* turned positive during the Reporting Period. During the Reporting Period, the Group's orthopedics devices business recorded global revenue of US$126.3 million, representing an increase of 9.0% excluding the foreign exchange impact as compared to the corresponding period of last year. During the Reporting Period, the global orthopedics business narrowed its net loss by 37.5% year-on-year and EBITDA turned positive through continuous global production cooperation and implementation of various initiatives to reduce costs and increase efficiency.

– **The orthopedics devices business in China saw a rapid increase of revenue, with measures steadily implemented to reduce costs and improve efficiency.** During the Reporting Period, revenue from the orthopedics devices business in China significantly increased by 32.5% year-on-year excluding the foreign exchange impact. In respect of the joint business, the Group achieved rapid growth in the implantation and sales volume of hip and knee joint products during the Reporting Period due to its joint product design concepts and the superior quality of its products. In terms of new products, the Group's unicompartmental knee joint products were gradually promoted in various provinces across the country and contributed part of the sales revenue during the Reporting Period, which further enriched the Group's product portfolio and optimized the product sales structure. In early 2024, the Group received NMPA approval for its zirconium-niobium femoral condyle and the Evolution® CCK Revision Knee System ("Evolution® CCK"). Evolution® CCK is the revision prosthesis of Evolution®, a star product of the Group, which will further expand the knee joint replacement market and contribute to the provision of a full range of joint reconstruction solutions for the clinic setting. During the Reporting Period, revenue from the spine and trauma business remained steady. The cost of its key products went down steadily via continuous optimization of manufacturing processes and increase in production efficiency. The orthopedics devices business in China continued to promote the integration of regional platforms and optimization and construction of channels to strengthen regional coverage efficiency.

* This refers to earnings before interest, taxes, depreciation and amortization.

– **The international (non-China) orthopedics devices business saw its supply chain recover, leading to stable growth in sales revenue.** During the Reporting Period, revenue from the international (non-China) orthopedics devices business increased by 6.4% year-on-year excluding the foreign exchange impact. The business in the U.S. was under short-term pressure due to a delay in commercialized penetration in the region as a result of the backlog of orders, while revenue from the EMEA surged by 19.5% year-on-year excluding the foreign exchange impact, with a year-on-year growth of 8.0% in Japan excluding the foreign exchange impact. During the Reporting Period, the Group actively diversified its suppliers, striving to further minimize the risks associated with reliance on a single supplier. With strengthened cooperation and coordination in the global supply chain of the orthopedics business, the previous backlog of orders continued to decrease and gradually returned to normal levels. In addition to the implementation of marketing strategies to promote the development of new market channels, the Group has provided precise and personalized knee joint replacement solutions to patients around the world through the combination of its SkyWalker™ Orthopedic Surgical Robot and Evolution® Medial-pivot Knee System, which significantly shortens the learning curve of physicians and continues to attract the attention of overseas experts and effectively boosts the sales growth of both products.

CRM Business

The CRM business is committed to creating the world's leading CRM solutions, and principally engaged in developing, manufacturing and marketing products for the diagnosis, treatment, and management of heart rhythm disorders and heart failure, with products covering pacemakers, defibrillators, cardiac resynchronization therapy devices and supporting lead products, as well as a portfolio of monitoring products used in combination.

Mature market of CRM business remains stable, while penetration process is accelerating in emerging market. The scale of the global CRM devices market is expected to grow at a single-digit rate. Besides, driven by composite factors such as rising awareness in the Chinese market, improved healthcare infrastructure and favorable government policies, the compound annual growth rate of the Chinese market was significantly higher than that of overseas mature markets.

Overseas CRM business remained stable, and Chinese CRM business drove the growth of this segment. During the Reporting Period, the CRM business recorded global revenue of US$113.4 million, representing an increase of 5.6% excluding the foreign exchange impact as compared to the corresponding period of last year. It recorded a net loss of US$41.1 million, representing a decrease of 15.9% compared to the corresponding period of last year with a significant improvement in EBITDA.

– **The supply of parts and products overseas recovered.** During the Reporting Period, revenue from the international (non-China) CRM business increased by 1.3% year-on-year excluding the foreign exchange impact. The upstream parts supply problem has been comprehensively solved. In terms of market entry, a number of our key products were simultaneously approved for marketing in some countries and regions during the Reporting Period, including the TALENTIA™ Implantable Cardioverter-Defibrillator (ICDs) and Cardiac Resynchronization Therapy and Defibrillation Devices (CRT-Ds), which were approved for marketing in Australia. EDIS™ and GALI™ defibrillator systems were approved for launch in Cyprus. The XFine™ pacing lead has passed CE MDR certification in the European Union. These products will further enrich the product portfolio of the Group's CRM business to meet the diversified needs of patients. In terms of new product promotion, the first commercial implantation of Alizea™ ("Alizea™") implantable Bluetooth

pacemaker and its accessory product VEGA™ pacing lead in the U.S. was successfully completed during the Reporting Period. Alizea™, the Group's latest pacemaker, with a size of only 11 cc and wireless Bluetooth technology, is currently the longest-lasting cardiac pacemaker in the market among products of the same size. The first commercial implantation of the TALENTIA™ CRT-D has been completed after its launch in Europe. TALENTIA™ and ENERGYA™ are the Group's latest ICD and CRT-D products that hit the market in Europe, featuring the longest expected service life in the industry today, as well as a number of advanced features, such as the PARAD+™ arrhythmia identification, AutoMRI™, and SonR™ systems. An increasingly abundant product portfolio will facilitate global marketing and add new momentum to the sustainable growth of the business.

– **In China, bid winning in volume-based procurement accelerated market penetration and further enriched product portfolio enhanced competitive advantages.** During the Reporting Period, revenue from the CRM business in China significantly increased by 61.5% year-on-year excluding the foreign exchange impact. During the Reporting Period, the Group accelerated market expansion by dint of volume-based procurement, developing more than 60 new hospitals, which led to a significant year-on-year increase of 50.8% in the sales of the Group's pacemakers and a year-on-year increase of 64.6% in the sales of lead products. Beyond that, the gross profit margin of the CRM business in China increased significantly as compared to the same period of the previous year, with proactive dynamic adjustment of product sales structure and continuous reduction of production costs. The next-generation ENO™ pacemaker and Vega™ pacing lead compatible with 1.5T/3.0T whole-body MRI examinations received approval from the NMPA in January 2024. The Group has the first approved 1.5/3.0T whole-body MRI-compatible pacing system, forming a tiered product sales portfolio. It seized the opportunities from the new round of volume-based procurement, further expanding the Group's competitive edges. Furthermore, the domestic pacemaker compatible with 1.5T/3.0T whole-body MRI examinations received approval from the NMPA in August 2024, and innovative products, such as the Group's first domestic ICD, and BonaFire™, a domestically self-developed whole-body MRI-compatible passive fixed pacing lead (which gained access to the special review procedure of innovative medical devices by the NMPA), are expected to be launched in the near future, supporting the CRM business in China to develop a complete whole-body MRI-compatible cardiac rhythm management solution, and further consolidate the leading position of its domestic brands in the market.

Endovascular and Peripheral Vascular Devices Business

The endovascular and peripheral vascular devices business focuses on providing integrated disease solutions for the interventional treatment of abdominal and thoracic aortic aneurysms, peripheral vascular diseases, aortic dissection aneurysms and other arteriovenous related diseases.

EV MedTech continuously benefited from market expansion and gradually realized import substitution in the PRC market. With the increase in the detection and diagnosis rates of diseases in the field of aortic and peripheral vascular interventions, extensive clinical experience, the rising health awareness of the people and the increasingly aging population, the market size of aortic and peripheral vascular interventional medical devices in China is expected to continue to grow.

The business continued to grow at a rapid pace, with further abundant and comprehensive peripheral vascular product portfolios. During the Reporting Period, EV MedTech further enhanced the market influence of its products, adhered to its sales strategy of expanding into lower-tier channels, further strengthened the expansion of its sales channels, and continued to develop its business in the international markets. In addition, EV MedTech's product innovations have been effectively transformed, further diversifying and improving various product portfolios, such as thoracic aorta devices, abdominal aorta devices and peripheral vascular devices. During the Reporting Period, the endovascular and peripheral vascular devices business achieved revenue of US$110.4 million, representing an increase of 26.3% excluding the foreign exchange impact as compared to the corresponding period of last year.

– **In China, the Group deepened and broadened the market coverage to consolidate its leading position in the aortic interventional products market, and enhanced the market competitiveness and coverage of peripheral vascular interventional products.** During the Reporting Period, EV MedTech's products continued to grow steadily, and EV MedTech accelerated in-hospital promotion for new products. Specifically, EV MedTech focused particularly on marketing channel distribution targeting second-, third-, and fourth-tier cities and some populous counties, increasing penetration efforts in lower-tier markets, enhancing the market coverage of the company's products, and establishing a platform for academic exchanges to bolster industry development. As of the end of the Reporting Period, the products of this segment had entered more than 2,300 hospitals in China, of which, the Castor® Branched Aortic Stent Graft and Delivery System ("Castor® Branched Stent") had covered more than 1,100 terminal hospitals with over 25,000 implantations cumulatively. The Minos® Abdominal Aortic Stent Graft and Delivery System ("Minos® Abdominal Aortic Stent") has cumulatively reached nearly 900 terminal hospitals. The Reewarm® PTX Drug Balloon Dilation Catheter had covered a cumulative total of over 1,000 hospitals. The innovative products, Talos® Thoracic Stent Graft System ("Talos® Stent") was introduced to nearly 300 hospitals in total, and Fontus® Branched Surgical Stent Graft System ("Fontus® Stent") has already been introduced to more than 200 terminal hospitals. The ever-expanding market coverage has led to the continuous growth of implantations of our products, which in turn has driven the Company's sustainable and steady growth in sales revenue and profit, and has continuously enhanced the competitiveness of EV MedTech in the endovascular and peripheral vascular devices market.

– **Continuous efforts were made overseas to promote the access and expansion of various innovative products into the international markets.** During the Reporting Period, overseas sales revenue from this segment significantly increased by over 65% year-on-year excluding the foreign exchange impact. The share of overseas revenue continued to grow. As of the end of the Reporting Period, EV MedTech had 7 products sold overseas, which realized commercial clinical application in 34 countries and regions including Europe, Latin America and Southeast Asia. Among them, Castor® Branched Stent, Minos® Abdominal Aortic Stent, and Hercules® Low Profile Thoracic Stent Graft and Delivery System ("Hercules®-LP Stent Graft System") realized commercial clinical application in 19, 21 and 22 countries, respectively. By actively investing in Lombard Medical which has extensive experience in the market and industry, EV MedTech will have a mature overseas sales network covering the European market, and rich market and channel resources, which will help it expand its products in mainstream medical device markets such as the U.S. and Japan, and guarantee the continued and stable implementation of its globalization strategy.

– **In terms of product registration and market entry, the Group continued to export innovative products in areas of thoracic aorta, abdominal aorta and peripheral vessels both at home and abroad in tiered series.** During the Reporting Period and as of the date of this announcement, in terms of aortic vascular intervention business, the L-REBOA® Aortic Balloon Occlusion Catheter independently developed by EV MedTech has received marketing approval from the NMPA. The Cratos® Branched Aortic Stent Graft and Delivery System has received the European Union Customized Certificate and initiated pre-market clinical trials overseas, with multiple clinical trial implants completed in Switzerland and Spain. In terms of peripheral vascular intervention business, the Vewatch® Vena Cava Filter, Vepack® Filter Retrieval Device, and Vflower® Venous Stent System have successively received marketing approval from the NMPA. In terms of peripheral arterial business, the ReeAmber® Peripheral Balloon Dilatation Catheter has received marketing approval from the NMPA. EV MedTech also actively explored the simultaneous pre-market clinical studies and application of its innovative products in China and abroad. In the future, the Group's endovascular and peripheral vascular devices business will introduce more quality and innovative high-end medical device portfolios to the domestic and overseas markets, in a bid to benefit more patients with circulatory diseases worldwide.

Neurovascular Devices Business

The neurovascular devices business focuses on the R&D, production and commercialization of neurovascular therapeutic and access devices for the treatment of neurovascular diseases, including hemorrhagic stroke, cerebral atherosclerotic stenosis, and acute ischemic stroke.

The clinical demand in the global stroke market continues to grow, with particularly strong growth in the Chinese market. Aging, younger onset and unhealthy lifestyles are continually increasing the number of stroke patients globally, especially in China where stroke is the leading cause of death. The trend toward younger patients and urban-rural differences, coupled with the rapid advancement of medical technology, are driving the rapid development of neurovascular interventional treatment. With the aging population and the high incidence, disability, mortality and recurrence rates of stroke, along with advances in medical technology, it is anticipated that the neurovascular medical device market in China will experience significant growth.

Operating results has grown rapidly with breakthroughs made in overseas commercialization. During the Reporting Period, by adhering to the strategy of exploring lower-tier domestic sales channels and accelerating global business rollout, the neurovascular devices business recorded revenue of US$57.1 million, representing an increase of 36.5% excluding the foreign exchange impact as compared to the corresponding period of last year.

– **In China, the professional business team continued to expand the market coverage of innovative products, and promoting the penetration of high-quality medical resources in lower-tier markets.** During the Reporting Period and as of the end of the Reporting Period, MicroPort Neuro newly covered approximately 300 hospitals, with a cumulative coverage of approximately 3,300 hospitals, including over 1,800 tertiary hospitals and all of the top 100 hospitals in China's national stroke center rankings, cumulatively supporting approximately 190,000 neurovascular interventions. Its sales channels cover 31 provinces, municipalities and autonomous regions across China. During the Reporting Period and as at the date of this announcement, a total of five new products of MicroPort Neuro have successfully received marketing approval from the NMPA, including NeuroGuard® Neurovascular Balloon Guide Catheter, Neurohawk® Thrombus Stent Generation II, Safecer™ Embolization Protector and PathFinder™ Carotid Balloon Dilatation Catheter, and the next-generation holographic Tubridge Plus® Flow-diverting Stent, which has further enriched its product portfolios.

– **In overseas regions, multiple products have made new breakthroughs in commercialization, enhancing the brand influence in the global market.** During the Reporting Period, overseas revenue from MicroPort Neuro significantly increased by 87.0% year-on-year excluding the foreign exchange impact. Among them, sales revenue in the Asia Pacific region, North America region, Latin America region, and Europe, Middle East and Africa region saw year-on-year growths of approximately 123%, 14%, 120% and 85% respectively, all excluding the foreign exchange impact. In terms of commercialization promotion, NUMEN® Coil has shown outstanding commercial performance since being included in Japan's medical insurance and completing its first implantation in October 2023. By the end of the Reporting Period, it has entered over 80 hospitals in Japan. In France, NUMEN® Coil achieved its first commercial clinical application during the Reporting Period. In Ireland and the UK, MicroPort Neuro's direct sales model achieved fruitful results, driving local revenue growth. In the United States, starting from the first quarter of 2024, MicroPort Neuro gradually transitioned from a distributor model to a direct sales model, significantly improving operational efficiency and profitability while better aligning with local marketing practices. In terms of product access, by the end of the Reporting Period, MicroPort Neuro has successfully introduced 8 products to the international market, with a cumulative commercialization in 21 overseas countries, covering 9 of the top 10 countries in the global neurovascular surgery volume rankings.

Structural Heart Disease Business

The structural heart disease business focuses on the R&D and commercialization of innovative transcatheter and surgical solutions in the field of structural heart disease. Through independent R&D and joint R&D with global partners, CardioFlow Medtech has established a comprehensive and innovative R&D plan covering Transcatheter Aortic Valve Implantation (TAVI) products, left atrial appendage closure products, Transcatheter Mitral Valve (TMV) products, Transcatheter Tricuspid Valve (TTV) products and surgical ancillary products. CardioFlow Medtech is committed to building up its core competitiveness in order to provide doctors and patients with a holistic and optimal medical solution for the treatment of structural heart disease.

Structural heart disease interventional therapy is gaining increasing attention and the global market remains growing. More and more evidence-based medical research confirms that the long-term clinical outcomes of TAVI are not inferior to those of surgical procedures and that the socioeconomic benefits are significant. Other structural heart disease interventions, such as aortic valve, mitral valve, tricuspid valve, left atrial appendage closure, etc., also continue to witness more innovative techniques and products, with increasing industry focus on these interventions.

High-quality commercialization facilitated healthy and sustainable growth in sales revenue, achieved effective cost reduction and efficiency improvement and accelerated the process of reducing losses. During the Reporting Period, CardioFlow Medtech recorded revenue of US$31.1 million, representing a notable increase of 26.7% excluding the foreign exchange impact as compared to the corresponding period of last year. Through the implementation of resource concentration and cost control measures, CardioFlow Medtech continued to optimize its supply chain and further reduce production costs, resulting in an increase of 4.8 percentage points in gross profit margin as compared to the same period of the previous year, which significantly improved operational efficiency. During the Reporting Period, CardioFlow Medtech recorded a net loss of approximately US$7.7 million, representing a significant decrease of 69.6% as compared to the corresponding period of last year.

– **High-quality diversified product portfolios were efficiently introduced into hospitals to continuously explore the potential of the Chinese market.** Through the continuous introduction of TAVI products in hospitals, CardioFlow Medtech expanded into 50 new hospitals in China during the Reporting Period with a cumulative coverage of over 600 hospitals. Thanks to our continuously expanding hospital coverage, the number of TAVI implantations increased by approximately 10% as compared to the corresponding period of last year, which further strengthened CardioFlow Medtech's leading position in the heart valve field. The AnchorMan® Left Atrial Appendage Closure System and its access system ("AnchorMan®") received the NMPA approval and contributed incremental revenue rapidly during the Reporting Period. As of the date of this announcement, AnchorMan® has enrolled in all provincial online bidding systems in China, which is expected to further accelerate the process of domestic substitution. In terms of clinical progress, as the first self-expanding bovine pericardial leaflet TAVI product approved in China, the eight-year long-term follow-up outcomes of the VitaFlow® series of transcatheter aortic valves showed that these products are able to maintain safety and efficacy over a long term postoperatively with good durability, fully demonstrating the strong potential and value of the VitaFlow® series of valves for clinical application and long-term prognosis of TAVI. CardioFlow Medtech's third-generation TAVI product with a newly upgraded steerable delivery system has entered the critical phase of NMPA review. In terms of mitral valve therapy, its self-developed Transcatheter Mitral Valve Replacement (TMVR) product has completed several human applications and has successfully completed the postoperative follow-ups of relevant patients for up to two years.

– **Fully leveraging the inter-segmental business synergies and collective effect of the Group expedited its overseas strategic expansion.** During the Reporting Period, overseas revenue from CardioFlow Medtech grew rapidly. As of the date of this announcement, the VitaFlow® series of TAVI products and its procedural accessory Alwide® series of products have been successfully introduced into nearly 100 core hospitals in 11 countries and regions overseas, indicating the further stable progress of their overseas commercialization. For registration, VitaFlow Liberty® has been awarded CE Mark by the European Union, making it the first transcatheter aortic valve system in China to receive such honor, and laying a solid foundation for the subsequent growth of overseas revenue on a large scale. In addition to the CE Mark, VitaFlow Liberty® has additionally received registration approvals in Hong Kong, China, Saudi Arabia, Belarus and Malaysia. The registration

of VitaFlow Liberty® and Alwide® Plus in emerging markets such as Brazil, South Korea, Iran and Kazakhstan achieved phased progress. CE registrations for Alwide® Plus, AnchorMan® LAAC and AnchorMan® LAAA have entered critical stage of the approval process. The AltaValve™ system, a TMVR product developed by CardioFlow Medtech and its business partners, was granted two breakthrough device designations by the FDA, which fully reflects the AltaValve™ system's uniqueness and leadership in the field of mitral regurgitation interventions. With an increasingly enriched and diversified product portfolio in overseas markets and the Group's global established sales network, CardioFlow Medtech's commercialization of its products in overseas markets will efficiently and rapidly progress.

Surgical Robot Business

The surgical robot business is committed to innovatively providing intelligent surgical robot comprehensive solutions that can prolong and reshape lives by addressing the cutting-edge development needs of minimally invasive surgeries, and focuses on the R&D of five core underlying technologies in relation to surgical robots, including robot ontology, control algorithm, electrical engineering, image-based navigation and precision imaging, with its differentiation covering the whole life cycle of surgical robot development. MicroPort Medbot is the only one 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. There will be opportunities to tap the market potential of multiple surgical robot segments at home and abroad.

The global surgical robots market maintains rapid growth and the Chinese market will significantly expand under the policy support. China and overseas emerging markets have increasing demand for high-end medical devices, especially surgical robots, given the economic development and rising medical level. As the Chinese governments at all levels continuously introduced a number of supportive policies under the "14th Five-Year Plan" encouraging expansion of China's high-end medical equipment industry, the accelerated import substitution and Chinese manufacturers to "go global". Domestically produced surgical robots are expected to see a major breakthrough in independent innovation and commercialization.

Domestic and overseas sales both grew rapidly, losses narrowed significantly year-on-year, and free cash net outflow declined significantly. Leveraging the excellent clinical performance of the products and the industry-leading commercialization strength, MicroPort Medbot's flagship robots, Toumai® 4-arm laparoscopic surgical robot ("Toumai®") and SkyWalker™ Orthopedic Surgical Robot ("SkyWalker™"), were simultaneously and rapidly promoted in both the domestic and overseas markets.

The Group's surgical robot business recorded a revenue of US$10.0 million during the Reporting Period, a significant year-on-year increase of 117.0% (excluding the foreign exchange impact). Revenue from domestic and overseas business realized rapid growth of 65.3% and 293.2%, respectively. In addition to the rapid growth in revenue, MicroPort Medbot has effectively improved its control over costs, expenses and cash flow by focusing on research and development, optimizing production processes, and improving the efficiency of operational management. During the Reporting Period, MicroPort Medbot's net loss narrowed by 49.4% year-on-year, and its free net cash outflow also decreased sharply by nearly 49.7%.

– **The core product Toumai® remained a leading domestic brand, with a milestone achieved in commercialization in overseas markets.** During the Reporting Period, Toumai® completed seven commercial installations in China and recognized sales revenue. As of the date of this announcement, Toumai® completed a total of 20 commercial installations in various provinces across the country, ranking first in terms of new installations of domestic laparoscopic surgical robots. Among the hospitals where Toumai® robots have been installed, many of them are leading 3A hospitals or regional benchmark hospitals in China, which has laid a solid foundation for Toumai® to develop large-scale commercial applications. Simultaneously, thanks to the large-scale clinical application of multiple products including Toumai®, MicroPort Medbot recorded its first revenue contribution from the sales of robotic consumables and accessories, and the provision of related services during the Reporting Period. MicroPort Medbot received multiple sales orders of R-ONE® vascular interventional robot, which is deployed in the pan-vascular field through an international partnership, since the NMPA approval in December 2023. It completed the first two commercial installations in the Chinese market during the Reporting Period. In overseas markets, Toumai® successfully received the European Union's CE Mark in May 2024, being the first and only domestic laparoscopic surgical robot which received the European Union's CE Mark. Toumai® successfully completed its first two commercial installations overseas and contributed to sales revenue during the Reporting Period. To date, Toumai® has received many overseas orders from various countries and regions, which demonstrates its wide recognition and sales potential in the international markets. During the Reporting Period, SkyWalker™ completed installations and recorded the sales revenue in Europe, Australia and other countries and regions, with sales volume doubling compared with the same period of last year. To date, SkyWalker™ has received overseas sales orders of nearly 30 robots and gradually expanded its global footprint to more than 20 countries in 5 continents. As of the date of this announcement, SkyWalker™ has cumulatively completed over 1,300 total knee replacement surgeries worldwide, with its clinical application in the orthopedics department and the joint surgery department of nearly 70 hospitals at home and abroad. Among these surgeries, over 300 total knee replacement surgeries have been cumulatively performed across more than 10 medical institutions in the United States and Europe.

– **It promoted the application of 5G remote technology, led the industry in high-quality development and enhanced academic influence globally.** Up to now, MicroPort Medbot's surgical robots, including Toumai®, SkyWalker™ and R-ONE®, have all been applied along with 5G technology. Among them, Toumai® assisted doctors in completing nearly 200 remote human clinical surgeries in urology, general surgery, thoracic surgery, gynecology and pediatric surgery worldwide, with a success rate of 100%. It has covered nearly 30 cities and connected over 30 hospitals, setting more than 20 national and even global first-case records. Based on the technological advantages of various products and the practical experience in tele-surgery accumulated at home and abroad, MicroPort Medbot has established the world's largest tele-surgery network system, realizing the full coverage of the domestic tele-surgery network at multiple levels, and gradually expanding the coverage of cross-country and cross-continental tele-surgery, moving towards the middle- and high-end segments of the global value chain, and empowering the medical treatment around the world with cutting-edge technologies.

Research and Development ("R&D")

During the Reporting Period and as at the date of this announcement, the Group and its associates had a total of 31 Class III medical devices initial registration certificates from the NMPA, and 4 innovative medical devices were admitted in the National Innovative Medical Device Special Review and Approval Procedure (the "Green Path"), reaching a total of 34 "Green Path" innovative medical devices, ranking first in the medical device industry for nine consecutive years. The Group has established a global network for innovation, which includes overseas R&D, clinical trials, and other activities, to continuously promote the launch of its innovative products in international markets. In terms of overseas business, during the Reporting Period and as at the date of this announcement, the Group and its associates obtained 102 initial registration certificates in 25 overseas markets (countries and regions). Among them, 11 products have obtained the CE Mark and 4 products have obtained FDA registration license.

During the Reporting Period and as at the date of this announcement, the Group and its associates received approval for initial registration and significant changes, including but not limited to: Firesorb®, the world's first next-generation bioresorbable scaffold system, a guidewire for rotational atherectomy, coronary balloon dilation catheter, anchor balloon dilation catheter, ENO™ MRI-compatible Pacemaker and Vega™ Implantable Pacing Lead, TALENTIA™ and ENERGYA™ ICDs and CRT-D, Vewatch® Vena Cava Filter, L-REBOA® Aortic Occlusion Balloon Catheter and Vepack® Filter Retriever, ReeAmber® Peripheral Balloon Dilatation Catheter, neurovascular balloon, intracranial thrombectomy stent, carotid balloon dilation catheter, AnchorMan® Left Atrial Appendage Occluder, and Evolution® CCK Revision Knee System. The abovementioned products will be the important engines of the Group's business growth. The Group will continue to efficiently promote the expansion and marketing of its products in both domestic and overseas markets, fully utilize the platform-based synergistic effect through the global distribution of high-value diversified products, enhance the market strategy of penetrating hospitals with product mix, fully leverage the advantages of "group-type" operation, and integrate sales resources in order to accelerate the process of turning losses into gains.

FINANCIAL REVIEW

Overview

Despite facing the impact of complex and changing unfavorable factors in China and abroad, the revenue of the Group for the six months ended 30 June 2024 increased by 17.0% (excluding the foreign exchange impact) or 15.8% (in US$) as compared to the six months ended 30 June 2023. The Group persisted in providing a diversified product portfolio and pursued the Group's globalization strategy with overseas sales contributing to 45.2% 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 enterprise capable of leading minimally invasive and other emerging medical technologies.

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

Revenue

US$'000	**Six months ended 30 June**		**Percent change**	
	2024	2023	in US$	excluding the foreign exchange impact
Cardiovascular devices business	**93,279**	82,572	13.0%	13.4%
Orthopedics devices business	**126,284**	115,861	9.0%	9.0%
CRM business	**113,354**	108,272	4.7%	5.6%
Endovascular and peripheral vascular devices business	**110,376**	88,985	24.0%	26.3%
Neurovascular devices business	**57,127**	42,614	34.1%	36.5%
Structural heart disease business	**31,106**	25,035	24.3%	26.7%
Surgical robot business	**9,953**	4,895	103.3%	117.0%
Surgical devices business	**4,303**	3,121	37.9%	42.9%
Other business *(Note)*	**12,920**	11,250	14.8%	15.2%
Total	**558,702**	482,605	15.8%	17.0%

Note:

The revenue of other business segments did not meet the quantitative thresholds for determining reportable segments.

The Group's revenue for the six months ended 30 June 2024 was US$558.7 million, representing an increase of 15.8% as compared to US$482.6 million for the six months ended 30 June 2023. The Group's reported revenue was impacted by the appreciation or depreciation of US dollars against functional currencies in the process of converting from non-dollar functional currencies of the Group's subsidiaries to US dollars, the presentation currency of the Group. Excluding the foreign exchange impact, the Group's revenue increased by 17.0%. Such increase was mainly attributable to the rapid market penetration and the revenue contribution from new products. The following discussion was made based on the Group's major business segments.

– *Cardiovascular devices business*

The cardiovascular devices business recorded revenue of US$93.3 million for the six months ended 30 June 2024, representing an increase of 13.4% excluding the foreign exchange impact or an increase of 13.0% in US$ as compared to the six months ended 30 June 2023. Such increase in revenue was mainly attributable to (i) the robust growth of overseas sales in key regions of Asia Pacific, the EMEA and Latin America by winning bids in various countries, optimizing and expanding distribution channels; (ii) continued revenue growth of domestic sales of coronary stents.

– *Orthopedics devices business*

US$'000	**Six months ended 30 June**		Percent change	
	2024	2023	in US$	excluding the foreign exchange impact
Orthopedics devices business	**126,284**	115,861	9.0%	9.0%
– US	**42,806**	44,845	(4.5%)	(4.5%)
– Europe, Middle East and Africa	**42,380**	35,386	19.8%	19.5%
– Japan	**14,753**	15,336	(3.8%)	8.0%
– The PRC	**15,119**	11,617	30.1%	32.5%
– Others	**11,226**	8,677	29.4%	7.7%

The orthopedics devices segment recorded revenue of US$126.3 million for the six months ended 30 June 2024, representing an increase of 9.0% excluding the foreign exchange impact or an increase of 9.0% in US$ as compared to the six months ended 30 June 2023. Such increase in revenue was mainly attributable to the widespread recognition of the Group's unique knee prosthesis design among clinicians and patients both in China and abroad and its promotion and application through combining with the new technologies such as surgical robots and navigation systems.

– *CRM business*

US$'000	**Six months ended 30 June**		Percent change	
	2024	2023	in US$	excluding the foreign exchange impact
CRM business	**113,354**	108,272	4.7%	5.6%
– Europe, Middle East and Africa	**93,478**	91,588	2.1%	2.0%
– The PRC	**11,939**	7,782	53.4%	61.5%
– Japan	**4,180**	5,413	(22.8%)	(14.0%)
– Others	**3,757**	3,489	7.7%	5.9%

The CRM business recorded revenue of US$113.4 million for the six months ended 30 June 2024, representing an increase of 5.6% excluding the foreign exchange impact or an increase of 4.7% in US$ as compared to the six months ended 30 June 2023. Such increase in revenue was mainly attributable to (i) continued momentum in the China market through rapid market penetration, achieving a robust growth of 61.5% excluding the foreign exchange impact as compared to the corresponding period of last year; (ii) the wide recognition of the next-generation pacemakers and defibrillators with Bluetooth connectivity and MRI compatibility by clinicians and patients globally since launch.

– *Endovascular and peripheral vascular devices business*

The endovascular and peripheral vascular devices business recorded revenue of US$110.4 million for the six months ended 30 June 2024, representing an increase of 26.3% excluding the foreign exchange impact or an increase of 24.0% in US$ as compared to the six months ended 30 June 2023. Such increase was mainly attributable to (i) the excellent performance of innovative products, Castor® Branched Aortic Stent-Graft and Delivery System, Minos® Abdominal Aortic Stent-Graft and Delivery System and Reewarm® PTX Drug Coated Balloon PTA Catheter, as well as the rapid market penetration and implantation volume of new products Talos® Thoracic Stent Graft System and Fontus® Branched Stent Graft System in Surgical Operation, during the Reporting Period; (ii) the continuous entry in hospitals, promotion and distribution of products in various regions under the strategy of expanding into low-tier markets; (iii) the innovative product portfolio continuing to gain momentum in the overseas markets achieving rapid growth.

– *Neurovascular devices business*

The neurovascular devices business recorded revenue of US$57.1 million for the six months ended 30 June 2024, representing an increase of 36.5% excluding the foreign exchange impact or an increase of 34.1% in US$ as compared to the six months ended 30 June 2023. Such increase was mainly attributable to: (i) the further consolidated competitive edge of the Group as some leading products (including Bridge® Rapamycin Target Eluting Vertrbral Stent System, APOLLO™ Intracranial Arterial Stent System and NUMEN® Detachable Embolic Coil) entered new hospitals and expanded into sinking markets; (ii) the acceleration of hospital admission and clinical use for products for treatment of acute ischemic stroke and access products (including Neurohawk® Intracranial Thrombectomy Stent, X-track® Intracranial Distal Access Catheter and U-track® Intracranial Support Catheter System) approved for launch in recent years; (iii) innovative product portfolio continuing to gain momentum in key overseas markets achieving rapid growth during the Reporting Period.

– *Structural heart disease business*

The structural heart disease business recorded revenue of US$31.1 million for the six months ended 30 June 2024, representing an increase of 26.7% excluding the foreign exchange impact or an increase of 24.3% in US$ as compared to the six months ended 30 June 2023. Such increase was mainly attributable to (i) the increase in implantation volume driven by the admission of transcatheter aortic valve implantation ("TAVI") products in more domestic hospitals; (ii) the official commencement of the commercialization of the self-developed AnchorMan® Left Atrial Appendage Closure Device System and its Guidance System ("AnchorMan®") in China during the Reporting Period which contributed increasing revenue to the Group; (iii) the overseas commercialization of VitaFlow Liberty® Transcatheter Aortic Valve and Delivery System ("VitaFlow Liberty®") and Alwide® Plus Balloon Dilatation Catheter ("Alwide® Plus") continued to make steady progress during the Reporting Period.

– *Surgical robot business*

The surgical robot business recorded revenue of US$10.0 million for the six months ended 30 June 2024, representing an increase of 117.0% excluding the foreign exchange impact or an increase of 103.3% in US$ as compared to the six months ended 30 June 2023. Such increase was mainly attributable to (i) the continued strong sales momentum of core product Toumai® Laparoscopic Surgical Robot in the domestic market during the Reporting Period, and its successful commercialization and the completion of two robots installations overseas; (ii) the doubled sales volume of SkyWalker™ Orthopedic Surgical Robot in Europe, Australia and other countries and regions as a result of the synergy effect of the Group.

– *Surgical devices business*

The surgical devices business recorded revenue of US$4.3 million for the six months ended 30 June 2024, representing an increase of 42.9% excluding the foreign exchange impact or an increase of 37.9% in US$ as compared to the six months ended 30 June 2023.

– *Other business*

The Group's other business recorded revenue of US$12.9 million for the six months ended 30 June 2024, representing an increase of 15.2% excluding the foreign exchange impact or an increase of 14.8% in US$ as compared to the six months ended 30 June 2023. Such increase was mainly attributable to the increased sales of the Group's emerging business segments, apart from the aforementioned business segments. The revenue from other businesses did not meet the quantitative thresholds for segment reporting.

Cost of Sales

For the six months ended 30 June 2024, the Group's cost of sales was US$228.1 million, representing an increase of 17.5% as compared to US$194.2 million for the six months ended 30 June 2023. Such increase was mainly attributable to the increase in sales volume of the major business.

Gross Profit and Gross Profit Margin

As a result of the foregoing factors, the Group's gross profit increased by 14.6% from US$288.4 million for the six months ended 30 June 2023 to US$330.6 million for the six months ended 30 June 2024. Gross profit margin is calculated as gross profit divided by revenue. The Group's gross profit margin for the six months ended 30 June 2024 slightly decreased to 59.2% as compared to the gross profit margin of 59.8% for the six months ended 30 June 2023, which was mainly attributable to unfavorable sales mix and increased manufacturing cost caused by inflation.

Other Net Income/Loss

The Group recorded other net loss of US$0.1 million for the Reporting Period and other net income of US$17.0 million for the six months ended 30 June 2023. Such fluctuation was mainly attributable to an increase in losses on financial instruments carried at fair value and an increase in foreign exchange losses during the Reporting Period.

Research and Development Costs

Research and development costs decreased by 38.6% from US$187.3 million for the six months ended 30 June 2023 to US$115.0 million for the six months ended 30 June 2024. Such significant decrease was attributable to the proactive cost control and resource focus measures taken by the Group to prioritize and focus on core projects and improve R&D efficiency.

Distribution Costs

Distribution costs decreased by 8.0% from US$169.8 million for the six months ended 30 June 2023 to US$156.2 million for the six months ended 30 June 2024. Such decrease was mainly attributable to the Group's efforts to strengthen the synergy and collaboration between its overseas and domestic sales platforms, fully utilizing the advantages of the pooling of various sales channels and boosting sales through the enhancement of operational efficiency.

Administrative Expenses

Administrative expenses decreased by 12.6% from US$95.9 million for the six months ended 30 June 2023 to US$83.8 million for the six months ended 30 June 2024. Such decrease was mainly attributable to the Group's stringent control and reduction of all administrative and operation expenses and utilization of global resources to further enhance its operational efficiency.

Other Operating Costs

Other operating costs decreased by 0.2% from US$12.4 million for the six months ended 30 June 2023 to US$12.3 million for the six months ended 30 June 2024, which mainly include impairment losses of non-current assets, legal and professional fees and donation expenses.

Finance costs

Finance costs increased by 30.0% from US$37.3 million for the six months ended 30 June 2023 to US$48.4 million for the six months ended 30 June 2024. Such increase was mainly attributable to the increase in accrued interest of the convertible bond issued by the Company and the increase in interest-bearing borrowings during the Reporting Period.

Income tax

Income tax increased from US$13.7 million for the six months ended 30 June 2023 to US$20.2 million for the six months ended 30 June 2024. Such change was mainly attributable to the increase in profit before tax of the Group's subsidiaries in the PRC.

Non-HKFRS Measure

To supplement our consolidated statements of profit or loss which are presented in accordance with HKFRSs, we also use adjusted net loss as non-HKFRS measures, which are not required by, or presented in accordance with, HKFRSs. We believe that the presentation of non-HKFRS measures when shown in conjunction with the corresponding HKFRS measures facilitates a comparison of our operating performance from period to period by eliminating potential impacts of items that the management does not consider to be indicative of our operating performance. Such non-HKFRS measures allow investors to consider metrics used by our management in evaluating our performance.

From time to time in the future, we may exclude other items from our review of financial results. The use of the non-HKFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for or superior to analysis of, our results of operations or financial condition as reported under HKFRS. In addition, the non-HKFRS financial measures may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

The following table sets out the reconciliation to net loss for the periods indicated:

	Six months ended 30 June		
	2024	2023	Change
	US$'000	US$'000	%
Net loss	**(106,674)**	(219,921)	Decreased by 51.5%
Add/(less):			
– Share-based compensation expenses	**17,070**	25,886	Decreased by 34.1%
– Gain on disposal of subsidiaries and equity-accounted investees	**(6,922)**	(8,282)	Decreased by 16.4%
– Net realised and unrealised loss on financial instruments carried at FVPL	**12,458**	6,086	Increased by 104.7%
– Impairment losses of non-current assets	**2,203**	**–**	N/A
– Interest expenses on share repurchase obligations	**13,433**	11,018	Increased by 21.9%
Non-HKFRS adjusted net loss for the period	**(68,432)**	(185,213)	Decreased by 63.1%

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 2024, the Group had US$740.1 million of cash and cash equivalents on hand, as compared to US$1,019.6 million as at 31 December 2023. Such decrease was mainly attributable to (i) the increase in the Group's structured deposits and time deposits; (ii) operating expenditure on the research and development, registration, commercialization and other activities actively carried out for the surgical robot business, the structural heart disease business and others by leveraging independent financing channels; (iii) capitalized expenditure of the Group; and (iv) cash paid to distribute dividends and pay interest. The approach of the Company's board ("**the Board**") of directors (the "**Directors**") 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 Liabilities to Assets Ratio

Total borrowings of the Group, including interest-bearing borrowings and convertible bonds, as at 30 June 2024 were US$1,564.4 million, representing a decrease of US$2.1 million as compared to US$1,566.5 million as at 31 December 2023. During the Reporting Period, the Group's Liabilities to Assets ratio (calculated as total liabilities divided by total assets) increased from 64.3% as at 31 December 2023 to 66.1% as at 30 June 2024.

Net Current Assets

The Group's net current assets as at 30 June 2024 were US$995.3 million, as compared to US$646.5 million as at 31 December 2023.

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 2024, the Group recorded a net exchange loss of US$11.8 million, as compared to a net foreign exchange loss of US$2.1 million for the six months ended 30 June 2023. 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

Except for the above mentioned items, during the six months ended 30 June 2024, the Group's total capital expenditure amounted to approximately US$70.2 million, which was used for (i) construction of buildings; (ii) acquiring equipment and machinery; and (iii) expenditures for R&D projects in development stage.

Charge on Assets

As at 30 June 2024, for the purpose of securing bank loans with a carrying value of US$607.7 million, the Group had mortgaged its production buildings held for own use and land use right, and pledged the equity interest held by the Group in several subsidiaries and certain patents. In order to obtain convertible loans with a principal amount of US$170.0 million, the Group pledged (i) a property situated in the US and (ii) shares held in certain subsidiaries.

HUMAN RESOURCES AND TRAINING

As at 30 June 2024, the Group had a total of 6,987 employees around the world, of which 1,792 or approximately 25.6% were overseas employees in the Asia Pacific region, Europe, the Middle East, Africa, North America, South America and Australia.

To cope with the increasing uncertainty in the external market, the Group is committed to building a flexible and resilient organizational competence system. By reviewing the key work of various business segments within the Group and checking the distribution of human resources, the Group has optimized its workflow, deepened collaboration mechanisms, and continuously expanded the scope of the Group's platform-based shared service operational functions, promoting the improvement of overall synergy. During this process, the Group has also prudently streamlined some projects and positions to achieve overall efficiency enhancement for the organization. The Group is committed to providing employees with more diverse development opportunities by building a comprehensive organizational competence system, integrating resources and empowering platforms as well as upgrading management and operation methods. The Group provides employees with sufficient room for advancement in combined directions horizontally and vertically by continuously adhering to the principle of "maturity, usage, remuneration, cultivation and care" regarding human resources, and helps talents accelerate their development and

pursue the realization of self-worth through internal learning institutions within the enterprise, so as to work together to achieve its belief of "helping hundreds of millions of earthlings to have a lifespan of over 115 years old in a healthy manner".

PROSPECTS

In the long run, with the deepening of population ageing in the world, the improved living standards of the people and the economic growth of the developing countries, it is anticipated that the global market demand for medical devices will also steadily increase. As for the PRC market, thanks to the economic and social development, the health awareness among its people has been raised significantly, and the reform of the medical system has also brought policy bonuses. The medical device market in China has huge development opportunities.

In the short term, in the second half of 2024, the global economy is still subject to macro-economic factors such as the uncertainty of the development trend, the tightening of trade protection policies and the intensification of geopolitical conflicts. On the industry side, competition in the domestic medical device sector continues to intensify. Centralised volume-based procurement of high-value medical consumables, reforms in medical insurance payments, and measures for refined management of medical expenses, such as pharmaceutical price control, are continuously being advanced, leading to an impending adjustment in the industry's landscape. The above factors will all increase uncertainty and may have an adverse impact on the Group's operations and the value of its related business segments.

In order to seize the development opportunities and enhance our core competitiveness in the increasingly fierce market competition, we will continue to implement positive business strategies, seriously implement strategies of focusing on principal business and cost control, and proactively manage and hedge any potential risks, with actions as follows:

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

2. Expediting the global expansion to realise integration of MicroPort® brand and global operations. We will continuously deepen the globalised branding and operation strategy based on localization 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 our existing production processes, and carrying out innovation to gain high returns so as to create a diversified product portfolio. We will continuously improve the manufacturing processes of existing products to enhance their production efficiency; and pay more attention to the input-output ratio of research and development from the perspective of enterprise strategy, committing ourselves to providing more high-quality and affordable integrated medical solutions for doctors and patients while improving profitability.

4. Deepening the reform of our management system. In order to further enhance the competitiveness and risk prevention capability of the Company, we 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 rapidly expanding the scale of the Company.

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

The zero coupon convertible bonds due 2026 in the aggregate principal amount of US$700 million (ISIN: XS2342920050) (Stock Code: 40720) issued by the Company have been redeemed and cancelled as of 12 June 2024, and the withdrawal of listing of which was effective upon the close of business on 20 June 2024. Please refer to the announcement of the Company dated 12 June 2024.

Save as disclosed above, during the six months ended 30 June 2024, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities. As at 30 June 2024, the Company did not hold any treasury shares.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix C3 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Having made specific enquiry with all the Directors, the Company confirmed that all the Directors have complied with the requirements as set out in the Model Code throughout the period of the six months ended 30 June 2024.

Compliance with the Corporate Governance Code

The Company strives to maintain high standards of corporate governance to safeguard the interests of its shareholders and to enhance corporate value and accountability. Throughout the period of the six months ended 30 June 2024, 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 C1 to the Listing Rules with the exceptions as addressed below:

Pursuant to Code Provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. The roles of chairman and chief executive officer of the Company are held by Dr. Zhaohua Chang ("Dr. 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 Group's business. As the Board considers that Dr. Chang has in-depth knowledge of the Group's business and can make appropriate decisions promptly and efficiently, he also assumes 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.

Significant Events After the Reporting Period

Except for the non-adjusting events after the Reporting Period as disclosed in note 14 of this announcement, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2024 and up to the date of this announcement.

Independent Review of Auditor

The interim financial report for the six months ended 30 June 2024 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 Hong Kong Institute of Certified Public Accountants.

Audit Committee and Review of Financial Statements

The Company has established the Audit Committee with written terms of reference in compliance with the CG Code. As at the date of this announcement, 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 2024.

Disclosure of Information

The interim report of the Group for the six months ended 30 June 2024 containing all the relevant information required by the Listing Rules will be published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (http://www.microport.com), in accordance with the Listing Rules in due course.

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

Shanghai, the People's Republic of China, 30 August 2024

As at the date of this announcement, the executive Director is Dr. Zhaohua Chang; the non-executive Directors are Mr. Hiroshi Shirafuji, Mr. Norihiro Ashida, and Ms. Weiqin Sun; and the independent non-executive Directors are Mr. Jonathan H. Chou, Dr. Guoen Liu, and Mr. Chunyang Shao.

* *For identification purpose only*