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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2023	2022	Change
	US$'000	*US$'000*	*%*
Revenue	**950,725**	840,831	Increased by 15.8% (excluding the foreign exchange impact)
Gross profit	**532,098**	501,771	Increased by 6.0%
Loss for the year	**(649,157)**	(588,115)	Increased by 10.4%
Loss attributable to equity shareholders of the Company	**(477,629)**	(436,515)	Increased by 9.4%
Loss per share –			
Basic (in cents)	**(26.19)**	(24.08)	Increased by 8.8%
Diluted (in cents)	**(27.17)**	(24.94)	Increased by 8.9%
Non-HKFRS adjusted net loss for the year	**(434,553)**	(502,478)	Decreased by 13.5%

* *For identification purpose only*

For the year ended 31 December 2023 (the "Reporting Period"), MicroPort Scientific Corporation (the "Company", or "MicroPort") and its subsidiaries (collectively, the "Group") recorded revenue of US$950.7 million, representing an increase of 15.8% excluding the foreign exchange impact as compared to 2022. Such increase was mainly because:

(i) market share of independent listed subsidiaries of the Group further increased and rapid growth in their sales were achieved, driven by the launch of new products and commercialization promotion. Among which, revenue from Shanghai MicroPort Endovascular MedTech (Group) Co., Ltd.* (endovascular and peripheral vascular devices business) ("EV MedTech") grew by 32% year on year, revenue from MicroPort NeuroTech Limited* (neurovascular business) ("MicroPort NeuroTech") grew by 22% year on year, revenue from MicroPort CardioFlow Medtech Corporation* (heart valve business) ("CardioFlow Medtech") grew by 33% year on year, and revenue from Shanghai MicroPort MedBot (Group) Co., Ltd. (surgical robot business) ("MicroPort MedBot") also achieved a year-on-year growth by 258% (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 a steady growth in revenue; and

(iii) as commercialization continued to make progress, revenue from emerging businesses recorded an exponential growth.

For the year ended 31 December 2023, the Group recorded non-HKFRS adjusted net loss ("adjusted net loss") of US$434.6 million, representing a decrease of 13.5% as compared to 2022. Such change was mainly attributable to:

(i) the improvement in profitability resulting from the significant increase in revenue from the Group's major businesses; and

(ii) the Group's proactive implementation of resource focus and cost control measures to continuously improve operational efficiency and profitability.

* EV MedTech, MicroPort NeuroTech, CardioFlow Medtech and MicroPort MedBot shown in this announcement refer to the Group's separately listed subsidiaries

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2023
(Expressed in United States dollars)

	Note	**2023**	2022
		US$'000	*US$'000*
Revenue	*4*	**950,725**	840,831
Cost of sales		**(418,627)**	(339,060)
Gross profit		**532,098**	501,771
Other net income	*5*	**36,513**	36,150
Research and development costs		**(379,428)**	(419,828)
Distribution costs		**(334,939)**	(328,232)
Administrative expenses		**(201,688)**	(247,532)
Other operating costs	*6(b)*	**(168,722)**	(49,279)
Loss from operations		**(516,166)**	(506,950)
Finance costs	*6(a)*	**(96,036)**	(78,401)
Gain on disposal of subsidiaries		**2,845**	7,107
Gain on deemed disposal of interests in equity-accounted investees		**15,309**	39,267
Share of profits less losses of equity-accounted investees		**(32,467)**	(42,541)
Loss before taxation		**(626,515)**	(581,518)
Income tax	*7(a)*	**(22,642)**	(6,597)
Loss for the year		**(649,157)**	(588,115)
Attributable to:			
Equity shareholders of the Company		**(477,629)**	(436,515)
Non-controlling interests		**(171,528)**	(151,600)
Loss for the year		**(649,157)**	(588,115)
Loss per share	*8*		
Basic (in cents)		**(26.19)**	(24.08)
Diluted (in cents)		**(27.17)**	(24.94)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2023
(Expressed in United States dollars)

	2023	2022
	US$'000	*US$'000*
Loss for the year	**(649,157)**	(588,115)
Other comprehensive income for the year, net of tax		
Item that will not be reclassified to profit or loss:		
Remeasurement of net defined benefit liabilities	**(204)**	(463)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations, net of nil tax	**(18,072)**	(177,827)
Share of other comprehensive income of equity-accounted investees	**(419)**	1,512
Other comprehensive income for the year	**(18,695)**	(176,778)
Total comprehensive income for the year	**(667,852)**	(764,893)
Attributable to:		
Equity shareholders of the Company	**(488,896)**	(565,882)
Non-controlling interests	**(178,956)**	(199,011)
Total comprehensive income for the year	**(667,852)**	(764,893)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in United States dollars)

	Note	31 December 2023 US$'000	31 December 2022 US$'000
Non-current assets			
Investment properties		**6,256**	6,579
Property, plant and equipment		**1,004,573**	993,014
		1,010,829	999,593
Intangible assets		**234,435**	223,683
Goodwill	*9*	**149,393**	262,829
Equity-accounted investees		**372,637**	423,873
Financial assets measured at fair value through profit or loss ("FVPL")		**10,003**	18,072
Derivative financial assets		**3,574**	5,083
Deferred tax assets		**31,382**	27,637
Other non-current assets		**109,705**	94,081
		1,921,958	2,054,851
Current assets			
Financial assets measured at FVPL		**40,028**	38,201
Inventories		**414,868**	352,428
Trade and other receivables	*10*	**310,648**	284,833
Pledged deposits and time deposits		**225,352**	60,765
Cash and cash equivalents		**1,019,551**	1,203,007
		2,010,447	1,939,234
Current liabilities			
Trade and other payables	*11*	**448,342**	380,554
Contract liabilities		**18,770**	22,598
Interest-bearing borrowings	*12*	**295,438**	185,387
Convertible bonds	*13*	**456,634**	–
Lease liabilities		**46,915**	51,944
Income tax payable		**4,985**	17,470
Derivative financial liabilities		**–**	4,172
		1,271,084	662,125
Net current assets		**739,363**	1,277,109
Total assets less current liabilities		**2,661,321**	3,331,960

	Note	31 December 2023 *US$'000*	31 December 2022 *US$'000*
Non-current liabilities			
Interest-bearing borrowings	*12*	**508,330**	336,689
Lease liabilities		**85,327**	124,373
Deferred income		**42,344**	38,123
Contract liabilities		**27,669**	24,839
Convertible bonds	*13*	**306,103**	769,553
Other payables	*11*	**262,865**	220,997
Deferred tax liabilities		**25,686**	24,718
		1,258,324	1,539,292
NET ASSETS		**1,402,997**	1,792,668
CAPITAL AND RESERVES			
Share capital	*14(b)*	**18**	18
Reserves		**757,801**	1,135,012
Total equity attributable to equity shareholders of the Company		**757,819**	1,135,030
Non-controlling interests		**645,178**	657,638
TOTAL EQUITY		**1,402,997**	1,792,668

1 Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

2 Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in equity-accounted investees.

Material uncertainty related to going concern

In determining the appropriate basis of preparation of financial statements, the directors are required to consider whether the Group could continue in operational existence for the foreseeable future.

As at 31 December 2023, the Company had convertible bonds issued by the Company with a principal amount of US$448 million which are due for redemption in June 2024 (see note 13(b)) and had short-term bank borrowings of US$295,438,000 (see note 12) which are due for repayment in 2024. The Group incurred a net loss of US$649,157,000 and a net operating cash outflow of US$231,873,000 for the year ended 31 December 2023.

Given the above, the liquidity of the Group is primarily dependent on its ability to obtain external financing to meet the redemption requirement from the convertible bonds holders before June 2024 and its ability to renew or refinance existing banking facilities and to utilise its cash and cash equivalents available to the Group for repayment of its borrowings.

These conditions indicate the existence of 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 of the Company have given consideration to the future 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 cash flow projections prepared by management, which covers a period of at least 12 months from 31 December 2023. 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, and plan to realise additional cash from disposal of certain assets or certain equity interests in subsidiaries/equity-accounted investees of the Group;

(2) The Group are actively engaged in negotiation with a number of banks and certain potential investors to refinance the convertible bonds issued by the Company; and

(3) The Group are in active discussions with banks for the renewal of existing bank 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 cash flow forecast mentioned above, the directors are of the opinion that it is appropriate to prepare the Group's financial statements for the year ended 31 December 2023 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 annual financial statements.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– investments in debt and equity securities; and

– derivative financial instruments.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3 Changes in accounting policies

The Group has applied the following new and amended HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

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

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

4 Revenue and segment reporting

(a) Revenue

(i) Disaggregation of revenue

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

	2023	2022
	US$'000	*US$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
– Sales of medical devices	**928,686**	822,484
– Others	**15,192**	15,933
	943,878	838,417
Revenue from other sources	**6,847**	2,414
	950,725	840,831

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in notes 4(b)(i) and 4(b)(iii) respectively.

(b) 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.

Cardiovascular devices business	sales, manufacture, research and development ("R&D") of cardiovascular devices, such as drug eluting stents.
Orthopedics devices business	sales, manufacture, R&D of orthopedics devices.
CRM business	sales, manufacture, R&D of cardiac rhythm management devices.
Endovascular and peripheral vascular devices business	sales, manufacture, R&D of endovascular and peripheral vascular devices.
Neurovascular devices business	sales, manufacture, R&D of neurovascular devices.
Heart valve business	sales, manufacture, R&D of heart valve devices.
Surgical robot business	sales, manufacture, R&D of surgical robot devices.
Surgical devices business	sales, manufacture, R&D of surgical devices.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all current and non-current assets with the exception of corporate assets. Segment liabilities include liabilities directly attributable to the activities of each individual segment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment profit/(loss) includes the Group's share of profit/(loss) arising from the activities of the Group's equity-accounted investees that directly held by the respective reportable segment. However, other than reporting inter-segment sales, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The measure used for reporting segment profit/(loss) is "reportable segment net profit/(loss)". Items that are not specifically attributed to individual segments, such as unallocated exchange gain/(loss), unallocated corporate income and expenses, unallocated equity-settled share-based payment expenses and the People's Republic of China ("PRC") dividends withholding tax are excluded from segment net profit/(loss).

In addition to receiving segment information concerning reportable segment net profit/(loss), management is provided with segment information concerning revenue from external customers, interest income from bank deposits, interest expenses, depreciation and amortisation, impairment losses of non-current assets, ECLs on trade and other receivables and additions to non-current segment assets used by the segments in their operations.

Disaggregation of revenue from contracts with customers by the 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 years ended 31 December 2023 and 2022 is set out below.

	2023									
	Cardiovascular devices business	Orthopedics devices business	Cardiac rhythm management business	Endovascular and peripheral vascular devices business	Neurovascular devices business	Heart valve 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	145,322	235,626	197,173	167,983	93,605	47,134	11,015	7,581	27,858	933,297
Over time	1,914	1,714	9,843	-	280	-	-	-	3,677	17,428
Revenue from external customers	147,236	237,340	207,016	167,983	93,885	47,134	11,015	7,581	31,535	950,725
Inter-segment revenue	11,645	1,026	25	238	284	381	3,791	180	-	17,570
Reportable segment revenue	158,881	238,366	207,041	168,221	94,169	47,515	14,806	7,761	31,535	968,295
Reportable segment net profit/ (loss)	4,313	(79,852)	(103,200)	69,052	19,086	(66,829)	(145,062)	(130,315)	(101,678)	(534,485)
Interest income from bank deposits	1,929	138	3,661	1,312	2,337	12,084	1,249	12	1,080	23,802
Interest expense	3,329	10,777	26,093	209	490	555	2,609	740	4,116	48,918
Depreciation and amortisation for the year	21,476	29,016	16,464	7,158	8,295	10,086	15,805	9,099	14,130	131,529
Provision for impairment of:										
–Property, plant and equipment	-	-	-	-	-	-	-	143	2,109	2,252
–Equity-accounted investees	-	-	-	-	4,309	11,526	-	-	-	15,835
–Intangible assets	-	-	3,507	-	-	-	-	-	565	4,072
– Goodwill	-	18,070	-	-	-	-	-	101,473	-	119,543
–Trade and other receivables	10	3,892	-	189	-	-	-	79	-	4,170
Reportable segment assets	518,621	528,697	394,871	599,250	276,821	363,584	201,498	98,459	612,588	3,594,389
Additions to non-current segment assets during the year	37,357	80,715	25,059	54,349	15,235	16,484	23,936	17,683	83,582	354,400
Reportable segment liabilities	259,757	431,171	461,700	53,413	45,114	33,522	129,499	117,093	198,359	1,729,628

	2022									
	Cardiovascular devices business	Orthopedics devices business	Cardiac rhythm management business	Endovascular and peripheral vascular devices business	Neurovascular devices business	Heart valve 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	133,057	222,787	191,083	133,179	79,900	36,808	3,092	4,511	20,403	824,820
Over time	1,073	768	13,156	–	–	–	–	–	1,014	16,011
Revenue from external customers	134,130	223,555	204,239	133,179	79,900	36,808	3,092	4,511	21,417	840,831
Inter-segment revenue	12,521	1,780	940	89	302	209	–	–	356	16,197
Reportable segment revenue	146,651	225,335	205,179	133,268	80,202	37,017	3,092	4,511	21,773	857,028
Reportable segment net (loss)/ profit	(7,412)	(88,550)	(101,121)	52,425	(4,318)	(66,331)	(168,748)	(30,356)	(77,802)	(492,213)
Interest income from bank deposits	905	74	278	1,669	1,426	5,344	3,734	11	1,151	14,592
Interest expense	2,488	5,980	21,983	308	15,213	768	1,646	737	2,789	51,912
Depreciation and amortisation for the year	22,272	26,919	14,971	6,659	8,508	15,012	16,034	7,261	14,748	132,384
Provision for impairment of:										
– Property, plant and equipment	–	–	–	–	–	–	–	–	32	32
– Intangible assets	–	–	–	–	–	7,050	–	–	–	7,050
– Goodwill	–	16,481	–	–	–	–	–	–	–	16,481
– Trade and other receivables	98	4,233	–	389	–	–	–	–	86	4,806
Reportable segment assets	565,823	489,305	471,111	287,148	260,852	433,178	276,960	213,392	560,184	3,557,953
Additions to non-current segment assets during the year	17,719	54,597	6,607	66,882	6,379	22,762	48,070	10,777	72,508	306,301
Reportable segment liabilities	239,368	335,395	438,940	35,813	47,417	35,304	73,491	67,526	152,192	1,425,446

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

(ii) Reconciliation of reportable segment profit or loss, assets and liabilities

	2023	2022
	US$'000	*US$'000*
Profit or loss		
Reportable segment net loss	**(534,485)**	(492,213)
Share awards scheme	**(4,241)**	(6,223)
Other equity-settled share-based payment expenses	**(12,589)**	(35,991)
Interest expenses on convertible bonds issued by the Company	**(35,883)**	(16,254)
Unallocated exchange loss	**(3,721)**	(2,905)
Impairment losses of equity-accounted investees	**(14,266)**	–
Gain on disposal of subsidiaries, net of tax	**2,845**	7,107
Unallocated expenses, net	**(46,817)**	(41,636)
Consolidated loss for the year	**(649,157)**	(588,115)
Assets		
Reportable segment assets	**3,594,389**	3,557,953
Elimination of inter-segment assets	**(88,974)**	(118,929)
Unallocated corporate assets:		
– Cash and cash equivalents	**49,390**	243,035
– Pledged and time deposits	**106,388**	–
– Equity-accounted investees	**71,217**	102,450
– Property, plant and equipment	**143,551**	160,556
– Others	**56,444**	49,020
Consolidated total assets	**3,932,405**	3,994,085
Liabilities		
Reportable segment liabilities	**1,729,628**	1,425,446
Elimination of inter-segment liabilities	**(88,974)**	(118,929)
Convertible bonds	**669,901**	676,623
Interest-bearing borrowings	**154,452**	135,865
Lease liabilities	**20,782**	21,109
Income tax payable arising from partial disposal of equity interests in a subsidiary	**–**	11,254
Unallocated corporate liabilities	**43,619**	50,049
Consolidated total liabilities	**2,529,408**	2,201,417

(iii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment property, property, plant and equipment, intangible assets, goodwill and investments in equity-accounted investees ("specified non-current assets"). The geographical location of customers is based on the location at which the goods are delivered and services are rendered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in case of goodwill and intangible assets, and the location of operations, in case of investments in equity-accounted investees.

	Revenues from external customers		**Specified non-current assets**	
	2023	2022	**2023**	2022
	US$'000	*US$'000*	***US$'000***	*US$'000*
The PRC (country of domicile)	**492,789**	405,636	**1,342,232**	1,376,300
North America	**99,928**	96,455	**140,431**	185,972
Europe	**253,576**	246,848	**248,540**	295,549
Asia (excluding the PRC)	**71,424**	64,094	**35,059**	50,370
South America	**22,814**	12,065	**837**	1,516
Others	**10,194**	15,733	**195**	271
	950,725	840,831	**1,767,294**	1,909,978

5 Other net income

	2023	2022
	US$'000	*US$'000*
Government grants (i)	**21,712**	18,789
Interest income on financial assets measured at amortised cost	**32,700**	19,107
Net loss on disposal of property, plant and equipment	**(6,732)**	(455)
Net foreign exchange (loss)/gain	**(7,705)**	4,495
Net realised and unrealised loss on financial instruments carried at FVPL	**(13,001)**	(751)
Gain on repurchase of convertible bonds *(note 13)*	**9,300**	–
Others	**239**	(5,035)
	36,513	36,150

(i) Majority of the government grants are subsidies received from government for the encouragement of R&D projects.

6 Loss before taxation

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

(a) Finance costs

	2023	2022
	US$'000	*US$'000*
Interest on the convertible bonds *(note 13(b))*	**35,883**	16,254
Interest on interest-bearing borrowings	**24,522**	13,728
Interest on preferred shares issued by subsidiaries *(note 11(ii))*	**24,123**	34,958
Interest on lease liabilities	**8,960**	9,575
Total interest expense on financial liabilities not at fair value through profit or loss	**93,488**	74,515
Less: interest expense capitalised into properties under development*	**(756)**	(603)
Add: fee charges and others	**3,304**	4,489
	96,036	78,401

* Borrowing costs have been capitalised at a rate of 2.15% – 4.05% per annum in 2023 (2022: 1.55% – 4.20%).

(b) Other operating costs

	2023	2022
	US$'000	*US$'000*
Legal and profession fee	**4,105**	5,262
Impairment losses of non-current assets	**155,975**	23,531
Donations and others	**8,642**	20,486
	168,722	49,279

7 Income tax in the consolidated statement of profit or loss

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

	2023	2022
	US$'000	*US$'000*
Current tax – PRC Corporate Income Tax ("CIT")		
Provision for the year	**18,208**	13,562
Under-provision in respect of prior years	**1,928**	527
	20,136	14,089
Current tax – other jurisdictions		
Provision for the year	**6,419**	2,931
Over-provision in respect of prior years	**(526)**	(787)
	5,893	2,144
Total current tax	**26,029**	16,233
Deferred tax		
Origination and reversal of temporary differences	**(3,387)**	(9,636)
	22,642	6,597

Pursuant to the CIT Law of the PRC, all of the Company's PRC subsidiaries are liable to PRC CIT at a rate of 25% except for 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 jurisdictions.

(b) Pillar Two income tax

Certain countries which the Group operates in, recently enacted or plan to enact new tax laws to implement the Pillar Two model rules with reference to the framework published by the Organisation of Economic Co-operation and Development ("OECD"). The new tax laws will take effect after 1 January 2024. When these laws take effect, the Group expects to be subject to a system of top-up taxes adjustments that results in the total amount of taxes payable on excess profit in each jurisdiction representing at least the minimum rate of 15%. As the new tax laws are not yet effective, the Group does not expect any current tax impact for the year ended 31 December 2023. 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.

8 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$477,629,000 (2022: US$436,515,000) and the weighted average number of ordinary shares of 1,823,930,000 shares (2022: 1,812,826,000 shares) in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares

	2023	2022
	'000	*'000*
Issued ordinary shares at 1 January	**1,827,618**	1,820,751
Effect of share options exercised	**4,661**	3,426
Effect of treasury shares held	**(8,349)**	(11,351)
Weighted average number of ordinary shares at 31 December	**1,823,930**	1,812,826

(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$495,554,000 (2022: loss of US$453,474,000) and the weighted average number of ordinary shares of 1,823,930,000 shares (2022: 1,817,910,000 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, calculated as follows.

(i) Loss attributable to ordinary equity shareholders of the Company (diluted)

	2023	2022
	US$'000	*US$'000*
Loss attributable to ordinary equity shareholders	**(477,629)**	(436,515)
Effect of deemed exercise of put option granted to SRL in respect of share repurchase obligation	**(17,925)**	(16,959)
Loss attributable to ordinary equity shareholders (diluted)	**(495,554)**	(453,474)

(ii) Weighted average number of ordinary shares (diluted)

	2023	2022
	'000	*'000*
Weighted average number of ordinary shares at 31 December	**1,823,930**	1,812,826
Effect of deemed exercise of put option granted to SRL in respect of share repurchase obligation	**–**	5,084
Weighted average number of ordinary shares (diluted) at 31 December	**1,823,930**	1,817,910

Save as disclosed above, the calculation of diluted loss per share amount for the year ended 31 December 2023 has not included the potential effects of the deemed issue of shares under the share option schemes adopted by the Company and the deemed conversion of the convertible bonds issued by the Company (see note 13(b)) into ordinary shares during the year and neither included the effects of potential ordinary shares in or issued by subsidiaries and equity-accounted investees of the Group, as they had anti-dilutive effects on the basic loss per share amount.

9 Goodwill

	US$'000
Cost:	
At 1 January 2022	318,090
Other changes	1,591
Exchange adjustments	(15,172)
At 31 December 2022 and 1 January 2023	304,509
Exchange adjustments	5,686
At 31 December 2023	310,195
Accumulated impairment losses:	
At 1 January 2022	27,525
Charged for the year	16,481
Exchange adjustments	(2,326)
At 31 December 2022 and 1 January 2023	41,680
Charged for the year	119,543
Exchange adjustments	(421)
At 31 December 2023	160,802
Carrying amount:	
At 31 December 2023	149,393
At 31 December 2022	262,829

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generation units ("CGU") identified according to place of operations and operating segment as follow:

	2023	2022
	US$'000	*US$'000*
CRM business	**105,829**	103,327
OrthoRecon business	**19,907**	37,977
Surgical devices business	**–**	97,468
Intravascular imaging business	**19,229**	19,555
Multiple units without significant goodwill	**4,428**	4,502
	149,393	262,829

The recoverable amounts of the CGUs are higher of the fair value less costs of disposals and the value in use.

Surgical devices business

Due to the delay in the clinical trial in the US and the PRC and the underperformance of sales during the year ended 31 December 2023, management estimated the recoverable amount of the CGU at the year end based on cash flow projections covering a 11-year period, with the final year representing a steady state in the development of the business. The carrying value of the CGU under the surgical devices business exceeded its recoverable amount by US$101,473,000 as at 31 December 2023. Accordingly, an impairment loss of US$101,473,000 was recognised in profit or loss and reduced the carrying amount of goodwill. Any adverse change in the assumptions used in the calculation of recoverable amount of the surgical devices business would result in further impairment losses.

OrthoRecon business

During the year ended 31 December 2023, the factory located in the US had supply chain issues caused by the shortage of components resulting a significant unfavourable impact on the gross profit margin of OrthoRecon business. In addition, revenue was still behind management's expectation. As at 31 December 2023, management performed an impairment test based on cash flow projections covering a 6-year period, with the final year representing a steady state in the development of the business. The carrying value of the CGU under OrthoRecon business exceeded its recoverable amount by US$18,070,000. Accordingly, an impairment loss of US$18,070,000 was recognised in profit or loss and reduced the carrying amount of goodwill. Any adverse change in the assumptions used in the calculation of recoverable amount of the OrthoRecon business would result in further impairment losses.

10 Trade and other receivables

	31 December 2023	31 December 2022
	US$'000	*US$'000*
Trade receivables due from:		
– third party customers	**201,983**	183,387
– related parties	**4,658**	3,175
	206,641	186,562
Less: Loss allowance	**(20,193)**	(15,689)
Trade receivables, net of loss allowance	**186,448**	170,873
Other debtors	**37,871**	12,532
Amounts due from a related party in relation to sales of non-current assets	**10,672**	–
Income tax recoverable	**4,564**	3,347
Deposits and prepayments	**71,093**	98,081
	310,648	284,833

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

Ageing analysis

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

	2023	2022
	US$'000	*US$'000*
Within 1 month	**92,500**	74,650
1 to 3 months	**64,396**	69,211
3 to 12 months	**26,025**	23,508
More than 12 months	**3,527**	3,504
	186,448	170,873

11 Trade and other payables

	31 December 2023	31 December 2022
	US$'000	*US$'000*
Current		
Trade payables due to:		
– third party suppliers	**171,098**	134,251
– related parties	**14,753**	9,010
Total trade payables (i)	**185,851**	143,261
Consideration payables in connection with the acquisition of subsidiaries (iii)	**2,497**	23,499
Other payables and accrued charges	**259,994**	213,794
	448,342	380,554
Non-current		
Share repurchase obligations (ii)	**239,780**	192,163
Consideration in connection with the acquisition of a subsidiary (iii)	**5,105**	8,823
Net defined benefit obligation	**10,273**	9,510
Other payables	**7,707**	10,501
	262,865	220,997

All current trade and other payables are expected to be settled within one year or are repayable on demand.

Notes:

(i) As of the end of the reporting period, the ageing analysis of the trade payables based on invoice date is as follows:

	2023	2022
	US$'000	*US$'000*
Within 1 month	**118,895**	111,694
Over 1 month but within 3 months	**34,593**	16,794
Over 3 months but within 6 months	**6,617**	3,169
Over 6 months but within 1 year	**14,857**	4,806
Over 1 year	**10,889**	6,798
	185,851	143,261

(ii) Share repurchase obligations

As at 31 December 2023, MicroPort Cardiac Rhythm Management Limited ("**CRM Cayman**") had several series of preferred shares issued to certain investors in connection with its financings. These preferred shares include liquidation preference right, redemption right and conversion right, etc., granted to the investors.

In June 2023, MicroPort Urocare (Jiaxing) Co., Ltd. ("**MP UroCare**") entered into a capital contribution agreement with several investors, pursuant to which, these investors contributed in aggregate RMB140 million in cash to subscribe for the additional registered capital of MP Urocare of RMB13 million. MP Urocare also granted liquidation preference right and redemption right to these investors.

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.

Movements of the share repurchase obligations arising from these 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*
As at 1 January 2023	192,163	–	–	192,163
Exchange adjustments	–	(722)	(85)	(807)
Issuance and other additions during the year	–	19,077	5,224	24,301
Charge to finance costs (note 6(a))	22,865	673	585	24,123
At 31 December 2023	215,028	19,028	5,724	239,780

(iii) Consideration in business combinations

The consideration payable in connection with the acquisition of subsidiaries primarily includes the contingent consideration payable to the former shareholders of Hemovent, subject to certain milestones and conditions within 5 years from October 2021. The contingent consideration is measured at fair value with subsequent changes charged into profit or loss.

12 Interest-bearing borrowings

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

	2023	2022
	US$'000	*US$'000*
Within 1 year or on demand	**295,438**	185,387
After 1 year but within 2 years	**135,925**	68,460
After 2 years but within 5 years	**280,597**	187,697
After 5 years	**91,808**	80,532
	508,330	336,689
	803,768	522,076

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

	2023	2022
	US$'000	*US$'000*
Bank loans		
– secured	**288,883**	236,427
– unsecured	**514,885**	285,649
	803,768	522,076

At 31 December 2023, the bank facilities drawn down by the Group of US$120,773,000 (2022: US$92,665,000) were secured by land use rights and buildings held for own use with net book value of US$9,803,000 and US$176,604,000, respectively (2022: US$10,220,000 and US$138,443,000, respectively).

At 31 December 2023, the bank loans totalling US$168,110,000 (31 December 2022: US$143,762,000) were secured by the Group's equity interest in several subsidiaries including Fujian Kerui Pharmaceutical Co., Ltd., Suzhou MicroPort Argus Medtech Co., Ltd., MicroPort Vision Power Medtech (Shanghai) Co., Ltd., Hemovent GmbH and Shanghai Huanbo Digital Technology Co., Ltd., etc.

Part of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's financial 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 31 December 2023 and 2022, none of the covenants relating to drawn down facilities had been breached.

13 Convertible bonds

	2023	2022
	US$'000	*US$'000*
Convertible bonds issued by a subsidiary (a)	**92,836**	92,930
Convertible bonds issued by the Company (b)	**669,901**	676,623
	762,737	769,553
Representing		
Current portion	**456,634**	–
Non-current portion	**306,103**	769,553
	762,737	769,553

(a) Convertible bonds issued by a subsidiary

In October 2022, CRM Cayman issued convertible bonds with the principal amount of US$90 million (the "CRM Convertible Bonds") to several external investors.

The CRM Convertible Bonds bear the interest rate in US$ plus 5% per annum before 30 June 2023 and Secured Overnight Financing Rate ("SOFR") plus 5.26% per annum on or after 30 June 2023, paid in lieu of cash quarterly. The CRM Convertible Bonds also bear the paid-in-kind interest ("PIK Interest") initially at compound rate of 9% per annum, which shall, as long as no qualified IPO of the shares of CRM Cayman has occurred within 24 months from the issue date, increase by 0.5% per annum quarterly after 24 months. The accumulated unpaid PIK interests shall be annually added to the outstanding principal amount of the CRM Convertible Bonds in order to calculate PIK interests next year.

The maturity date of the CRM Convertible Bonds is three years from the Issue Date, and each bondholder may, in its sole discretion, exercise a one-time option to extend the maturity date for two years for the CRM Convertible Bonds held. Upon the maturity, CRM Cayman shall repay the principal and accumulated cash and PIK interests of outstanding CRM Convertible Bonds. The bondholders also have the right to require CRM Cayman to early redeem the outstanding CRM Convertible Bonds upon the occurrence of any of the events specified in the subscription agreement at the price of the principal amounts and unpaid cash and PIK interests. CRM Cayman has a call option to redeem the outstanding CRM Convertible Bonds at the price of the principal amounts plus interest at compound rate of 15% inclusive of previous interest paid at any time after the completion of a qualify IPO and achievement of certain market value conditions set out in the subscription agreement.

The bondholders have the option to elect to convert part of or the entire outstanding bond, including all accrued but unpaid cash interest and PIK Interests, into CRM Preferred Shares if the conversion to be consummated prior to the completion of IPO of CRM Cayman on the Main Board of the Stock Exchange (the "CRM Listing"), or into fully paid ordinary shares of the CRM Cayman if upon or after the CRM Listing, at the initial conversion price based on the enterprise value of CRM Cayman at US$1.25 billion before issuance of the CRM Convertible Bonds per share (subject to adjustments).

CRM Convertible bonds are designated as financial liabilities at FVPL.

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

	2023	2022
	US$'000	*US$'000*
Balance at 1 January	**92,930**	–
Issued by the subsidiary	**–**	90,000
Changes in fair value recognised in profit or loss during the year	**8,830**	2,930
Interests paid	**(8,924)**	–
Balance at 31 December	**92,836**	92,930

(b) Convertible bonds issued by the Company

(i) 2021 Convertible Bonds

In June 2021, the Company issued the convertible bonds with a principal amount of US$700 million (the "2021 Convertible Bonds"). The 2021 Convertible Bonds do not bear any interest and were listed on the Stock Exchange.

Pursuant to the terms of the 2021 Convertible Bonds, the bondholders could convert part of or the entire outstanding bond balances at the option of the bondholders into fully paid ordinary shares of the Company at an initial conversion price of HK$92.8163 per share, subject to the adjustment under certain terms and conditions at the fixed exchange rate of HK$7.7594 to US$1 before the maturity date.

The maturity date of the 2021 Convertible Bonds is 11 June 2026 and the Company shall redeem the 2021 Convertible bonds at the price equals to 105.11% of the principal amount on the maturity date. In addition, the bondholders also have a right to require the Company to redeem entire or partial of the 2021 Convertible Bonds on 11 June 2024 at the price equals to the 103.04% of the principal amount.

The 2021 Convertible Bonds are accounted for as compound financial instruments which contain both a liability component and an equity component. The liability 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. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. The liability component is subsequently carried at amortised cost. The interest expenses recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until the 2021 Convertible Bonds are either converted or redeemed.

In June and December 2023, the 2021 Convertible Bonds with an aggregated principal amount of US$252,000,000 were repurchased by the Company, of which, US$31,869,000 were paid by cash and US$214,830,000 were offset by proceeds from convertible bond newly issued (see note 13(b)(ii)). The Group determined the fair value of the liability component and allocated this amount to the liability component of the acquisition price. The amount of US$9,300,000, being the difference between the consideration allocated to the liability component of the acquisition price and the carrying amount of the liability is recognised in profit and loss. The remainder of the acquisition price of US$575,000 was recognised in equity.

The movement of the 2021 Convertible Bonds during the year represents as follow:

	Liability component *US$'000*	**Equity component** *US$'000*	**Total** *US$'000*
At 1 January 2023	**676,623**	**37,928**	**714,551**
Interest charged (note 6(a))	**35,435**	**–**	**35,435**
Repurchase by the Company	**(255,424)**	**(575)**	**(255,999)**
At 31 December 2023	**456,634**	**37,353**	**493,987**

No conversion of the 2021 Convertible Bonds had occurred up to 31 December 2023.

(ii) 2023 Convertible Bonds

In December 2023, the Company issued the convertible bonds with a principal amount of US$220 million (the "2023 Convertible Bonds"), which have been listed on the Stock Exchange. The 2023 Convertible Bonds bear an interest rate of 5.75% per annum and the interests are payable semi-annually. The Company received the net proceeds of US$2,047,000 upon the issuance of 2023 Convertible Bonds, being the gross proceed of US$220,000,000 after netting off the consideration for repurchase of the 2021 Convertible Bonds of US$214,830,000 and deducting related fees and commissions of US$3,123,000 in total.

Pursuant to the terms of the 2023 Convertible Bonds, the bondholders could convert part of or the entire outstanding bond balances at the option of the bondholders into fully paid ordinary shares of the Company at an initial conversion price of HK$12.7790 per share, subject to the adjustment under certain terms and conditions at the fixed exchange rate of HK$7.8148 to US$1 before the maturity date.

The maturity date of the 2023 Convertible Bonds is 19 December 2028 and the Company shall redeem the 2023 Convertible bonds at its principal amount together with accrued and unpaid interests. In addition, the bondholders also have a right to require the Company to redeem entire or partial of the 2023 Convertible Bonds on 21 December 2026 at their principal amount together with interest accrued but unpaid.

The initial recognition and subsequent measurement of the 2023 Convertible Bonds is similar to the 2021 Convertible Bonds as disclosed above.

The movement of the 2023 Convertible Bonds during the year represents as follow:

	Liability component ***US$'000***	**Equity component** ***US$'000***	**Total** ***US$'000***
At 1 January 2023	**–**	**–**	**–**
Issued by the Company	**212,819**	**3,740**	**216,559**
Interest charged (note 6(a))	**448**	**–**	**448**
At 31 December 2023	**213,267**	**3,740**	**217,007**

No conversion of the 2023 Convertible Bonds had occurred up to 31 December 2023.

14 Capital, reserves and dividends

(a) Dividends

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

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

(b) Share capital

(i) Ordinary shares

	2023		2022	
	Number of shares ***'000***	**Amount** ***US$'000***	Number of shares *'000*	Amount *US$'000*
Authorised:				
Ordinary shares of US$0.00001 each	**5,000,000**	**50**	5,000,000	50
Ordinary shares, issued and fully paid:				
At 1 January	**1,827,618**	**18**	1,820,751	18
Shares issued under share schemes	**6,859**	**–**	6,867	–
At 31 December	**1,834,477**	**18**	1,827,618	18

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Purchase of own shares

During the year ended 31 December 2023, the Company did not purchase any of its own ordinary shares (for the year ended 31 December 2022: 2,755,400 ordinary shares) through the designated trustees under the share award scheme.

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

As 31 December 2023, the trustee under a long-term benefit plan held 172,000 ordinary shares of the Company (31 December 2022: 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.

(iii) Shares issued under the share schemes

During the year ended 31 December 2023, 6,859,615 (2022: 6,866,884) share options were exercised to subscribe for 6,859,615 (2022: 6,866,884) ordinary shares in the Company at a total consideration of US$5,362,000 (2022: US$4,447,000), of which nil (2022: nil) and US$5,362,000 (2022: US$4,447,000) was credited to share capital and share premium, respectively. In addition, an amount of US$1,564,000 (2022: US$1,391,000) was transferred from the capital reserve to the share premium account.

BUSINESS REVIEW

Overview

In 2023, the global economy has gradually recovered from the recession, and there is a combination of positive and risky global economies under the sustained high interest rate environment. In China, the high-quality development has been solidly promoted, and the economy has been rebounded and improved while the industrial foundation for developing new quality productivity has been constantly consolidated. In the medium to long term, under the global trend of population ageing, the "silver economy" will become a new business model and continuously contribute new growth points to the medical industry.

In China, the recovery of market demands has provided a strong support for the development of the industry, and various supportive policies have promoted the upgrading of the medical device industry from top to bottom: from the top-level design dimension, the executive meetings of the State Council have successively considered and approved the Action Plan for the High-quality Development of the Pharmaceutical Industry (2023-2025) and the Action Plan for the High-quality Development of the Medical Device Industry (2023-2025), focusing on improving the resilience and modernization level of the pharmaceutical industry and medical device industry, and creating a better ecological environment that encourages and supports innovation in the medical device industry; at the execution level, medical insurance departments across the country have also continued to improve diversified payment mechanisms, comprehensively promoting the hospital admission and rational use of innovative medical devices. In December 2023, the National Healthcare Security Administration has further clarified in its response letter that it "encourages the inclusion of new technologies, drugs and devices into the scope of security, and fully considers their application in the reform of medical insurance payment methods such as DRG/DIP". The complete combination of the payment of medical insurances, the promotion of commercial insurances and the optimization of pricing will accelerate the commercialization of innovative medical devices, and leading enterprises are expected to benefit in multiple aspects, thereby continuously improving industrial concentration and market competitiveness.

In terms of reportable segments based on financial report, the Group features a total of eight major business segments, including cardiovascular devices business, orthopedics devices business, CRM business, endovascular and peripheral vascular devices business, neurovascular devices business, heart valve business, surgical robot business and surgical devices business. As of the end of the Reporting Period, the Group (also through its associates) had over 10,000 patents (including those under application) around the world, and its products were being used in over 20,000 hospitals in more than 100 countries and regions around the world. The Group also offered over 600 medical solutions to patients worldwide, covering the human circulatory system, nervous system, kinetic system, endocrine system, urinary system and reproductive system. As a leading global enterprise of innovative high-end medical devices, the Group continuously promoted the rapid development of its global business, with a number of innovative products approved in domestic and overseas markets for launch during the Reporting Period, delivering a steady stream of new driving forces for the high-quality and sustainable growth of its business.

During the Reporting Period, the Group continued to promote the compliant and stable development of various businesses. Despite the impact of multiple unfavorable factors in China and abroad, and benefiting from the efficient product promotion and market development, the market share continued to grow rapidly, and the Group achieved revenue of US$950.7 million for its global operations, representing a significant increase of 15.8% excluding the foreign exchange impact as compared to the corresponding period of last year; among which, with the prominent brand effect brought about by the matrix-style export, revenue from the export business amounted to US$57.1 million, representing a steady increase of 53.9% excluding the foreign exchange impact as compared to the corresponding period of last year. Among all business segments, the Group's heart valve business, endovascular and peripheral vascular devices business, neurovascular devices business and cardiovascular devices business realized a rapid growth in revenue, representing an increase of 32.5%, 32.2%, 21.6% and 14.7% respectively excluding the foreign exchange impact as compared to the corresponding period of last year; benefiting from the rapid growth in sales volume of core products, revenue from the surgical robot business also increased significantly by 258.4% excluding the foreign exchange impact as compared to the corresponding period of last year, continuously consolidating its advantageous market position.

Focusing on improving operational efficiency, the Group has solidly promoted diversified cost control measures. During the Reporting Period, the sum of R&D, management and sales expenses in the total expenses recorded a significant year-on-year decrease of 22.1 percentage points. Faced with various challenges, the Group actively made strategy adjustments so as to strengthen its resource focus, enhance resource synergy and implement input-output control, and controled the rhythm of investment with the value-oriented approach. During the Reporting Period, by taking the proactive cost control measures to prioritize and focus on core projects, R&D expenses decreased by 9.6% year on year. With the aim of continuously optimizing the human resources system to ensure that its resource allocation match its strategic goals, the Group effectively streamlined its organizational structure and significantly improved its operational efficiency during the Reporting Period, with its management expenses being decreased by 18.5% year on year. In terms of marketing, the Group fully explored the potential of information sharing and complementary advantages. At the same time, with the steady increase in the number of products launched and the prominent product portfolio advantage, the competitive strength was further enhanced. In the future, by continuously strengthening the integration of channel resources and promoting to tap the potential within hospitals, the hospital admission efficiency and output in a single hospital are expected to continue to steadily increase.

During the Reporting Period, by actively implementing resource focus and cost control measures, the Group recorded adjusted net loss of US$434.6 million, representing a decrease of 13.5% as compared to 2022. Moving forward, the Group will attach great importance to the health of financial statements and the adequacy of cash flow, and is committed to significantly reducing losses and achieving breakeven in the coming years.

Cardiovascular Devices Business

The cardiovascular devices business offers integrated solutions for the treatment of coronary artery-related diseases, and develops, manufactures and commercializes industry-leading coronary stents and related delivery systems, along with balloon catheters, passive accessories, active devices and other products. It is committed to providing more high-quality and affordable integrated solutions for worldwide patients with coronary heart disease through continuous innovation.

Cardiovascular diseases are the leading causes of human death and health loss, and its social burden has been increasing year by year with the acceleration of the population ageing process; meanwhile, factors such as the increasing comorbidities and rising incidence of complications have also made the diagnosis and treatment of this disease a global challenge. In recent years, coronary interventional surgeries have become increasingly precise and efficient, the precision medical concept represented by intracavity imaging technology has become a new diagnosis and treatment trend, innovative treatment methods represented by active intervention provide new choices for complex lesions, and surgical robots strengthen the equipment connectivity, helping surgeries become more digital, precise and intelligent. With the support of multiple innovative technologies, the global cardiovascular interventional end market will expand steadily.

As of the end of the Reporting Period, the cardiovascular business segment of the Group had a total of 6 drug-eluting stents and 4 balloon products on sale, and became the global leader in the area of coronary interventional treatment. During the Reporting Period, benefiting from the continuous increase in the penetration rate for the international market and the incremental contribution brought by new products, the Group's cardiovascular business recorded global operating revenue of US$147.2 million, representing a significant increase of 16.2% excluding the foreign exchange impact as compared to the corresponding period of last year.

In the overseas market, benefiting from the increase in market shares, this business segment achieved sales revenue of US$36.5 million, representing a significant increase of 71.3% excluding the foreign exchange impact as compared to the corresponding period of last year; in terms of regions, Asia (excluding China) and South America recorded a significant increase in revenue, representing a year-on-year increase of 114.2% and 44.7% respectively excluding the foreign exchange impact. During the Reporting Period, the Group continued to promote overseas channel expansion and uncharted market exploitation, and newly developed channel distributors in 11 countries and regions; as of the end of the Reporting Period, the sales of coronary stent products covered a cumulative of 80 overseas markets and a cumulative of 70 overseas markets for balloon products, and the market share in accessible markets also continued to grow while the regional coverage accelerated. As the Group was committed to building a diversified product matrix around the world, during the Reporting Period, the stent products newly obtained 10 initial registrations in 8 countries or regions, and were registered and launched in a cumulative of 44 countries or regions; while the balloon products newly obtained 9 initial registrations in 5 countries or regions, and were registered and launched in a cumulative of 38 countries or regions. Leveraging its strength in multi-product portfolio, products in this field achieved a gradient coverage of the demand in various markets, and benefiting from the increase in the sales volume of high-end products and the rapid increase in the market share in countries with high unit prices, the gross profit margin for the segment increased by 4 percentage points year on year during the Reporting Period. Meanwhile, by strengthening the end-to-end channel inventory management and continuously optimizing the inventory structure, the Group's production costs and shipping expenses also achieved a decrease.

In China, this business segment achieved sales revenue of US$110.7 million, representing an increase of 6.1% excluding the foreign exchange impact as compared to the corresponding period of last year. During the Reporting Period, the Group further consolidated its dominant market position in the field of cardiovascular interventions, and the market share of multiple products achieved stable growth. Meanwhile, by fully leveraging its channel synergies in the field of cardiovascular intervention, and with the continuous enrichment of the product matrix launched, revenue from access consumables increased significantly by 66.9% year on year. As of the end of the Reporting Period, the Group's drug-eluting stent products covered a cumulative of approximately 3,500 hospitals in the PRC market, with over 300 hospitals newly developed during the Reporting Period; its balloon products covered over 1,500 hospitals nationwide, with nearly 100 hospitals newly covered during the Reporting Period. Since its launch in 2017, the "Swallow Program", which focuses on developing the uncharted healthcare markets in lower-tier regions, has formed a network covering over 3,000 hospitals in over 1,000 county-level administrative areas nationwide and covered the minimally invasive business in over 1,500 county-level hospitals, saving the lives of a cumulative of more than 400,000 patients. Through the promotion of medical education, the construction of internet systems for lower-tier hospitals, improvement on patient management and referral capabilities and other methods, the program is committed to helping county-level hospitals increase their ability in precision interventional treatment, enabling patients in lower-tier regions to enjoy high-quality and affordable high-end medical solutions. In the future, the Group will continue to actively fulfill its social responsibility, implement and promote the implementation of medical and healthcare reform policies, simultaneously promote the extension of products and services, and continuously enhance the integrated comprehensive solution for coronary heart disease. With the gradual launch and commercialization of high value-added products, the profitability of the segment will be enhanced continuously, and increase in both revenue and profit is expected.

Orthopedics Devices Business

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

During the Reporting Period, despite the impact of supply factors on production and delivery for overseas business, benefiting from the rapid growth of the domestic business, the global orthopedics business recorded revenue of US$237.3 million, representing an increase of 7.3% excluding the foreign exchange impact as compared to the corresponding period of last year. Meanwhile, by continuously promoting the global production cooperation and implementing various cost reduction and efficiency increase initiatives, the net loss of the global orthopedics business decreased by 9.7% year on year.

In China, the orthopedics business recorded revenue of US$27.3 million during the Reporting Period, representing a significant year-on-year increase of 33.8% excluding the foreign exchange impact. In terms of the joint business, with the release of demand for elective surgeries, the Group recorded a significant increase of 96% in its implantation volume of joints in all categories during the Reporting Period. Among them, the Group quickly took over the uncharted market released by the contraction of foreign brands with its imported knee joint products relying on its outstanding product attraction advantages, resulting in a significant year-on-year increase of 203% in shipment volume and a doubling of market share, and significantly strengthening its competitive advantage. In order to promote the stable business growth, the Group continued to optimize its channel construction and regional coverage, so the number of distributors increased by 38% year on year during the Reporting Period, and the hospital coverage rate also increased significantly accordingly. In terms of spine and trauma business, affected by factors such as the decrease in centralized procurement price and the provision for impairment of inventory, the revenue of target products decreased during the Reporting Period. By continuously improving production efficiency, optimizing the utilization of resources and promoting the integration of the orthopedic supply chain, the Group achieved a steady reduction in the cost of key products. During the Reporting Period, the gross profit margin of the segment significantly increased by 9 percentage points, and the production capacity of key products increased significantly.

In the overseas market, with the post-pandemic recovery and increased acceptance of treatment concepts, the demand for the Group's terminal products has risen rapidly. However, since the second quarter, the Group's core products have experienced supply shortages due to upstream material supply issues; leveraging on active development of diversified suppliers since the second half of 2023, the Group's insufficient inventory has gradually narrowed, and a decline has shown in the number of backlogged orders. Through orderly scheduling and allocating inventory products, the international (non-China) orthopedic business recorded revenues of US$210.0 million during the Reporting Period, achieving a growth of 4.6% excluding the foreign exchange impact compared to the corresponding period. Moving forward, the Group will fully leverage manufacturing synergies, continue to intensify the advancement of global collaborative production projects in the supply chain, and further resist potential supply risks while reducing supply costs. By actively promoting SkyWalker® Robot and Evolution® Medial-Pivot Knee System within the robot segment for knee replacement surgery solutions at various academic conferences, such combination has continuously attracted the attention of overseas surgeons, contributing incremental orders for the segment. During the Reporting Period, despite being affected by supply shortages, driven by the increase in the number of surgical robot installations, the Group's knee sales achieved a year-on-year increase of 11%, indicating that the effectiveness of the above promotion strategy had been increasingly proved. Moving forward, dedicating to providing patients with more precise and personalized joint replacement surgery solutions, the segment will continue to align with industry trends, thereby enhancing the quality of life for patients' post-surgery.

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.

During the Reporting Period, due to overseas supply factors, the CRM business achieved global revenue of US$207.0 million, representing a decrease of 1.0% excluding the foreign exchange impact as compared to the corresponding period of last year.

In the overseas market, the tight supply of upstream components has led to a serious shortage of production capacity for pacing and defibrillation leads, and overall sales of terminal products have been restricted. During the Reporting Period, the international (non-China) CRM business achieved revenue of US$190.8 million, representing a year-on-year decrease of 2.8% excluding the foreign exchange impact. In order to comprehensively solve the shortage problem of terminals and channels and strengthen the stability of the supply chain, the Group actively deployed actions during the Reporting Period, and the production of leads has rapidly rebounded since September. In terms of product promotion, Bluetooth® pacemakers recorded a significant year-on-year increase of 27.0% in sales during the Reporting Period; despite of the adverse impact resulting from leads supply issues, the Implantable Cardioverter-Defibrillators ("ICDs") still achieved a year-on-year increase of 7.9% in sales. During the Reporting Period, the Group increased its geographic expansion efforts for key products: in the United States, Alizea™ and Celea™, the implantable Bluetooth® pacemakers equipped with the AutoMRI™ technology, and the accompanying products achieved registration milestones successfully; in Japan, alongside the approval for market release of several high value-added products, including GALI™ SonR® Cardiac Resynchronization Therapy and Defibrillation Device ("CRT-D") and NAVIGO™ 4LV Left Ventricular Pacing Leads, the new generation of high-voltage products had been completed; in Europe, TALENTIA™ and ENERGYA™ series of ICDs and CRT-Ds were approved for launch successively in 2024, relying on the Group's self-developed low-energy consumption technology, these devices have the longest projected service life in the industry currently. The increasingly extensive product portfolio will help with global promotion and add new momentum to sustainable business growth.

In China, the CRM business recorded revenue of US$16.2 million, representing a significant year-on-year increase of 25.7% excluding the foreign exchange impact. During the Reporting Period, benefiting from the formal implementation of the volume-based procurement of the Guangdong-led alliance for medical consumables of heart pacemakers in four provinces, the Group won the bids for six single-chamber and dual-chamber pacemaker products through differentiated combinations, helping to expand the domestic market. Among them, with the product attraction advantages such as small size, automation, physiology and long lifespan, Rega® increased its sales volume rapidly, resulting in a year-on-year increase of 49.7% in the revenue of domestic pacemaker portfolios, and further solidifying the leading position with the largest market share among domestic brands. During the Reporting Period, the Group's pacemaker products were selected for volume-based procurement in the 3+N Beijing-Tianjin-Hebei Alliance and Anhui Province, and the subsequent implementation of volume-based procurement will further enhance the terminal penetration rate of the Group's products, helping the domestic brands increase their market influence. In terms of registration, in January 2024, as the new generation ENO™ pacemaker compatible with 1.5T/3.0T whole-body MRI examination and the Vega™ Pacing Leads have been approved for launch by the National Medical Products Administration ("NMPA"), the intergenerational differences between the Group's and foreign products will be reduced significantly, bringing more advantageous new choices to domestic patients. In terms of production and supply, the Group continued to improve the automation and digitization of production lines to satisfy the market demand in a timely manner with guaranteed quality and quantity, promote the construction of local supply chains and enhance the supply chain's resilience to risks.

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.

During the Reporting Period, benefiting from the continuous increase in the marketing efforts of new products and in overseas markets, the endovascular and peripheral vascular devices business achieved revenue of US$168.0 million, representing an increase of 32.2% excluding the foreign exchange impact as compared to the corresponding period of last year; achieved a net profit of US$69.1 million, representing a year-on-year increase of 31.7%; and recorded an increase of 1.8 percentage points in net profit margin, with its profitability continuously strengthened.

In China, the Group has established a broad and lower-tier marketing channel layout. Relying on the outstanding product attraction advantages, multiple products enjoy leading market shares and are the first to benefit from market expansion. The Group has increased its hospital coverage of various products year by year, and accelerated the increase in terminal usage and implantation volume: as of March 2024, the Castor® Branched Aortic Stent Graft and Delivery System ("Castor® Branched Stent") covered a cumulative of over 1,000 terminal hospitals; the Minos® Abdominal Aortic Stent Graft and Delivery System ("Minos® Abdominal Aortic Stent") covered a cumulative of over 800 terminal hospitals; and the Reewarm® PTX Drug Balloon Dilation Catheter covered a cumulative of over 900 hospitals. In terms of new products, the Talos® Thoracic Stent Graft System ("Talos® Stent") and Fontus® Branched Surgical Stent Graft System ("Fontus® Surgical Stent") rapidly increased their hospital admission numbers and terminal implantation volumes, and steadily improved the sales revenue and profit of the Company since they were launched in the market. Benefiting by many factors, the Group will continue its rapid growth trend and further strengthen its market competitiveness in the field of aortic and peripheral vascular interventions.

In the overseas market, by continuously increasing the marketing efforts, the segment recorded sales revenue of US$11.5 million during the Reporting Period, representing a significant year-on-year increase of 51.2%, and the proportion of overseas revenue continued to increase. The Group has formed a considerably complete product line in the field of aortic intervention. As of March 2024, sales of products in this segment have covered 31 countries, with business expanded to regions such as Europe, Latin America and other countries and regions in the Asia Pacific region. In terms of products: the Castor® Branched Stent has been clinically applied in 16 countries around the world, the Minos® Abdominal Aortic Stent has been clinically applied in 19 countries around the world, and the Hercules® Low Profile Straight Tube Stent Graft and Delivery System ("Hercules®-LP Straight Tube Stent") has been clinically applied in 21 countries around the world. The Reewarm® PTX Drug Balloon was officially launched into the international market during the Reporting Period and currently has been successfully approved for launch in Brazil and Colombia. Continuously exporting new products with excellent clinical performance will help the Group form a sustainable, tiered, and serial product portfolio, so as to enhance the Company's core brand competitiveness and sustainable development capabilities globally.

Neurovascular Devices Business

The neurovascular devices business specializes in providing overall solutions for the treatment of cerebrovascular diseases, including hemorrhagic stroke, cerebral atherosclerotic stenosis and acute ischemic stroke, and in the R&D, production and commercialization of neurovascular therapeutic and access devices.

During the Reporting Period, the neurovascular devices business recorded revenue of US$93.9 million, representing a year-on-year growth of 21.6% excluding the foreign exchange impact; thanks to actively implementing the supply chain improvement and cost-saving measures, both the gross profit margin and operational efficiency continued to improve. During the Reporting Period, the business recorded adjusted net profit of US$27.7 million, representing a year-on-year increase of 49.5%, with its profitability significantly enhanced; and achieved a net profit of US$19.1 million, representing a significant increase and a turnaround to profit from loss incurred in the corresponding period of last year.

In China, as the sales of various products which were leaders in market shares continued to increase and the newly launched product categories also bring incremental contribution, the Group has further consolidated its leading position in the neurovascular device field due to multiple factors. Along with the release of numerous clinical and follow-up data, the market promotion of Bridge® Rapamycin Target Eluting Vertebral Artery Stent System ("Bridge® Vertebral Artery Stent") is gradually entering a mature stage, and the recognition from surgeons on such product has increased continuously. During the Reporting Period, the Bridge® Vertebral Artery Stent newly penetrated into approximately 500 hospitals, with a cumulative penetration of over 1,000 hospitals. In light of the favorable commercialization policies such as the volume-based procurement and bid-winning, the NUMEN® Coil Embolization System ("NUMEN® Coil") has significantly accelerated its marketing promotion, realizing a rapid increase in its implantation volume and hospital coverage, and newly penetrated into over 350 hospitals during the Reporting Period, realizing a steady increase in its market share. The core product Tubridge® Flow-Diverting Stent ("Tubridge® Stent") has accelerated its promotion in surgical procedures in lower-tier regions, and newly penetrated into approximately 250 hospitals during the Reporting Period, continuing to show a significant increase in sales. The Group is committed to fully leveraging channel synergy among products, and the U-track® Intracranial Support Catheter System also recorded a significant increase in sales during the Reporting Period as a result of the strategy of bundle sale with Tubridge® Stent and NUMEN® Coil. The Group actively promoted the development of uncharted hospitals and the exploration of lower-tier markets, and this segment newly penetrated into approximately 450 hospitals during the Reporting Period, with a cumulative penetration of over 3,000 hospitals. Focusing on serving stroke patients in the lower-tier markets, the "Eagle & Swallows" team has newly penetrated into approximately 200 lower-tier hospitals, with a cumulative penetration of over 800 hospitals in 250 lower-tier cities and counties, further consolidating the competitive advantage of this segment in lower-tier markets.

In overseas markets, the commercialization process of the Group significantly accelerated during the Reporting Period, and the segment recorded sales revenue of US$4.5 million, representing a significant increase of 44.6% as compared to last year, with sales in the Asia Pacific region, Europe, the Middle East and Africa ("EMEA") and Latin America all recording an exponential growth, among which the hospital admission of products was promoted rapidly in Japan, with a penetration of over 90 hospitals in the first year of commercialization, driving a significant year-on-year increase in revenue of the Asia Pacific region; benefiting from a series of positive market initiatives such as realizing the complete coverage of the medical insurance of France, achieving breakthroughs in the African market and establishing direct sales channels in the United Kingdom and Ireland, the sales of NUMEN® Coil products in the EMEA region also recorded a significant increase. During the Reporting Period, as the Group continued to deepen its regional expansion and channel coverage, its products newly penetrated into 11 overseas countries and regions, and realized their commercial implantation in a cumulative of 18 countries and regions, covering 8 overseas markets around the world which ranked among the top 10 in terms of neurovascular surgery volume. Meanwhile, the Group continued to enrich its overseas product portfolio, with 4 products being registered in overseas markets for the first time during the Reporting Period: Tubridge® Stent was successively approved for launch in Argentina and Brazil, Neurohawk® Intracranial Thrombectomy Stent and the access products including X-track® Distal Access Catheter and Fastrack® Microcatheter were also approved for launch in Argentina. In the future, the Group will continue to promote innovative products in the global market and provide more high-quality comprehensive solutions for patients with cerebrovascular diseases worldwide.

Heart Valve Business

As of the end of the Reporting Period, the Group's heart valve business includes four certified products: VitaFlow® Transcatheter Aortic Valve Implantation and Delivery System ("VitaFlow®"), VitaFlow Liberty® Transcatheter Aortic Valve Implantation and Retrievable Delivery System ("VitaFlow Liberty®") (including the procedural accessory products as their offerings), Alwide® Plus Balloon Catheter and AccuSniper™ Double-Layer Balloon Catheter ("AccuSniper™"), and various transcatheter aortic valve implantation ("TAVI") products, transcatheter mitral valve ("TMV") products, transcatheter tricuspid valve ("TTV") products and procedural accessory products at different development stages. Apart from its self-developed product portfolio, the Group also promoted its cooperation with business partners on certain TMV and TTV products, and has the exclusive right to commercialise these products in the PRC.

During the Reporting Period, benefiting from the release of the cumulative demand for elective surgeries and the rapid expansion of the terminal market, the heart valve business recorded revenue of US$47.1 million, representing a significant increase of 32.5% excluding the foreign exchange impact as compared to the corresponding period of last year; thanks to the accelerated development and localization of diversified raw material suppliers and the steady decrease in production costs, the gross profit margin increased by 3.8 percentage points year on year. Meanwhile, the Group focused on implementing resource focus and cost control measures. Accordingly, its operational efficiency significantly improved, and the sum of the proportion of research and development costs, distribution costs and administrative expenses over revenue decreased by 24.1 percentage points year on year.

In China, the Group has accelerated the integration of its advantageous resources in the pan-cardiac treatment field to continuously promote high-quality hospital admissions. During the Reporting Period, driven by the increase in the market share of key regions and the rapid expansion of surgical procedures to lower-tier regions, this segment achieved a significant increase of 45% in implantation volume as compared to the corresponding period of last year. In terms of market expansion, this business newly penetrated into 117 domestic hospitals during the Reporting Period, and the total hospital admission number increased by approximately 27% year on year. Meanwhile, by focusing on consolidating patient discovery and surgical support in existing surgical centers, the implantation volume and sales increased rapidly in a cumulative of over 500 surgical centers covered. The Group has always regarded the cultivation of qualified TAVI hospitals and independent surgeons as a key element in its marketing strategy, and the number of domestic independent surgeons has further increased to over 260 during the Reporting Period, which will continue to assist in the penetration of TAVI surgical procedures. In order to better promote the tapping of potentials in lower-tier regions, the business team continued to strengthen collaboration with the coronary business and the "Rosefinch Swallow" team, promoted the screening and referral of grassroots patients, and conducted a series of medical education and marketing activities so as to break geographical restriction and further promote the popularization of TAVI treatment solutions.

In the overseas market, the Group continued to promote global registration and market expansion: during the Reporting Period, the VitaFlow Liberty® was newly approved for registration in Thailand, Russia and Indonesia; as of the end of the Reporting Period, TAVI products entered a cumulative of nearly 100 hospitals in Argentina, Colombia, Thailand and Russia, with nearly 20 independent surgeons. The Group gave full play to channel synergy among different businesses, and relying on the extensive overseas sales network covered by the coronary team, the VitaFlow® and VitaFlow Liberty® recorded 120 cases of commercial implantation during the Reporting Period, with revenue being significantly increased by 59% year on year. In terms of registration, during the Reporting Period, the Alwide® Plus was approved for registration in Thailand, Russia, Indonesia and Saudi Arabia, the VitaFlow Liberty® and the Alwide® Plus entered a critical review stage for its CE Mark, and the VitaFlow Liberty® and Alwide® Plus also made progress to the next stage for their registration in emerging markets such as India, Korea and Mexico. As the products have been gradually registered in overseas markets, the Group will continue to expand its business map based on its existing sales network and accelerate the development of global business.

In January 2024, the heart valve business acquired 51% equity interest in Shanghai MicroPort CardioAdvent Co., Ltd. (上海佐心醫療科技有限公司) ("MP CardioAdvent"), so as to integrate the Group's left atrial appendage related medical device business, achieve a strategic reorganization for the Group's structural heart disease business, further enhance business synergy, and enhance the market competitiveness of this business segment.

Surgical Robot Business

The surgical robot business is dedicated to innovatively providing robotic intelligent surgical total solutions that can prolong and reshape life by addressing the cutting-edge development needs of minimally invasive surgeries. Relying on its strong industrial operation ability, since its establishment, the Group has focused 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.

The Group is the only company in the global surgical robot industry with a product portfolio covering five major and fast-growing surgical specialties, namely laparoscopic, orthopedic, panvascular, natural orifice and percutaneous surgical procedures, and as of the end of the Reporting Period, there were innovative products approved for launch for 80% of its business. Thanks to the comprehensive global promotion of core products, the number of orders and sales amount in the surgical robot business have continued to grow rapidly, and the business segment recorded revenue of US$11.0 million during the Reporting Period, representing a significant year-on-year increase of 258.4% excluding the foreign exchange impact. Adhering to the business-focused strategy and with the primary goal of promoting sustainable growth, the Group continued to improve its internal management quality and operational efficiency, resulting in a year-on-year decrease in net loss during the Reporting Period.

In China, the Group has successively achieved registration milestones, so as to accelerate the commercialization process: as the multi-department application of the core product Toumai® Four-Arm Laparoscopic Surgical Robot ("Toumai®") was approved during the Reporting Period, the Group actively took over the growing demand for procurement of laparoscopic surgical robots since the implementation of the "14th Five-Year Plan". By providing one-stop services including clinical education and training, customer service and clinical support in a quality manner, the bid-winning number and sales revenue of Toumai® have increased rapidly, and winning bids in several leading 3A hospitals has also comprehensively demonstrated the absolute dominant position of Toumai® among domestic laparoscopic surgical robots. The Group has made a differentiated layout for puncture robots in the field of orifices, and the Mona Lisa Robotic Prostate Puncture Positioning System ("Mona Lisa") was approved for launch by the NMPA during the Reporting Period, and has achieved the commercialization milestone so far. Meanwhile, R-ONE® Vascular Interventional Surgical Robot ("R-ONE®"), which is laying out in the panvascular field, has accumulated multiple potential orders in a short period of time relying on its strong synergy with the coronary segment since it has been approved at the end of the year, demonstrating its good commercialization potential. The Group has continuously explored the direction of 5G telemedicine, and achieved the joint application of multiple surgical robot products including Toumai®, SkyWalker® and R-ONE® with the 5G technology. As of March 2024, Toumai® has completed over 120 cases of 5G remote human clinical surgery exploration worldwide, with a success rate of 100%, successfully achieving multiple breakthroughs in aspects such as the farthest surgical distance, the most complex surgical procedure, and the highest number of records of being the first in the world; at present, the Group has initiated NMPA registration for clinical enrollment for its Toumai® Remote Endoscopic Surgical System. In the future, the Group will continuously enhance its brand influence and clinical service quality, practice the belief of "Making surgery easier, safer, and less invasive", and promote the deep development of minimally invasive surgery towards intelligence and affordability.

During the Reporting Period, the business accelerated the promotion of the "globalization" strategy, and comprehensively and quickly promoted the improvement of sales for multiple products by leveraging the extensive overseas sales network of the Group. As of March 2024, thanks to its strong synergy with the Medial-Pivot Knee System in the orthopedic business, the SkyWalker® Orthopedic Surgical Robot ("SkyWalker®") achieved a cumulative order delivery of 15 units overseas, and completed over 100 robotic-assisted surgeries. During the Reporting Period, the one-year follow-up results for the clinical study on the first total knee replacement surgery with the assistance of SkyWalker® were published in internationally renowned journals, and through conducting a head-to-head control study with a large number of samples, it was verified that the SkyWalker® performed comparably to the leading international orthopedic surgical robot products, and achieved a world-class level of clinical efficacy. The Toumai® has had an exciting start for its overseas market exploration, and secured its first sales order abroad during the Reporting Period, achieving a "zero breakthrough" in terms of the export of domestic laparoscopic surgical robots. In March 2024, Toumai® successfully assisted in completing the first overseas radical prostatectomy, demonstrating that the Group's innovative strength and training service system met the requirements of overseas clinical applications. With multiple products achieving overseas milestones successively, increasingly comprehensive surgical robot solutions will help provide high-quality and reliable medical technology services to more doctors and patients worldwide, further strengthening the Group's brand influence.

Emerging Business Segments

In addition to the rapid development of established business segments, and being committed to building a business loop covering the entire human life cycle from prevention and diagnosis to treatment and rehabilitation, the Group focused on laying out emerging businesses with high growth potential. During the Reporting Period, the Group also continued to streamline project management by way of carefully managing its overall operation, in order to lay a solid foundation for subsequent performance growth and profitability improvement.

In the interventional imaging field, the Group is dedicated to the research and development, production and supply chain integration of medical imaging equipment related to operating and catheterization rooms. During the Reporting Period, the ArgusClarity® Intravascular Optical Coherence Tomography ("OCT") Imaging System accelerated its hospital penetration progress through its channel synergy with the coronary segment, representing a year-on-year increase of nearly 80% in the cumulative hospital penetration number, driving a significant increase of over 400% in equipment volume and a significant increase in catheter shipments. The Group's Soul-Man™ Medical X-ray Angiography System jointly developed with Siemens based on digital subtraction angiography ("DSA") technology successfully completed the installation of three devices and recognized to achieve revenue during the Reporting Period. Meanwhile, the Group's self-developed intravascular ultrasound ("IVUS") imaging system and supporting catheters successfully passed the type testing, and the registration applications for such product were submitted to NMPA and FDA respectively. In the future, the Group will continue to be committed to creating the world's leading imaging equipment products and platforms, and providing assistance for the establishment of integrated catheterization rooms.

In the field of non-vascular interventions, the Group is committed to providing integrated solutions for the endoscopic diagnosis and treatment. During the Reporting Period, by actively implementing team adjustments and increasing market access efforts, the number of distributors in this segment recorded an exponential growth, and products of the Group newly penetrated into approximately 280 hospitals, with a cumulative penetration of nearly 650 hospitals. The Group has formed a closed loop for its urinary stone consumables product line at present, and during the Reporting Period, benefiting from the increase in surgical volume in existing hospitals and the incremental contribution brought by newly penetrated hospitals, the implantation volume in hospitals also doubled. Meanwhile, the Group achieved a milestone breakthrough in the field of respiratory endoscopy. In January 2024, the electronic thoracic endoscope was officially approved for launch by the NMPA and is expected to address existing clinical pain points such as significant surgical trauma and inconvenient handle operation by adopting the world's first gun-shaped handle design. In the future, the Group will continue to improve its diversified strategic deployment in the fields such as urology, respiration, digestion and gynecology, better meeting the expectations of doctors and patients for high-quality medical solutions.

Research and Development ("R&D")

During the Reporting Period, the R&D programs of the Group achieved fruitful results. In China, the Group and its associated companies had a total of 33 products which have obtained the Class III medical devices registration certificates issued by the NMPA or completed significant registration changes thereof, and one product was admitted in the National Innovative Medical Device Special Review and Approval Procedure (the "Green Path"), reaching a total of 30 "Green Path" products, and ranking the first in the medical device industry for nine consecutive years. In the overseas market, during the Reporting Period, a total of 15 products of the Group and its associated companies have obtained approval from the U.S. FDA and 14 products obtained CE Mark in the European Union.

During the Reporting Period, the Group and its associated companies were approved to make registration and changes thereof for, including but not limited to, the multidisciplinary registration of Toumai® Laparoscopic Surgical Robot and the registration of Columbus® 3D EP Navigation System V4, and completed the initial registration of R-ONE® Vascular Interventional Surgical Robot, IceMagic® Cryoablation Product Series, SkyWalker® Hip and Knee Joint Replacement Surgical Robot, Tigertriever® Revascularization Device, WAVE-track™ Intracranial Aspiration Catheter, AccuSniper™ Double-layer Balloon Catheter, Interline™ Guide Catheter, etc.. In the overseas market, the Group and its associated companies newly obtained approvals for major products such as Alizea™ and Celea™ implantable Bluetooth pacemakers together with their accessory products, DFVision® 3D Electronic Laparoscope, TrueForce® Single-use Strain Gauge Magnetic-locating Ablation Catheter and AncherV™ Anchor Balloon. The Group has actively promoted the market development and access for various newly approved products, and will continue to strengthen the marketing strategy of its product portfolios being admitted to hospitals with multiple products achieving sales breakthroughs during the Reporting Period, and fully leverage the advantages of "group-style" operation to dilute sales costs and accelerate the turnaround to profit from loss.

In addition, since the beginning of 2024, the Group has also received approval for launch for certain major products, such as ENO™ MRI Compatible Pacemaker and Vega™ Implantable Cardiac Pacing Lead, AnchorMan® Left Atrial Appendage Closure Device, Evolution® Revision CCK Knee System, NeuroGuard® Neurovascular Balloon Guide Catheter, Bilumos® Dual-chamber Microcatheters, TALENTIA™ and ENERGYA™ series of ICDs and CRT-Ds, etc., which are expected to become new growth engines. The Group will continue to efficiently advance the expansion and promotion of launched products in domestic and overseas markets, fully unleash the platform synergies through the high-value global product layout, and drive the continuous improvement of the value of the Company while providing more overall high-quality medical solutions for patients.

HUMAN RESOURCES AND TRAINING

As of 31 December 2023, the Group had a total of 8,230 employees around the world, of which 1,912 or 23.23% 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, established collaboration mechanisms, gradually expanded the shared services for the Group's platform-based operation functions, and promoted the improvement of the overall synergy. During this process, the Group has also streamlined some projects and positions to achieve overall efficiency enhancement for the organization. The Group is committed to provide employees with more diverse development opportunities by building a comprehensive organizational competence system, integrating resources and empowering platforms as well as adopting new 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

With the deepening of population ageing in the world, the improved living standards of the people and the economic growth of the developing countries, the global market demand for medical devices has steadily increased. As for the PRC market, thanks to the economic and social development, the health awareness among its people has been raised significantly, and the reform of the medical system has also brought policy bonuses. The medical device market in China has huge development opportunities. 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, including but not limited to the following:

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.

FINANCIAL REVIEW

Overview

Despite facing the impact of complex and changing unfavorable factors in China and abroad, the revenue of the Group for the year ended 31 December 2023 increased by 15.8% excluding the foreign exchange impact or increased by 13.1% in US$ as compared to the year ended 31 December 2022. The Group persisted in continuously providing a diversified product portfolio and continuously carrying out its globalization strategy, with non-China sales contributing to 48.2% of the total revenue. The Group aimed to continuously bring its innovations, technologies and services to millions of global patients and become a patient-oriented global leading enterprise in high-tech medical segments represented by minimal invasive treatment and other emerging medical markets.

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$'000	**Year ended 31 December**		**Percent change**	
	2023	2022	in US$	excluding the foreign exchange impact
Cardiovascular devices business	**147,236**	134,130	9.8%	16.2%
Orthopedics devices business	**237,340**	223,555	6.2%	7.3%
CRM business	**207,016**	204,239	1.4%	(1.0%)
Endovascular and peripheral vascular devices business	**167,983**	133,179	26.1%	32.2%
Neurovascular devices business	**93,885**	79,900	17.5%	21.6%
Heart valve business	**47,134**	36,808	28.1%	32.5%
Surgical robot business	**11,015**	3,092	256.2%	258.4%
Surgical devices business	**7,581**	4,511	68.1%	75.9%
Other business *(Note)*	**31,535**	21,417	47.2%	70.8%
Total	**950,725**	840,831	13.1%	15.8%

Note:

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

The Group's revenue for the year ended 31 December 2023 was US$950.7 million, representing an increase of 13.1% as compared to US$840.8 million for the year ended 31 December 2022. 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 15.8%. 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$147.2 million for the year ended 31 December 2023, representing an increase of 16.2% excluding the foreign exchange impact or an increase of 9.8% in US$ as compared to the year ended 31 December 2022. Such increase in revenue was mainly attributable to (i) the accelerated development of overseas markets in key regions of Asia Pacific, EMEA and Latin America, through bid wins, agent model optimization, sales channel expansion and product iteration; (ii) continued China market growth attributable to increases in both the volume and the centralized procurement price of coronary stents.

– *Orthopedics devices business*

US$'000	**Year ended 31 December**		**Percent change**	
	2023	2022	in US$	excluding the foreign exchange impact
Orthopedics devices business	**237,340**	223,555	6.2%	7.3%
– US	**90,132**	87,282	3.3%	3.3%
– Europe, Middle East and Africa	**69,868**	63,888	9.4%	7.6%
– Japan	**29,551**	30,848	(4.2%)	2.6%
– The PRC	**27,298**	21,129	29.2%	33.8%
– Others	**20,491**	20,408	0.4%	3.7%

The orthopedics devices segment recorded revenue of US$237.3 million for the year ended 31 December 2023, representing an increase of 7.3% excluding the foreign exchange impact or an increase of 6.2% in US$ as compared to the year ended 31 December 2022. Such increase in revenue was mainly attributable to the widespread recognition of the Group's unique knee prosthesis design among clinicians and patients 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$'000	**Year ended 31 December**		**Percent change**	
	2023	2022	in US$	excluding the foreign exchange impact
CRM business	**207,016**	204,239	1.4%	(1.0%)
– Europe, Middle East and Africa	**175,170**	172,191	1.7%	(1.7%)
– The PRC	**16,175**	13,139	23.1%	25.7%
– Japan	**9,756**	12,308	(20.7%)	(15.4%)
– Others	**5,915**	6,601	(10.4%)	(8.6%)

The CRM business recorded revenue of US$207.0 million for the year ended 31 December 2023, representing a decrease of 1.0% excluding the foreign exchange impact or an increase of 1.4% in US$ as compared to the year ended 31 December 2022. The new generation of pacemakers and defibrillators featuring Bluetooth connectivity and MRI compatibility was widely recognized by clinicians and patients in China and abroad since launch. However, in the overseas market, the tight supply of upstream components led to temporary product availability issues for pacing and defibrillation leads, which had an adverse impact on the implant volume during the year ended 31 December 2023. In order to comprehensively solve the shortage problem of terminals and channels and strengthen the stability of the supply chain, the Group actively deployed actions during the Reporting Period, and the production of leads has rapidly rebounded since September. The China CRM business sustained its growth momentum, achieving a notable 25.7% year-over-year revenue growth excluding the foreign exchange impact through rapid market penetration.

– *Endovascular and peripheral vascular devices business*

The endovascular and peripheral vascular devices business recorded revenue of US$168.0 million for the year ended 31 December 2023, representing an increase of 32.2% excluding the foreign exchange impact or an increase of 26.1% in US$ as compared to the year ended 31 December 2022. Such increase was mainly attributable to (i) the recovery of surgical demand and the continuous expansion of the business during the Reporting Period, resulting in the steady sales increase of old products and the rapid growth in hospital admission and implantation volume of new products Talos® Thoracic Stent Graft System and Fontus® Branched Surgical Stent Graft System; (ii) the rapid growth of overseas revenue due to continued efforts on innovative products sales on the international market.

– *Neurovascular devices business*

The neurovascular devices business recorded revenue of US$93.9 million for the year ended 31 December 2023, representing an increase of 21.6% excluding the foreign exchange impact or an increase of 17.5% in US$ as compared to the year ended 31 December 2022. Such increase was mainly attributable to (i) the continuous penetration of uncharted hospitals and sinking markets, the further consolidation of competitive advantages, and the significant sales growth of various products with leading market shares (including Tubridge® Flow-Diverting Stent, Bridge® Rapamycin Target Eluting Vertebral Artery Stent System and NUMEN® Coil Embolisation System); (ii) the acceleration of hospital admission and the increase in revenue contribution of products newly approved in 2022 (including Neurohawk® Intracranial Thrombectomy Stent and Diveer® Intracranial Balloon Dilatation Catheter).

– *Heart valve business*

The heart valve business recorded revenue of US$47.1 million for the year ended 31 December 2023, representing an increase of 32.5% excluding the foreign exchange impact or an increase of 28.1% in US$ as compared to the year ended 31 December 2022. Such increase was mainly attributable to (i) the continuous progress of Transcatheter Aortic Valve Implantation ("TAVI") products in terms of hospital admission in the domestic market, which drove the rapid increase in implantation volume and revenue; (ii) the increase of approximately 90% in the overseas implantation volume as the TAVI products entered nearly 100 hospitals in Argentina, Colombia, Thailand and Russia through overseas market expansion.

– *Surgical robot business*

The surgical robot business recorded revenue of US$11.0 million for the year ended 31 December 2023, representing an increase of 258.4% excluding the foreign exchange impact or an increase of 256.2% in US$ as compared to the year ended 31 December 2022. It was mainly attributable to the continuous sales increase resulting from the comprehensive commercialization process of Toumai® Four-Arm Laparoscopic Surgical Robot, SkyWalker® Joint Replacement Surgical Robot and DFVision® 3D Electronic Laparoscope.

– *Surgical devices business*

The surgical devices business recorded revenue of US$7.6 million for the year ended 31 December 2023, representing an increase of 75.9% excluding the foreign exchange impact or an increase of 68.1% in US$ as compared to the year ended 31 December 2022.

– *Other business*

The Group's other business recorded revenue of US$31.5 million for the year ended 31 December 2023, representing an increase of 70.8% excluding the foreign exchange impact or an increase of 47.2% in US$ as compared to the year ended 31 December 2022. Such increase was mainly attributable to the contribution of the exponential growth in sales revenue from interventional imaging, non-vascular intervention and other emerging business segments of the Group. The revenue of other business did not meet the quantitative thresholds for determining reportable segments.

Cost of Sales

For the year ended 31 December 2023, the Group's cost of sales was US$418.6 million, representing an increase of 23.5% as compared to US$339.1 million for the year ended 31 December 2022. 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 6.0% from US$501.8 million for the year ended 31 December 2022 to US$532.1 million for the year ended 31 December 2023. Gross profit margin is calculated as gross profit divided by revenue. The Group's gross profit margin for the year ended 31 December 2023 decreased to 56.0% as compared to the gross profit margin of 59.7% for the year ended 31 December 2022, which was mainly attributable to unfavorable sales mix and increased manufacturing cost caused by inflation.

Other Net Income

Other net income increased by 1.0% from US$36.2 million for the year ended 31 December 2022 to US$36.5 million for the year ended 31 December 2023. It mainly comprises government grants, interest income, as well as gains or losses on asset disposals, foreign exchange, etc.

Research and Development Costs

Research and development costs decreased by 9.6% from US$419.8 million for year ended 31 December 2022 to US$379.4 million for the year ended 31 December 2023. Such decrease resulted from 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 increased by 2.0% from US$328.2 million for the year ended 31 December 2022 to US$334.9 million for the year ended 31 December 2023. Such increase was attributable to the corresponding increase in market development, product promotion activities and sales commissions for each major business in line with the increase of revenue.

Administrative Expenses

Administrative expenses decreased by 18.5% from US$247.5 million for the year ended 31 December 2022 to US$201.7 million for the year ended 31 December 2023. Such decrease was mainly attributable to the Group's effective cost controls and the leverage of global resources to further enhance operating efficiencies across the Group.

Other Operating Costs

Other operating costs increased by 242.4% from US$49.3 million for the year ended 31 December 2022 to US$168.7 million for the year ended 31 December 2023. Such change was mainly attributable to the increase in provision for impairment of goodwill and equity-accounted investees during the Reporting Period.

Finance costs

Finance costs increased by 22.5% from US$78.4 million for the year ended 31 December 2022 to US$96.0 million for the year ended 31 December 2023. Such increase was mainly attributable to an increase in the accrued interest of the convertible bonds issued by the Company and the subsidiaries of the Group, as well as the increase in interest-bearing borrowings during the Reporting Period.

Income tax

Income tax increased from US$6.6 million for the year ended 31 December 2022 to US$22.6 million for the year ended 31 December 2023. Such change was mainly attributable to the increase in profit before tax earned by the PRC subsidiaries of the Group.

Non-HKFRS Measures

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:

	Year ended 31 December		
	2023	2022	**Change**
	US$'000	*US$'000*	*%*
Net loss	**(649,157)**	(588,115)	Increased by 10.4%
Add/(less):			
– Share-based compensation expenses	**39,659**	72,803	Decreased by 45.5%
– Gain on disposal of subsidiaries and equity-accounted investees	**(18,154)**	(46,374)	Decreased by 60.9%
– Net realised and unrealised loss on financial instruments carried at FVPL	**13,001**	751	Increased by 1,631.2%
– Impairment losses of non-current assets	**155,975**	23,499	Increased by 563.8%
– Interest expenses on preferred shares issued by subsidiaries	**24,123**	34,958	Decreased by 31.0%
Non-HKFRS adjusted net loss for the year	**(434,553)**	(502,478)	Decreased by 13.5%

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 31 December 2023, the Group had US$1,019.6 million of cash and cash equivalents, as compared to US$1,203.0 million as at 31 December 2022. Such decrease was mainly attributable to: (i) the increase in the Group's pledged deposits and time deposits; (ii) operating expenditure on the research and development, registration, commercialization and other activities actively carried out for businesses such as surgical robots and heart valves by leveraging independent financing channels; and (iii) capitalized expenditure of the Group. The Board's approach to managing liquidity of the Group is to ensure sufficient liquidity at any time to meet its matured liabilities in order to avoid any unacceptable losses or damage to the Group's reputation.

Borrowings and Liabilities to Assets Ratio

Total borrowings of the Group, including interest-bearing borrowings and convertible bonds, as at 31 December 2023 were US$1,566.5 million, representing an increase of US$274.9 million as compared to US$1,291.6 million as at 31 December 2022. During the Reporting Period, the Liabilities to Assets ratio (calculated as total liabilities divided by total assets) of the Group increased from 55.1% as at 31 December 2022 to 64.3% as at 31 December 2023.

Net Current Assets

The Group's net current assets as at 31 December 2023 were US$739.4 million, as compared to US$1,277.1 million as at 31 December 2022.

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 year ended 31 December 2023, the Group recorded a net exchange loss of US$7.7 million, as compared to a net exchange gain of US$4.5 million for the year ended 31 December 2022. 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 abovementioned items, the Group's total capital expenditure for the year ended 31 December 2023 amounted to approximately US$199.0 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 31 December 2023, the Group had mortgaged its production buildings held for own use and land use right for the purpose of securing bank loans with a carrying value of US$120.8 million, and pledged the equity interest held by the Group in Suzhou MicroPort Argus Medtech Co., Ltd., Shanghai Huanbo Digital Technology Co., Ltd., MicroPort Vision Power MedTech (Shanghai) Co., Ltd., Fujian Kerui Pharmaceutical Co., Ltd. and Hemovent GmbH for the purpose of securing bank loans for acquisitions or capital contribution with a carrying value of US$168.1 million.

FUTURE INVESTMENT PLANS AND EXPECTED FUNDING

Looking ahead, the Group will continue to expand its business in both domestic and overseas markets, explore its potential and create more value for the benefit of its shareholders. The Group will continue to grow and strengthen primarily through self-development. Investment in working capital and capital expenditure will be supported by various sources of financing, including but not limited to cashflows generated from operating activities, bank borrowings and equity financing.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants of Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report issued by the Group's independent auditor, KPMG, Certified Public Accountants of Hong Kong on the consolidated financial statements of the Group for the year ended 31 December 2023:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to note 1(b) to the consolidated financial statements, which indicates that the Group had (i) convertible bonds issued by the Company with a principal amount of US$448 million which are due for redemption in June 2024 and (ii) short-term interest-bearing borrowings of US$295.4 million which are due for repayment in 2024. In addition, the Group incurred a net loss of US$649.2 million and had a net operating cash outflow of US$231.9 million for the year ended 31 December 2023. These conditions, along with other matters as set forth in note 1(b) to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The aforesaid "note 1(b) to the consolidated financial statements" in the extract from the independent auditor's report is disclosed as note 2 to this announcement.

CORPORATE GOVERNANCE PRACTICES

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 year ended 31 December 2023, the Company has 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 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 assumed the position of the chief executive officer of the Company. Nevertheless, the Board will continue to review the efficacy of the Group's corporate governance structure to assess whether the separation of the positions of chairman and chief executive officer of the Company is necessary.

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

AUDIT COMMITTEE

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 annual results and annual report for the year ended 31 December 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS

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 Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code for transactions in the Company's securities throughout the financial year ended 31 December 2023.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company in 2023.

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

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

As disclosed on 14 December 2023, 上海微創心脈醫療科技(集團)股份有限公司 ("Shanghai MicroPort Endovascular MedTech (Group) Co., Ltd.", "EV MedTech") has entered into subscription agreements with 17 qualified subscribers, pursuant to which, EV MedTech has agreed to allot and issue and the subscribers have agreed to subscribe for an aggregate of 10,748,106 new A shares of EV MedTech. Save for the above, there was no other material acquisition and disposal of subsidiaries and associated companies by the Company during the year ended 31 December 2023.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2023 and up to the date of this announcement.

PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public at all times during the financial year ended 31 December 2023 as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association and the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to the existing shareholders.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: nil).

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (http://www.microport.com). The 2023 annual report of the Company will be dispatched to shareholders in due course and will also be available at the websites above at the same time.

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

Shanghai, the People's Republic of China, 28 March 2024

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