MicroPort NeuroTech Limited
微創腦科學有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2172)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The Board of the Company is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2022 together with the unaudited comparative figures for the six months ended 30 June 2021.

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue	**205,993**	167,624
Gross profit	**141,547**	129,710
(Loss)/profit for the period	**(93,729)**	43,751
Total non-HKFRS adjusted items for the period[(1)]	**109,135**	6,368
Non-HKFRS adjusted net profit for the period[(1)]	**15,406**	50,119

During the Reporting Period, despite the great impact on the production and logistics arrangement of the Group due to the prevention and control measures including lockdowns and travel restrictions to cope with COVID-19, the Group recorded a revenue of approximately RMB206.0 million, representing an increase of 22.9% as compared with the same period of last year. The increase was mainly due to: (1) an overseas revenue exceeding RMB10 million for the first time to approximately RMB11.8 million, the revenue mainly came from the United States, South Korea and Europe; (2) an expansion of the volume of innovative products approved in recent years including NUMEN® Coil Embolization System, Bridge® Vertebral Artery Drug-eluting Stent and U-track® Intracranial Support Catheter; and (3) a continual increase in clinical usage of market-leading products including Tubridge® Flow-diverting Stent and Asahi® Neurovascular Guidewires.

During the Reporting Period, the Group recorded a net loss of approximately RMB93.7 million, mainly due to, as disclosed in the Prospectus, the non-cash settled interest on other financial liabilities of approximately RMB87.0 million, the listing expenses of approximately RMB16.3 million as well as factors affecting the Group's non-HKFRS adjusted net profit as disclosed below. During the Reporting Period, the Group's non-HKFRS adjusted net profit was approximately RMB15.4 million, representing a decrease over the same period of last year, which was mainly due to, as disclosed in the Prospectus, (1) an increase in the share of losses of an associate who has increasing R&D and sales activities expenses, mainly because the Group recorded an amount of 6-month loss of an associate under the equity method during the Reporting Period as compared to an amount of only 2-month loss for the same period last year; and (2) the restrictions on travel and logistics as a result of the lockdown, which led to shipment delays for our orders in March and April 2022 and caused an impact on our revenue in these two months.

During the Reporting Period, four of the Group's products were approved by the NMPA, including Diveer® Intracranial Balloon Dilatation Catheter, NUMEN Silk® 3D Electronically Detachable Coil, Neurohawk® Intracranial Stent Thrombectomy Device and X-track™ Intracranial Distal Access Catheter. These commercialized products fully cover three major areas of cerebral vessel diseases, namely hemorrhagic stroke, cerebral atherosclerotic stenosis and acute ischemic stroke.

Notes:

(1) To supplement our consolidated statements of profit or loss of the Group which are presented in accordance with HKFRSs, the Group also prepared the adjusted net profit, which is not required by, or presented in accordance with, HKFRSs. The presentation of such non-HKFRS measures in conjunction with the corresponding HKFRS measures facilitates a comparison of our operating performance by eliminating the impact of listing expenses, interest on other financial liabilities, equity-settled share-based payment, interest on convertible bonds, fair value changes in financial instruments and the related income tax impact. Such non-HKFRS measures allow investors to consider metrics used by the Group's management in evaluating our performance. Please refer to section headed "Non-HKFRS Measures" in page 34 of this announcement for more details.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022 — unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2022	2021
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**205,993**	167,624
Cost of sales		**(64,446)**	(37,914)
Gross profit		**141,547**	129,710
Other net income	*4*	**4,840**	14,689
Research and development costs		**(49,183)**	(38,345)
Distribution costs		**(33,710)**	(29,025)
Administrative expenses		**(31,749)**	(13,568)
Other operating costs	*5(b)*	**(18,163)**	—
Profit from operations		**13,582**	63,461
Finance costs	*5(a)*	**(89,468)**	(13,219)
Share of losses of an associate		**(12,839)**	(2,285)
(Loss)/profit before taxation	*5*	**(88,725)**	47,957
Income tax	*6*	**(5,004)**	(4,206)
(Loss)/profit for the period		**(93,729)**	43,751
Attributable to:			
Equity shareholders of the Company		**(92,352)**	43,751
Non-controlling interests		**(1,377)**	—
(Loss)/profit for the period		**(93,729)**	43,751
(Loss)/earnings per share	*7*		
Basic and diluted *(in RMB)*		**(0.20)**	0.09

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022 — unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
(Loss)/profit for the period	**(93,729)**	43,751
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that will not be reclassified to profit or loss:		
Exchange differences on translation of financial statements of the Company	**(22,061)**	(867)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign subsidiaries	**(23,905)**	618
Other comprehensive income for the period	**(45,966)**	(249)
Total comprehensive income for the period	**(139,695)**	43,502
Attributable to:		
Equity shareholders of the Company	**(138,318)**	43,502
Non-controlling interests	**(1,377)**	—
Total comprehensive income for the period	**(139,695)**	43,502

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

(Expressed in Renminbi)

	Note	At 30 June 2022 (unaudited) RMB'000	At 31 December 2021 (audited) RMB'000
Non-current assets			
Property, plant and equipment		**204,275**	212,238
Investment property		**13,362**	13,611
		217,637	225,849
Intangible assets		**133,885**	127,385
Interest in an associate		**162,985**	168,211
Deferred tax assets		**8,520**	7,398
Other non-current assets		**29,655**	27,345
		552,682	556,188
Current assets			
Inventories		**108,065**	87,959
Trade and other receivables	*8*	**63,128**	102,908
Time deposits		**50,000**	—
Cash and cash equivalents		**640,002**	593,287
		861,195	784,154
Current liabilities			
Trade and other payables	*9*	**159,114**	129,666
Contract liabilities		**22,368**	12,403
Lease liabilities		**25,812**	27,993
Income tax payables		**9,647**	4,148
		216,941	174,210
Net current assets		**644,254**	609,944
Total assets less current liabilities		**1,196,936**	1,166,132

	Note	**At 30 June 2022 (unaudited) *RMB'000***	At 31 December 2021 (audited) *RMB'000*
Non-current liabilities			
Lease liabilities		**71,118**	81,705
Deferred income		**19,601**	18,124
Other financial liabilities	*10*	**1,392,957**	1,237,990
Other non-current liabilities		**4,811**	3,253
		1,488,487	1,341,072
NET LIABILITIES		**(291,551)**	(174,940)
CAPITAL AND RESERVES	*11*		
Share capital		**60**	60
Reserves		**(305,995)**	(175,000)
Total deficit attributable to equity shareholders of the Company		**(305,935)**	(174,940)
Non-controlling interests		**14,384**	—
TOTAL DEFICIT		**(291,551)**	(174,940)

NOTES

(Expressed in Renminbi unless otherwise indicated)

1 Basis of preparation

MicroPort NeuroTech Limited (the "**Company**") was incorporated in the Cayman Islands on 30 September 2020 as an exempted company with limited liability under the Companies Act (As Revised) of the Cayman Islands. The Company and its subsidiaries (together, "**the Group**") are principally engaged in the research and development, manufacturing and sale of neuro-interventional medical devices. The Company has not carried out any business since the date of its incorporation save for the Group reorganisation below.

During the six months ended 30 June 2022 and 2021, the Group's business was primarily conducted through MicroPort NeuroTech (Shanghai) Co., Ltd. ("**MP NeuroTech Shanghai**") (微創神通醫療科技(上海)有限公司). As part of the Group restructuring (the "**Restructuring**"), the Group obtained control of MP NeuroTech Shanghai in 2021.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 26 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the historical financial information of the Company for the years ended 31 December 2019, 2020 and 2021 as set out in the prospectus of the Company dated 29 June 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"), except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the year ended 31 December 2021. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2021 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

2 Changes in accounting policies

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

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*

- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

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

3 Revenue and segment reporting

The Group sells medical devices through appointed distributors.

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

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of medical devices — point in time	**205,189**	167,265
Revenue from other sources		
Rentals	**804**	359
	205,993	167,624
Disaggregated by geographical location of customers		
— the PRC	**194,181**	167,624
— Outside the PRC	**11,812**	—
	205,993	167,624

The geographical analysis above includes property rental income in the PRC for the six months ended 30 June 2022 of RMB804,000 (six months ended 30 June 2021: RMB359,000).

4 Other net income

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Fair value changes in financial instruments	**—**	12,098
Government grants *(Note)*	**1,493**	683
Interest income on financial assets carried at amortised cost	**3,124**	537
Net (loss)/gain on disposal of property, plant and equipment	**(31)**	394
Others	**254**	977
	4,840	14,689

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

5 (Loss)/profit before taxation

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

(a) Finance costs

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Interest on convertible bonds	**—**	12,873
Interest on other financial liabilities *(Note 10)*	**87,032**	—
Interest on lease liabilities	**2,374**	285
Total interest expenses on financial liabilities not at fair value through profit or loss	**89,406**	13,158
Others	**62**	61
	89,468	13,219

(b) Other operating costs

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Listing expenses	**16,344**	—
Donations	**1,819**	—
	18,163	—

(c) Other items

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Amortisation of intangible assets	**6,867**	5,558
Depreciation charge		
— owned property, plant and equipment and investment property	**7,184**	3,055
— right-of-use assets	**13,938**	2,543
	21,122	5,598
Less: Capitalised into intangible assets	**(250)**	(206)
	20,872	5,392
Research and development expenditure	**62,550**	43,260
Less: Development costs capitalised into intangible assets	**(13,367)**	(4,915)
	49,183	38,345
Provision of inventories write-down	**231**	1,246

6 Income tax

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Current tax — PRC Corporate Income Tax ("CIT")		
Provision for the period	**6,126**	6,048
Deferred tax		
Origination and reversal of temporary differences	**(1,122)**	(1,842)
	5,004	4,206

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 MP NeuroTech Shanghai, which is entitled to a preferential income tax rate of 15% as it is certified as a "High and New Technology Enterprise" ("**HNTE**") during the six months ended 30 June 2022 and 2021. According to Guoshuihan 2009 No. 203, if an entity is certified as an HNTE, it is entitled to a preferential income tax rate of 15% during the certified period.

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

7 (Loss)/earnings per share

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of RMB92,352,000 for the six months ended 30 June 2022 (profit attributable to equity shareholders of the Company of RMB43,751,000 for the six months ended 30 June 2021) and the weighted average of 461,397,840 ordinary shares (six months ended 30 June 2021: 500,000,000 shares) in issue on the assumption that the Restructuring and the share subdivision as disclosed in Note 11 had been in effective on 1 January 2021.

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share amounts for the six months ended 30 June 2022 and 2021 had not included the convertible bonds issued and the preferred shares issued by the Company, as they had an anti-dilutive effect on the basic (loss)/earnings per share amounts.

8 Trade and other receivables

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 allowance for doubtful debts, is as follows:

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
Within 1 month	**11,204**	971
1 to 3 months	**8,111**	—
3 to 12 months	**—**	95
	19,315	1,066
Other debtors	**4,078**	3,925
Deposits and prepayments	**39,735**	31,248
Amounts due from related parties in connection with the Restructuring	**—**	66,669
	63,128	102,908

Trade receivables are generally due within 90 days from the date of billing.

9 Trade and other payables

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

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
Within 1 month	**32,113**	33,112
Over 1 month but within 3 months	**1,105**	1,408
Over 3 months but within 6 months	**2,911**	187
Over 6 months but within 1 year	**4,401**	65
Over 1 year	**241**	176
Trade payables	**40,771**	34,948
Accrued expenses	**32,851**	33,751
Accrued payroll	**26,857**	29,290
Other payables	**58,635**	31,677
	159,114	129,666

10 Other financial liabilities

In November 2021, the Company and several investors (the "**2021 Pre-IPO Investors**") entered into a share subscription and purchase agreement, pursuant to which: (i) the 2021 Pre-IPO Investors subscribed for an aggregate of 2,032,495 newly issued series A-2 preferred shares of the Company (the "**Series A-2 Preferred Shares**") at an aggregate consideration of approximately US$31.26 million; and (ii) MicroPort Scientific Investment LTD ("**MP Scientific**", the immediate parent of the Company) transferred 7,720,432 ordinary shares of the Company to the 2021 Pre-IPO Investors at a consideration of approximately US$118.74 million, whereby the transferred ordinary shares were reclassified and redesignated as Series A-2 Preferred Shares (together the "**Pre-IPO Investment**").

Upon the completion of the Pre-IPO Investment in November 2021, the convertible bonds issued by the Company were simultaneously exchanged into an aggregate of 11,759,125 series A-1 preferred shares of the Company (the "**Series A-1 Preferred Shares**") at a price of approximately US$5.95 per Series A-1 Preferred Shares.

Significant terms of the Series A-1 Preferred Shares and Series A-2 Preferred Shares are outlined below:

Liquidation preference

In the event of any liquidation of the Company (such as liquidation, dissolution or winding up) or trade sale of its business, the holders of the Series A-1 Preferred Shares and Series A-2 Preferred Shares shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the other shareholders, an amount equals to the original issue price plus an interest accrued at a simple interest rate of 8% per annum.

Redemption rights

The Series A-1 Preferred Shares and Series A-2 Preferred Shares shall be redeemable by the Company upon the occurrence of certain contingent events, with the main conditions being: a qualified public offering does not occur before 18 November 2024, at an amount equal to the original issue price plus an interest accrued at a simple interest rate of 10% per annum.

Conversion feature

Each Series A-1 Preferred Share or Series A-2 Preferred Share shall be convertible into such number of fully paid ordinary shares at any time at the option of the holder after the original issue date of the Series A-1 Preferred Shares and Series A-2 Preferred Shares. The initial conversion ratio for preferred share to ordinary share is 1:1. Such initial conversion ratio shall be subject to adjustment (including but not limited to dividends, share splits and combinations, capital reorganisation or reclassification). Each Series A-1 Preferred Share or Series A-2 Preferred Share shall automatically be converted into such number of the ordinary share of the Company upon the closing of a qualified public offering as specified in the memorandum of association of the Company.

Presentation and Classification

The redemption obligation feature attached in the Series A-1 Preferred Shares and Series A-2 Preferred Shares give rise to financial liabilities, which are measured at the highest of those amounts that could be payable, and on a present value basis. The financial liabilities arising from Series A-1 Preferred shares and Series A-2 Preferred shares are measured at the transaction price at initial recognition, and subsequently at amortised cost at an effective interest rate of 14.38%.

The movement of other financial liabilities during the six months ended 30 June 2022 are set out below:

	RMB'000
At 1 January 2022	1,237,990
Interest expenses *(note 5(a))*	87,032
Exchange adjustments	67,935
At 30 June 2022	1,392,957

11 Capital and reserves

(a) Dividends

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

(b) Share capital

On 22 June 2022, a share subdivision was approved by the shareholders of the Company, pursuant to which, each issued and unissued share capital was subdivided to five shares of the corresponding class with par value of US$0.00002 each. Consequently, the issued share capital of the Company consisted of 461,397,840 ordinary shares.

(c) Share options granted by the ultimate controlling party

MicroPort Scientific Corporation ("**MPSC**"), the ultimate controlling party of the Group, has granted certain share options to the employee of the Group. Each option gives the holder the right to subscribe for one ordinary share of MPSC, while the Group did not have an obligation to settle such transaction.

Apart from the outstanding share options carried forward from 2021, during the six months ended 30 June 2022, MPSC granted 2,470,920 share options to the employees of the Group (nil share options were granted during the six months ended 30 June 2021). The share options granted in January 2022 will vest in instalments over the vesting period from 21 February 2022 to 21 January 2023 and will be exercisable until 20 January 2032 with the exercise price of HK$28.05. The share options granted in April 2022 will vest in instalments over an explicit vesting period of one to four years and will be exercisable until 31 March 2032 with the exercise price of HK$18.12. The share options granted in May 2022 will vest in instalments over the vesting period from 16 June 2022 to 16 May 2023 and will be exercisable until 15 May 2032 with the exercise price of HK$14.26.

During the six months ended 30 June 2022, 63,389 share options were exercised (six months ended 30 June 2021: 180,800) with a weighted average exercise price of HK$4.41 (equivalent to approximately RMB3.66) (six months ended 30 June 2021: HK$3.37 (equivalent to approximately RMB2.81)).

(d) Share awards granted by the ultimate controlling party

MPSC has granted certain number of its own ordinary shares to the employee of the Group under the share award scheme approved by the board of MPSC with no vesting conditions attached at nil consideration. MPSC and the Group also entered into a recharge arrangement approximate to the grant-date fair value of this shared-based payment and the recharge is required to be paid after the shares are awarded. The fair value of services received in return for the shares awarded of nil and RMB5,294,000 for the six months ended 30 June 2022 and 2021, respectively, which is measured by the grant-date share price of MPSC, was recognised as expenses on the grant date with a corresponding increase in trade and other payables due to MPSC.

(e) Employee share purchase plan (the "ESPP")

Since 2015, the Group adopted several ESPPs, pursuant to which, the partnership firms, whose limited partners consisted of employees of the Group, invested in the Group by way of subscribing newly issued equity interests of MP NeuroTech Shanghai. All participants of the ESPPs have purchased equity interests in respective partnership firms at amounts specified in the respective partnership agreements.

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

The total expenses recognised in the consolidated statement of profit or loss for the above ESPP are RMB162,000 and RMB144,000 for the six months ended 30 June 2022 and 2021, respectively.

12 Non-adjusting events after the reporting period

On 15 July 2022, the Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Listing**"). Upon the completion of the Listing, (i) all preferred shares issued by the Company were converted into the ordinary shares of the Company, resulting in a transfer of other financial liabilities to ordinary share capital and share premium; and (ii) the Company issued 13,700,000 ordinary shares at the price of HK$24.64 per share and received the gross proceeds of HK$337,568,000 (equivalent to approximately RMB290,285,000).

Overview

Stroke is the leading cause of death in China with high incidence rates and mortalities. According to CIC, China has the highest number of stroke patients in the world. However, the neuro-interventional medical device industry in China is still at an early stage of development, with relatively low market penetration. According to the CIC report, the market size of China's neuro-interventional medical device market was RMB5.8 billion in 2020. In recent years, benefiting from driving factors such as increasing prevalence of cerebral vessel diseases and proven efficacy of neuro-interventional procedures, increasing number of hospitals and physicians capable of neuro-interventional procedures, increasing supply of Chinese-developed neuro-interventional medical devices and favorable government policies promoting stroke treatments, the volume of neuro-interventional procedures in China has shown a rapid growth trend. The market size of China's neuro-interventional medical device market is expected to reach RMB17.5 billion by 2026, with huge growth potential.

As a pioneer and the largest Chinese company in the neuro-interventional medical device industry in China, the Group is committed to providing innovative and accessible solutions for cerebral vessel diseases to patients and physicians around the world. The Group has a comprehensive portfolio of commercialized products covering three major areas of cerebral vessel diseases, namely hemorrhagic stroke, cerebral atherosclerotic stenosis and acute ischemic stroke.

Since its establishment, the Group has always adhered to the goal of addressing clinical needs and insisted on R&D and innovation with proprietary intellectual property rights. After years of accumulation, we have mastered a number of core design and manufacturing technology platforms for the R&D and manufacturing of neuro-interventional medical devices. We have developed multiple "first" or "only" products, including the first stent system approved for treating intracranial atherosclerotic diseases in the world, the only intracranial stent graft approved for treating cerebral vessel diseases in the world, the first Chinese-developed flow-diverting stents approved by the NMPA, and the first vertebral artery drug-eluting stent in China that has been admitted to the NMPA's innovative medical device special review and approval procedure (the "**Green Path**") and approved by the NMPA, according to CIC.

Business Review

In the first half of 2022, the unexpected lockdown in Shanghai for the pandemic control had an impact on both our production and logistics. In the face of challenges, the Group took all measures to protect production and operations, with a focus on the improvement of innovation capability and operating efficiency. The Group strengthened online and offline medical education and training, and adhered to the strategy of grassroots market development, while accelerating its global strategic layout, which partially offset the adverse impact of the pandemic.

During the Reporting Period, the Group achieved revenue of RMB206.0 million, representing an increase of 22.9% over the same period of last year, of which international (non-China) operations recorded revenue of RMB11.8 million (the same period of last year: Nil). The growth in revenue was mainly due to the commercialization of NUMEN® Coil Embolization System ("**NUMEN® Coil**") in Asia Pacific, North America and Europe; the rapid increase in volume of innovative products approved in recent years, including NUMEN® Coil, Bridge® Vertebral Artery Drug-eluting Stent ("**Bridge® Stent**") and U-track® Intracranial Support Catheter ("**U-track® Support Catheter**"); and the continuous increase in clinical usage of market-leading products including Tubridge® Flow-diverting Stent ("**Tubridge® Flow-diverting Stent**") and Asahi® Neurovascular Guidewires ("**Asahi® Guidewires**").

During the Reporting Period, four of the Group's self-developed products were approved by the NMPA, including Diveer® Intracranial Balloon Dilatation Catheter ("**Diveer® Balloon Catheter**"), the new generation of NUMEN Silk® 3D Electronically Detachable Coil ("**NUMEN Silk® Coil**"), Neurohawk® Stent Thrombectomy Device ("**Neurohawk Thrombectomy Device**") and X-track™ Intracranial Distal Access Catheter ("**X-track™ Distal Catheter**") , which added new momentum to the business growth. As at the end of the Reporting Period, we had a portfolio of commercially available therapeutic products covering the three major areas of cerebral vessel diseases, namely hemorrhagic stroke, cerebral atherosclerotic stenosis and acute ischemic stroke.

International Business

During the Reporting Period, the Group achieved a breakthrough in its international business with overseas sales revenue of RMB11.8 million. As of the date of this announcement, our business has successfully entered into a number of top 10 countries and regions in terms of the volume of neuro-interventional procedures, including the United States, Japan, South Korea, Brazil and European region. As one of the main strategies for globalization, the Group has established regional sales headquarters in Europe, the Middle East and Africa (collectively known as the "**EMEA**"), North America, Latin America and Asia Pacific. Led by team leaders with rich experience in sales of neuro-interventional devices, they have in-depth knowledge of local markets and resources of sales channels to rapidly expand the global sales network. We plan to set up overseas R&D and production centers to further enhance our global brand awareness and attract talents and resources in the neuro-interventional field worldwide. In addition, we have also conducted in-depth cooperation with leading international companies to expand our product portfolio and broaden sales network and to build an international platform for innovation.

In terms of commercialization, the Group's self-developed products have been commercially implanted in six countries cumulatively around the world. In the US market, the Group has leveraged the established channel resources of its associate, Rapid Medical, to drive rapid sales of NUMEN® Coil, which is highly recognized by clinicians for their excellent flexibility and support. NUMEN® Coil can be used in conjunction with the Comaneci® Embolization Assist Device ("**Comaneci® Assist Device**") which has received FDA Breakthrough Device designation, thereby providing product competitiveness of both parties in the field of coil embolization procedures. In the future, both parties will leverage their complementary strengths in terms of sales channels and product distribution to promote the application of innovative portfolio of neuro-interventional products in the global market. In the South Korean market, since NUMEN® Coil entered the national medical insurance reimbursement list in February 2022 and completed the first commercial implantation procedure, the continuously rising market demand has contributed to revenue growth. In addition, the first sales of APOLLO™ Intracranial Stent System ("**APOLLO™ Stent**") has been completed in Brazil, adding new momentum to our overseas business.

In terms of market access, the NUMEN® Coil and NUMEN FR® Coil Detachment System ("**NUMEN FR® Detachment**") have been approved for marketing in Brazil and Japan, marking the entry to these two important markets for these two products after their receiving CE Marking in the European Union, MFDS approval in South Korea and FDA approval in the United States in 2021. During the Reporting Period, the Group's products were presented for the first time at the annual conference of the Interventional Neuroradiology and Neurosurgery Conference (LINNC) in Paris, continuing to enhance the global influence of the brand.

Commercialization Capabilities

In the domestic market, by virtue of its diversified commercial product portfolio, experienced sales team, and extensive distributor and hospital coverage network, the Group continues to enhance its commercial competitiveness and strengthen its market leading position among domestic brands.

The Group has a professional sales team of 96 personnel with an average industry experience of over 8 years. We have established cooperative relationships with more than 200 distributors and sub-distributors, and our sales channels cover 31 provinces, municipalities and autonomous regions across the country. During the Reporting Period, the Group further expanded the market coverage of its products, with more than 250 hospitals newly entered, cumulatively covering approximately 2,400 hospitals nationwide. With mature marketing experience, we have successfully promoted the rapid entry of new products into hospitals around the country to improve clinical use. During the Reporting Period, NUMEN® Coil newly entered 130 hospitals, and cumulatively covered more than 430 hospitals and Bridge® Vertebral Stent newly entered 161 hospitals, and cumulatively covered more than 380 hospitals.

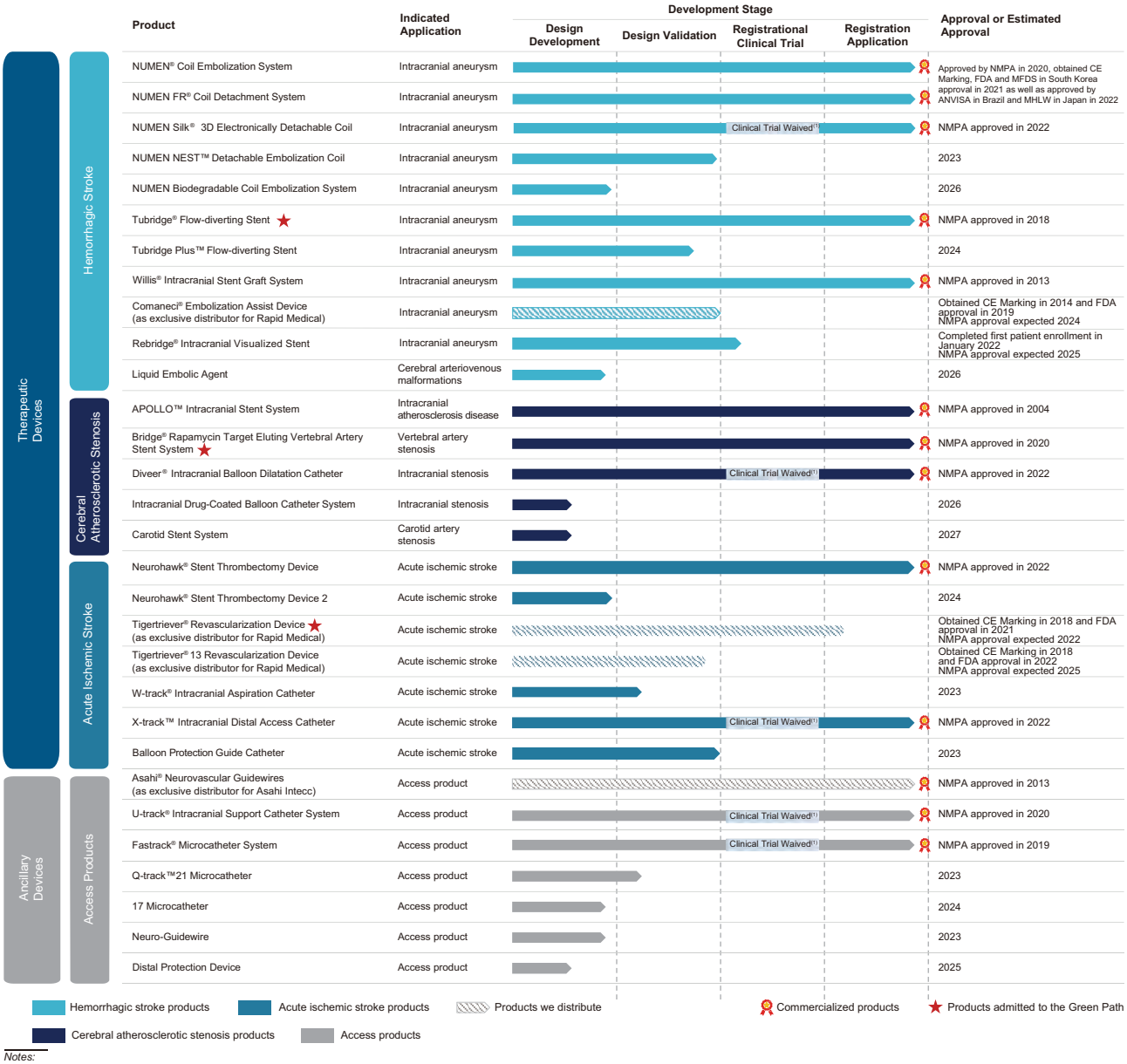
During the Reporting Period, the Group focused on the promotion of its innovative products, namely Tubridge® Stent, NUMEN® Coil and Bridge® Vertebral Stent, and carried out academic and marketing activities through a combination of academic sharing and case studies to promote the exchange of cutting-edge academic research and clinical practice experience. For the grassroots market, the Group actively contributed to the establishment of stroke centers. Through the Eagle & Swallows (神雕飛燕) program, it introduced knowledge about neuro-intervention, organized training on neuro-interventional procedures, and provided follow-up consulting and routine guidance to physicians and patients in hospitals in low-tier cities and counties, thereby facilitating the promotion of high-quality medical resources to those local areas in all aspects. During the Reporting Period, the Group achieved new entry into more than 30 low-tier cities and counties, covering approximately 130 regions.

During the Reporting Period, the Group's sales volume of coil increased significantly in Hebei Province, where we had not sold coil products before. This was benefited from the official implementation of the provincial volume-based procurement of coils in Hebei Province, thus the time for the selected products to be admitted to hospitals was significantly shortened. As of the date of this announcement, Jiangsu Province and Fujian Province have successively announced the results of the provincial volume-based procurement of coils, and our NUMEN® Coil has been successfully selected in both provinces.

Product Pipeline

Since the approval for marketing of the first product in 2004, leveraging its excellent R&D capability and efficient physician-engineer collaboration (醫工結合) model, the Group has built up a diversified portfolio of neuro-interventional products with a total of 30 products, including ten therapeutic products and three access products approved and commercialized in China and 17 pipeline products under different development stages.

The following chart summarizes our product portfolio and development status as of the date of this announcement.



Notes:

(1) These products belong to the product types covered in the List of Medical Devices Exempt from Clinical Trials (No. 71 of 2021) issued by the NMPA.

Hemorrhagic Stroke Products

Intracranial aneurysm is one of the main causes of hemorrhagic stroke. According to CIC, hemorrhagic stroke products represent the largest segment in terms of sales of neuro-interventional medical devices in China. The Group has a portfolio of 10 products for the treatment of hemorrhagic stroke, of which five commercialized products have covered key therapeutic areas of hemorrhagic stroke, including embolization coils, flow-diverting stents and stent grafts. During the Reporting Period, the Group recorded sales revenue of hemorrhagic stroke products of RMB117.5 million, representing an increase of 21.3% over the same period of last year. The increase was mainly due to an increase in sales revenue of NUMEN® coils at home and abroad as well as an increase in clinical usage of Tubridge® flow-diverting stent.

NUMEN® Coil

NUMEN® coil is a coil embolization system used to treat intracranial aneurysm. It was approved by the NMPA in September 2020, and was subsequently approved for marketing in the European Union, South Korea, the United States, Brazil and Japan. NUMEN coil permits stable framing, smooth filling and finishing, with superb conformability to shapes of aneurysms. Its three models, MicroFrame, MicroFill and MicroFinish, have a total of 177 specifications with different diameters, lengths and softness levels, providing physicians with a full range of embolization options.

NUMEN Silk® Coil

NUMEN Silk® coil is an iterative product developed based on NUMEN® coils, and was approved by the NMPA in February 2022. As a new generation of ultra-soft electronically detachable coil, NUMEN Silk® coil features greater smoothness in coil filling stage and finishing stage. The smoothness of the distal-end of its delivery wire improves the microcatheter's stability, to minimize the chance of the kick-back of the microcatheter in the finishing stage, therefore reducing the risk of aneurysm rupture.

Tubridge® Flow-diverting Stent

Tubridge® flow-diverting stent was the first neuro-interventional medical device that entered the Green Path, and was also the first and remains the only Chinese-developed flow-diverting stent approved by the NMPA. Leveraging the principle of haemodynamics, Tubridge® flow-diverting stent, as an endovascular scaffold, alters the flow between the parent artery and the aneurysm to reduce the impact of blood flow on the aneurysm, which allows the endothelial cells to grow along the stent skeleton, gradually repairing the aneurysm neck and curing the aneurysm. It is specifically indicated for large and giant aneurysms with higher success rate and lower recurrence rate compared to coil embolization treatment. Since its launching in 2018, the product has been widely recognized by surgeons in the industry by virtue of its excellent clinical effects, with increasing market share.

We are currently developing the next-generation product, Tubridge Plus™ Flow-diverting Stent, which aims to improve the smoothness in delivery and stent visibility under angiography. Such upgrades could facilitate the accurate placement of the stent and are expected to enhance the safety of procedures. The product is in the design validation stage.

Willis® Stent Graft

Willis® stent graft is the first and the only intracranial stent graft approved for treating cerebral vessel diseases in the world. It is also the first medical device that applies the theory of intracranial parent artery reconstruction in practice, with a focus on the characterised and unique treatment sector, and provides viable solutions for complex neurovascular diseases, including dissecting aneurysms, blood blister-like aneurysms, pseudo-aneurysms as well as carotid-cavernous fistulae.

Comaneci® Assist Device

Comaneci® assist device is an adjustable temporary coil embolization assisting stent developed by Rapid Medical. It received CE Marking in 2014, was approved by the FDA in 2019. The product is useful for the coil embolization of wide-neck or unusually shaped aneurysms to prevent the coil from falling out of the aneurysm sac and inadvertently blocking the artery, and can be withdrawn after embolization. The product received FDA Breakthrough Device designation in February 2022, to treat cerebral vasospasm after hemorrhagic stroke. We are the exclusive distributor in Greater China for Comaneci® assist device. The product is expected to be approved by the NMPA in 2024.

Rebridge® Intracranial Visualized Stent ("Rebridge® Stent")

Rebridge® stent is a full-visualized coil embolization assisting stent. The whole body of the stent is densely braided from radiopaque alloy wires, compared with other stents that only have several radiopaque wires, Rebridge® stent allows physicians to position more precisely for optimal adherent effect after stent expansion. At the same time, the stent is compatible with 0.017-inch microcatheter system, which provides convenience for the surgeons to operate. The product is at the stage of clinical trials.

Cerebral Atherosclerotic Stenosis Products

The Group has developed a comprehensive product portfolio to treat cerebral atherosclerotic stenosis, consisting of 5 self-developed products, which specifically cover solutions for the three major disease segments including intracranial stenosis, vertebral artery stenosis and carotid artery stenosis. During the Reporting Period, the Group recorded sales revenue of cerebral atherosclerotic stenosis products of RMB47.7 million, representing an increase of 3.1% over the same period of last year. The increase was mainly due to a significant increase in the sales volume of Bridge® vertebral artery stents year-on-year.

APOLLO™ Intracranial Stent

APOLLO™ intracranial stent is a balloon-expandable stent system, and was approved by the NMPA in 2004. It is the first stent system in the world to treat intracranial atherosclerotic disease (ICAD). APOLLO™ intracranial stent has been widely recognized in the clinical practice for its reliable safety and efficacy, and has maintained a leading position in the market. In recent years, benefiting from the application of stenosis cases in emergency clot retrieval procedure in grassroot hospitals, the market demand for APOLLO™ intracranial stent has maintained a stable growth trend.

Bridge® Vertebral Artery Stent

Bridge® vertebral artery stent is the first vertebral artery DES admitted to the Green Path and received NMPA approval. Bridge® stent is a balloon-expandable stent with rapamycin coated inside the tiny grooves on the stent surface facing the vessel wall. Its unique targeted drug delivery design helps to reduce drug dose to improve safety and effectively reduces the incidence of in-stent restenosis. The study results of pre-marketing clinical trials of Bridge® stent were published in *Frontier in Neurology*, an authoritative journal in the field of neurology, its safety and efficacy have been authoritatively recognized.

Diveer® Balloon Catheter

Diveer® balloon catheter is a specialized rapid-exchange intracranial balloon catheter, which is useful for interventional treatment of patients suffering from non-acute symptomatic intracranial atherosclerotic stenosis. Its ultra-soft tip reduces the risk of vascular injury, and its low push resistance enables excellent placement and pushability in tortuous vessels and complex lesions. The product was approved by the NMPA in January 2022.

Acute Ischemic Stroke Products

In the field of acute ischemic stroke, the Group has a portfolio of 7 products, covering stent thrombectomy devices and aspiration thrombectomy devices. According to CIC, we are the only Chinese company with stent thrombectomy devices compatible with different sizes of blood vessels. During the Reporting Period, Neurohawk® thrombectomy device and X-track™ distal catheter were approved for marketing. During the same period, the Group recorded sales revenue of acute ischemic stroke products of RMB0.4 million.

Neurohawk® Thrombectomy Device

Neurohawk® thrombectomy device is the Group's self-developed stent retriever with full visualization, which was approved by the NMPA in February 2022. It features a composite mesh design consisting of two meshes with different opening sizes arranged in a staggered spiral pattern, which allows it to better capture large, tough or fragile clots. Through the expansion and contraction of the two meshes, the stent provides effective wall apposition in the tortuous intracranial vessel.

X-track™ Distal Access Catheter

X-track™ distal access catheter is an intermediate catheter product developed by the Group for treating acute ischemic stroke, which was approved by the NMPA in April 2022. The product adopts special polymer material and double-wire braided structure, which can reach the lesion site multiple times during the operation, and its good anti-fatigue performance can fully meet the clinical needs for catheter improvement.

Tigertriever® Revascularization Device ("Tigertriever® Stent")

Tigertriever® stent is the world's first adjustable stent retriever with full visualization developed by Rapid Medical, indicated for procedures performed in blood vessels of varying diameters. The product obtained CE Marking in the European Union in May 2018 and obtained FDA approval in the United States in March 2021. We were engaged by Rapid Medical as the exclusive distributor in Greater China for Tigertriever® stent, Tigertriever® 13 stent and all iterations of Tigertriever®. Tigertriever® stent was admitted to the NMPA's Green Path in May 2020, for which we have submitted a registration application to the NMPA. Tigertriever® 13 stent is the world's smallest stent retriever to date to treat distal vessel occlusion, and the product was approved by the FDA in July 2022.

W-track® Intracranial Aspiration Catheter ("W-track® Aspiration Catheter")

W-track® aspiration catheter is an intracranial aspiration catheter used for clot aspiration. It has a multi-segment transition design to allow its smooth delivery, and its double-wire braided structure with stainless steel enhances the elongation resistance of the catheter while maintaining flexibility. W-track® aspiration catheter can reach the target occlusion quickly and smoothly, in particular in tortuous intracranial vessels. We plan to submit a registration application to the NMPA in the second half of 2022.

Balloon Protection Guide Catheter

Balloon protection guide catheter is a large lumen catheter with a compliant balloon at the distal tip of the catheter, which is designated to facilitate the insertion and guidance of an intravascular catheter while causing temporary distal flow arrest in the artery. We plan to submit a registration application to the NMPA in the second half of 2022.

Access Products

The Group has a product portfolio of 7 auxiliary access devices, among which the commercialized products include Asahi® guidewires, U-track® support catheter and Fastrack® Microcatheter System, and the pipeline products include various models of microcatheter products, self-developed neuro-guidewire products and distal protection device products. During the Reporting Period, the Group recorded sales revenue of access products of RMB39.6 million, representing an increase of 64.0% over the same period of last year, which was contributed by the sales growth of Asahi® guidewires and the new product U-track® support catheter.

Asahi® Guidewires

According to CIC, Asahi® guidewires are one of the global leading neurovascular guidewires, designed to selectively guide and carry catheters as well as other interventional devices within the neurovascular blood vessels. Asahi® guidewires feature a unique multi-stranded coil design at the tip, effectively enhancing torque response, elongation resistance and flexibility. The product was approved by the NMPA in August 2013. The Group has been engaged by Asahi Intecc as the exclusive distributor of Asahi® guidewires in China since 2016.

U-track® Support Catheter

U-track® support catheter can reach remote lesions in neurovascular surgery and support the precise delivery of various neurovascular interventional devices.

Research and Development

The Group has always adhered to the purpose of addressing clinical needs and continued on innovation. After years of accumulation, we have mastered core design and manufacturing technology platforms for the R&D and manufacturing of neuro-interventional medical devices, including braiding and coiling technology, stent forming and processing technology, balloon technology and catheter technology. We have also established a core R&D team with significant technical expertise in these fields. As of the end of the Reporting Period, the Group had a total of 141 R&D personnel, approximately 50% of which had a master's degree or above.

The Group has established a mature project evaluation mechanism to track the development direction of cutting-edge technology in the industry, evaluate market demand and its own technology reserves, so as to provide a basis for formulating medium-and long-term product development strategy. In addition, through a highly-efficient physician-engineer collaboration model, we carefully listen to the feedback and suggestions from physicians, conduct in-depth research on clinical pain points, and regularly evaluate new technologies under development to ensure our products meet clinical needs.

Intellectual Property Rights

The Group insists on R&D and innovation with proprietary intellectual property rights. As of the end of the Reporting Period, the Group had 137 authorized patents, including 30 overseas patents. 14 authorized patents were newly granted during the Reporting Period, including two overseas patents. In addition, the Group has 180 patents under application. According to the branding, marketing and compliance protection strategies, we have completed the layout of domestic and foreign trademarks with 160 registered trademarks and made 13 new trademark applications during the Reporting Period.

Quality Management and Manufacturing

During the Reporting Period, the production facilities of the Group in Zhangjiang, Shanghai were put into operation with a GFA of 7,000 sq.m. The designed annual capacity has increased from 110,000 products to 180,000 products, and is expected to further increase to 350,000 products in 2025.

The Group upholds product quality as its core value. We have established a digital product quality control system covering the entire production process, allowing us to trace the whole life cycle of our product from design, development, manufacturing to after-sale service. We have obtained the ISO13485 Medical Device Quality Management System certification and the quality system certification in the European Union, Brazil, Argentina and South Korea. During the Reporting Period, the Group was granted the highest level of organization award under 2021 Shanghai Quality Management Award (上海市質量管理獎) — Benchmarking Demonstration Level (標桿示範級) by virtue of its comprehensive operational management capabilities and performance results in innovation capability, quality management, corporate culture, brand cultivation and social responsibility.

Human Resources

After nearly a decade of development, the Group has developed a mature neuro-interventional medical device industrialization team, with a full-cycle operational capabilities covering R&D, clinical trials and registration, supply chain management and commercialization. As of the end of the Reporting Period, the Group had a total of 488 employees.

Prospect

Considering the aging population, the increasing number of stroke patients and the improvement of medical infrastructures, the neuro-interventional medical device industry in China is faced with huge development opportunities. In order to seize such opportunities and enhance core competitiveness amidst the market competition, the Group will make full use of its first-mover and scale advantages and implement active business strategies, including but not limited to the following:

1. **Continue to enhance innovation capabilities to offer a comprehensive solution for cerebral vessel diseases**

   We will continue to expand the depth and breadth of our product portfolio to achieve full product coverage of the cerebrovascular therapeutic area. Through independent development and external cooperation, we will continue with development, innovation and iteration, aligning every step of product improvement with clinical needs to offer stroke patients with a top-quality total solution.

2. **Promote the universal and affordable strategy and improve operating efficiency**

   We will continue to optimize our operating system and quality control system in an all-round way, upgrade our manufacturing technologies, strengthen our training system, and build a global supply chain system to further reduce costs and improve operating efficiency. In addition, we plan to increase our production capacity by expanding our production facilities and teams. Taking advantage of the economies of scale, we will promote universal and affordable neuro-interventional solutions, thereby increasing the level of stroke disease diagnosis and treatment in grassroot medical institutions, and benefiting more patients.

3. Expand the strategic global layout

We will actively expand our global presence and gradually enter the top ten countries and regions in terms of the volume of neuro-interventional procedures. We plan to advance the registration of our innovative products overseas and expand our international operating team to provide physicians and patients from all over the world with advanced therapeutic products and treatment options. We also plan to establish overseas R&D and production centers to expand our brand visibility and attract talents and resources in the neuro-interventional field worldwide. In addition, we will continue to have in-depth cooperation with leading international companies to enlarge our product portfolio and sales network, so as to build an international innovation platform.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group's revenue was mainly derived from hemorrhagic stroke products, cerebral atherosclerotic stenosis products, acute ischemic stroke products and access products. The Group's revenue increased by 22.9% from RMB167.6 million for the six months ended 30 June 2021 to RMB206.0 million for the six months ended 30 June 2022. This was mainly due to: (1) an overseas revenue exceeding RMB10 million for the first time to RMB11.8 million; (2) an expansion of volume of innovative products approved in recent years including NUMEN® coil, Bridge® stent and U-track® support catheter; and (3) a continual increase in clinical usage of market-leading products including Tubridge® flow-diverting stent and Asahi® guidewires.

Set out below is the breakdown of revenue by product category:

	For the six months ended 30 June		Period-on-period change %
	2022	2021	
	RMB'000	*RMB'000*	
	(unaudited)	(unaudited)	
Hemorrhagic stroke products	**117,505**	96,911	21.3%
Cerebral atherosclerotic stenosis products	**47,677**	46,227	3.1%
Acute ischemic stroke products	**444**	—	N/A
Access products	**39,563**	24,127	64.0%
Other business revenue	**804**	359	124.0%
Total	**205,993**	167,624	22.9%

Cost of Sales

Our cost of sales increased by 70.0% from RMB37.9 million for the six months ended 30 June 2021 to RMB64.4 million for the six months ended 30 June 2022. This was primarily due to the increases in raw material cost, staff costs and manufacturing expenses as a result of an increase in sales volume of various types of products.

Gross Profit and Gross Profit Margin

Our gross profit increased by 9.1% from RMB129.7 million for the six months ended 30 June 2021 to RMB141.5 million for the six months ended 30 June 2022, primarily due to an increase in sales volume of various types of products. The Group's gross profit margin was 68.7% for the six months ended 30 June 2022, with the gross margin of 75.7% for our in-house produced products. The decrease in the gross profit margin during the Reporting Period compared to the same period of last year was mainly due to the restricted travel and logistics capabilities during the pandemic lockdown period, which resulted in a decrease in the proportion of sales of in-house produced products and an increase in cost of sales.

Research and Development Costs

Our research and development costs increased by 28.3% from RMB38.3 million for the six months ended 30 June 2021 to RMB49.2 million for the six months ended 30 June 2022, primarily due to the expansion of the team for ongoing and newly developed R&D projects.

Distribution Costs

Our distribution costs increased by 16.1% from RMB29.0 million for the six months ended 30 June 2021 to RMB33.7 million for the six months ended 30 June 2022, primarily due to the expansion of the sales team.

Administrative Expenses

Our administrative expenses increased by 134.0% from RMB13.6 million for the six months ended 30 June 2021 to RMB31.7 million for the six months ended 30 June 2022, primarily due to the rental cost for the new production and office premises in operation, and the increase in depreciation of property, plant and equipment by RMB11.4 millions.

Other Net Income

Our other net income decreased by 67.1% from RMB14.7 million for the six months ended 30 June 2021 to RMB4.8 million for the six months ended 30 June 2022, primarily due to: (1) a gain on fair value changes of RMB12.1 million for the six months ended 30 June 2021 and no such gain for the six months ended 30 June 2022; and (2) an increase in interest income of RMB2.6 million.

Other Operating Costs

Our other operating costs increased from nil for the six months ended 30 June 2021 to RMB18.2 million for the six months ended 30 June 2022, comprising listing expenses of RMB16.3 million and donation expenses of RMB1.8 million.

Finance Costs

Our finance costs increased by 576.8% from RMB13.2 million for the six months ended 30 June 2021 to RMB89.5 million for the six months ended 30 June 2022, primarily due to: as disclosed in the Prospectus, an increase of RMB87.0 million in interest on other financial liabilities as a result of preferred shares issued under the series A financing, such interest expense required no payment in cash and no further accrued from the Listing Date of the Group; and partially offset by the interest on convertible bonds for the six months ended 30 June 2021 amounting to RMB12.9 million. Such interest was accrued from the issuance of convertible bonds in December 2020 and January 2021, and was no further accrued from the date of the convertible bonds' exchange into preferred shares in November 2021.

Share of the Losses of an Associate

During the Reporting Period, the Group's share of the losses of an associate came from Rapid Medical. The Group began to treat Rapid Medical as an associate under equity method from accounting perspective since May 2021.

Income Tax Expenses

Our income tax expenses increased by 19.0% from RMB4.2 million for the six months ended 30 June 2021 to RMB5.0 million for the six months ended 30 June 2022, primarily due to an increase in non-deductible expenses.

(Loss)/Profit for the Period

For the six months ended 30 June 2022, the Group recorded loss for the period of RMB93.7 million, mainly due to, as disclosed in the Prospectus, (1) the non-cash settled interest on other financial liabilities of RMB87.0 million; (2) the listing expenses of RMB16.3 million; (3) an increase of RMB10.6 million in the share of losses of an associate; and (4) the restrictions on travel and logistics as a result of the lockdown, which led to shipment delays for our orders in March and April 2022 and caused an impact on our revenue in these two months.

Non-HKFRS Measures

To supplement our consolidated statements of profit or loss which are presented in accordance with HKFRSs, we also use adjusted net profit as non-HKFRS measures, which are not required by, or presented in accordance with, HKFRS. We believe that the presentation of non-HKFRSs 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.

In the future, there may be other items that we may exclude from time to time in reviewing our 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)/profit for the periods indicated:

	For the six months ended 30 June		
	2022	2021	Year-on-year change %
	RMB'000	*RMB'000*	
	(unaudited)	(unaudited)	
Net (loss)/profit	**(93,729)**	43,751	N/A
Add/(less):			
— Listing expenses	**16,344**	—	N/A
— Interest on other financial liabilities	**87,032**	—	N/A
— Equity-settled share-based payment expenses	**6,274**	5,593	12.2%
— Interest on convertible bonds	**—**	12,873	N/A
— Fair value changes in financial instruments	**—**	(12,098)	N/A
— Income tax effect	**(515)**	—	N/A
Total non-HKFRS adjusted items for the period	**109,135**	6,368	1,613.8%
Non-HKFRS adjusted net profit for the period	**15,406**	50,119	-69.3%

(1) Listing expenses are one-off expenses in relation to the Initial Public Offering;

(2) Interest on other financial liabilities represents interest accrued for the current period on the series A preferred shares issued under the Group's series A financing and presented in other financial liabilities. Such preferred shares were fully converted into ordinary shares and presented in equity as at the Listing Date of the Group and then the interest on other financial liabilities was no further accrued, such interest required no payment in cash;

(3) Equity-based share-based payment expenses is expenses arising from granting shares through the Share Option Scheme and Employee Incentive Platforms to relevant eligible employees of the Group, the amount of which may not directly correlate with the underlying performance of our business operations;

(4) Interest on convertible bonds represents the interest accrued in 2021 on the convertible bonds issued under the Group's series A financing. Such convertible bonds were exchanged into preferred shares in November 2021 and then the interest on convertible bonds was no further accrued;

(5) Fair value changes in financial instruments represents the gain on fair value changes of the Group's series C investment in Rapid Medical (as financial assets measured at fair value through profit or loss) realized upon the Group's series D investment in Rapid Medical in May 2021 (which commenced to have a significant impact on Rapid Medical). The Group measured the fair value of the series C investment upon the date of series D investment in Rapid Medical as the part of the investment cost in Rapid Medical as an associate.

Inventories

Our inventories consist of (i) raw materials used in production and research and development; (ii) work in progress; and (iii) finished goods.

Our inventory increased from RMB88.0 million as of 31 December 2021 to RMB108.1 million as of 30 June 2022, primarily due to an increase in reserves of raw materials and finished goods as a result of the increase in the Group's business scale.

Current Trade and Other Receivables

Our current trade and other receivables primarily consist of: (1) trade receivables; (2) prepayments and deposits; and (3) amounts due from related parties in connection with the Restructuring (for 31 December 2021 only).

Our current trade and other receivables decreased from RMB102.9 million as of 31 December 2021 to RMB63.1 million as of 30 June 2022, primarily due to: (1) the settlement of the amounts due from related parties in connection with the Restructuring; and partially offset by (2) an increase in trade receivables as a result of the growth of the business; and (3) an increase in prepayments and deposits as a result of the increase in procurement of raw materials.

Trade and Other Payables

Our trade and other payables primarily consist of: (1) trade payables due to third-party suppliers and related parties; (2) accrued expenses; (3) accrued payroll; and (4) other payables.

Our trade and other payables increased from RMB129.7 million as of 31 December 2021 to RMB159.1 million as of 30 June 2022, primarily due to: (1) an increase in trade payables due to the increase in procurement of raw materials; and (2) an increase in other payables as a result of the growth of the business.

Other Financial Liabilities

Our other financial liabilities increased from RMB1,238.0 million as of 31 December 2021 to RMB1,393.0 million as of 30 June 2022, mainly due to the interest expense accrued in the current period for the series A preferred shares issued under the series A financing in November 2021, and no further interest expense was accrued from the Listing Date of the Group, such interest, together with preferred shares treated as other financial liabilities, required no payment in cash and the other financial liabilities was transferred to ordinary share and share premium upon the Listing Date of the Group.

Lease Liabilities

As of 30 June 2022, the Group recorded lease liabilities of RMB96.9 million, which were primarily in relation to the properties the Group leased for our office premises, manufacturing and R&D facilities. The Group recognizes lease liabilities with respect to all leases, except for short-term leases and leases of low value assets.

Capital Expenditure

The capital expenditure of the Group amounted to RMB30.5 million during the Reporting Period, representing an addition of intangible assets and property, plant and equipment. In particular, the intangible assets of the Group primarily represent the capitalized development costs.

Foreign Exchange Exposure

During the Reporting Period, the Group mainly operated in China and a majority of its transactions were settled in RMB, the functional currency of the Company's primary subsidiaries. As of 30 June 2022, certain portion of the Group's bank balances and cash was denominated in U.S. dollars. The Group currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. Except for certain bank balances, trade receivables, trade and other payables, and other amounts denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations as of 30 June 2022.

Contingent Liabilities

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

Capital Management

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

Liquidity and Financial Resources

Cash and cash equivalents increased from RMB593.3 million as of 31 December 2021 to RMB640.0 million as of 30 June 2022, of which the net cash inflow from operating activities was RMB45.1 million during the Reporting Period. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserve of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

Borrowings and Gearing Ratio

Total borrowings of the Group, including interest-bearing borrowing as of 30 June 2022 and 31 December 2021 were nil. As of 30 June 2022, the gearing ratio of the Group (calculated as total interest-bearing borrowings and lease liabilities divided by total equity plus other financial liabilities as of the same date) decreased to 8.8%, as compared to 10.3% as of 31 December 2021.

Net Current Assets

The Group's net current assets as of 30 June 2022 were RMB644.3 million, as compared to net current assets of RMB609.9 million as of 31 December 2021. Such increase was mainly attributable to the profit from operating activities during the Reporting Period.

Charge on Assets

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

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

In connection with the Company's Global Offering, 13,700,000 shares with a nominal value of US$0.00002 each were issued at a price of HK$24.64 per share for net proceeds of approximately HK$278.1 million after deduction of the underwriting fees and related cost and expenses by the Company in connection with the Global Offering.

Dealings in the shares of the Company on the Stock Exchange commenced on 15 July 2022.

As at the date of this announcement, the Company has not used any of the proceeds. The Company intends to apply such net proceeds in accordance with the purposes as set out in the Prospectus. The net proceeds are expected to be fully utilized in the next 2 years commencing for the Listing Date. The expected timeline is based on the best estimation of future market conditions and business operations made by the Company currently, and remains subject to change based on future development of market conditions and actual business needs.

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

Since the Listing Date up to the date of this announcement , neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

On 15 July 2022, the Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited. Upon the completion of the Listing, (i) all preferred shares issued by the Company were converted into the ordinary shares of the Company, resulting in a transfer of other financial liabilities to ordinary share capital and share premium; and (ii) the Company issued 13,700,000 ordinary shares under the Global Offering at the price of HK$24.64 per share and received the gross proceeds of HK$337,568,000 (equivalent to approximately RMB290,285,000).

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company aims to achieve high standards of corporate governance which are crucial to the development and safeguard the interests of the Shareholders. To accomplish this, the Company has adopted the CG Code and the associated Listing Rules upon Listing.

The Board considers that the Company has complied with all applicable code provisions as set out in the CG Code since the Listing Date up to the date of this announcement.

COMPLIANCE WITH THE MODEL CODE OF FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuer (the "**Model Code**") as its code of conduct regarding securities transactions by the Directors. Upon specific enquiry, all Directors confirmed that they had complied with the requirements as set out in the Model Code since the Listing Date and up to the date of this announcement.

REVIEW BY THE AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely Mr. Siu Chi Hung (Chairman), Dr. Xu Yi and Dr. Zhang Haixiao.

The Audit Committee has reviewed together with the management of the Company the accounting principles and policies adopted by the Company, the interim results and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2022.

REVIEW BY INDEPENDENT AUDITOR

The Group's interim results for the six months ended 30 June 2022 are unaudited, but have been reviewed by the Company's independent auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, "*Review of Interim Financial Information performed by the Independent Auditor of the Entity*" issued by the Hong Kong Institute of Certified Public Accountants.

INTERIM DIVIDEND

The Board has resolved not to pay any interim dividend for the six months ended 30 June 2022.

EMPLOYEES AND REMUNERATION POLICIES

We offer remuneration packages based on individuals' qualifications and experiences and generally match the market rate for salary and bonus to stay competitive in the labour market. We also provide extensive training programs to our employees and award incentives to encourage inventions by our R&D team. As required under the PRC regulations, we participate in housing fund and various employee social security plan that are organized by applicable local municipal and provincial governments.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (http://www.medneurotech.com), and the interim report of the Group for the six months ended 30 June 2022 containing all information required by the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

DEFINITIONS

In this interim results announcement, unless the context otherwise requires, the following expressions shall have the following meanings.

"Asahi Intecc"	Asahi Intecc Co., Ltd., a medical devices company incorporated under the laws of Japan with limited liability on 8 July 1976, and all of its subsidiaries
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"CG Code"	the corporate governance code as contained in Appendix 14 to Listing Rules
"CIC"	China Insights Industry Consultancy Limited, our industry consultant
"Company" or "we" or "us" or "our"	MicroPort NeuroTech Limited, an exempted company incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2172)
"Director(s)"	director(s) of the Company
"FDA"	the United States Food and Drug Administration
"Global Offering"	the global offering of the shares, details of which are set forth in the Prospectus
"Group"	the Company and its subsidiaries

"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Listing"	the listing of the shares on the Main Board of the Stock Exchange
"Listing Date"	15 July 2022, the date on which dealings in the shares on the Main Board of the Stock Exchange first commence
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"MFDS"	the Ministry of Food and Drug Safety in South Korea
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules
"NMPA"	National Medical Products Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局)
"PRC"	the People's Republic of China, for the purpose of this announcement, shall not include Hong Kong, Macau Special Administrative Region and Taiwan
"Prospectus"	the prospectus of the Company dated 29 June 2022
"Rapid Medical"	Rapid Medical Ltd., a company incorporated in the State of Israel with limited liability on 12 August 2008, which is primarily engaged in the development, manufacturing and sales of innovative devices for neuro-interventional procedures and is indirectly owned as to 22.28% by the Company
"Reporting Period"	for the six months ended 30 June 2022
"RMB"	Renminbi, the lawful currency of the PRC
"share(s)"	ordinary share(s) of the Company
"Shareholder(s)"	holder(s) of the shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"subsidiaries"	has the meaning ascribed thereto under the Listing Rules
"%"	per cent

By Order of the Board
MicroPort NeuroTech Limited
Mr. Peng Bo
Chairman

Hong Kong, 26 August 2022

As at the date of this announcement, the Board comprises Mr. Xie Zhiyong and Mr. Wang Yiqun Bruce as the executive directors; Mr. Peng Bo, Mr. Wang Lin and Ms. Wu Xia as the non-executive directors; and Dr. Xu Yi, Dr. Zhang Haixiao and Mr. Siu Chi Hung as the independent non-executive directors.