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 2022

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2022	2021	Change
	US$'000	*US$'000*	*%*
Revenue	**840,831**	778,639	15.6% (excluding the foreign exchange impact)
Gross profit	**501,771**	491,773	2.0%
Loss for the year	**(588,115)**	(351,295)	N/A
Loss attributable to equity shareholders of the Company	**(436,515)**	(276,484)	N/A
Loss per share –			
Basic (in cents)	**(24.08)**	(15.29)	N/A
Diluted (in cents)	**(24.94)**	(16.54)	N/A

* *For identification purpose only*

For the year ended 31 December 2022 (the "Reporting Period"), MicroPort Scientific Corporation (the "Company", or "MicroPort") and its subsidiaries (collectively, the "Group") recorded revenue of US$840.8 million, representing an increase of 15.6% excluding the foreign exchange impact or 8.0% in US$ as compared to 2021. Such increase was mainly attributable to:

i) rapid growth in revenue of separately listed subsidiaries driven by the launch of new products and market promotions, where revenue from Endovascular MedTech[Note] (endovascular and peripheral vascular devices business) grew by 31.0% year on year, revenue from MicroPort NeuroTech[Note] (neurovascular business) grew by 43.0% year on year, revenue from CardioFlow Medtech[Note] (heart valve business) grew by 25.0% year on year, and revenue from MicroPort MedBot[Note] ("surgical robot business") also achieved a year-on-year growth of 904.8% excluding the foreign exchange impact .

(ii) steady growth in revenue from other major businesses within the Group, where revenues from the orthopedic devices business, the cardiac rhythm management ("CRM") business and the cardiovascular devices business increased by 9.5%, 3.5% and 2.3% excluding the foreign exchange impact year on year, respectively; and

(iii) exponential growth in revenue from emerging businesses.

The Group recorded a loss of US$588.1 million (loss attributable to equity shareholders of the Company: US$436.5 million) for the year ended 31 December 2022, as compared with a loss of US$351.3 million (loss attributable to equity shareholders of the Company: US$276.5 million) for the year ended 31 December 2021. The change was mainly due to:

(i) the increase in one-off and/(or) non-cash provisions and losses increased by US$100.0 million, including the increase in accrued interest on convertible bonds issued by the Group and preference shares issued by subsidiaries, the increase in loss on fair value changes and provisions for impairment of certain non-current assets, and the increase in share of losses of equity-accounted investees;

(ii) the increase in costs of actively pursuing research and development, registration and commercialisation of separately listed subsidiaries MicroPot MedBot* and CardioFlow Medtech*; and

(iii) the increase of expenditures on research and development , clinical registration and market expansion in overseas markets of the other major businesses within the Group.

Note: the short name refers to Shanghai MicroPort Endovascular MedTech (Group) Co. Ltd. ("Endovascular MedTech"), MicroPort NeuroTech Limited ("MicroPort NeuroTech"), MicroPort CadioFlow Medtech Corporation ("CardioFlow Medtech" and Shanghai MicroPort MedBot (Group) Co. Ltd. ("MicroPort MedBot"), the Group's subsidiaries that are separately listed.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2022
(Expressed in United States dollars)

	Note	**2022**	2021
		US$'000	*US$'000*
Revenue	*4*	**840,831**	778,639
Cost of sales		**(339,060)**	(286,866)
Gross profit		**501,771**	491,773
Other net income	*5*	**36,150**	76,475
Research and development costs		**(419,828)**	(297,778)
Distribution costs		**(328,232)**	(297,532)
Administrative expenses		**(247,532)**	(250,010)
Other operating costs	*6(c)*	**(49,279)**	(16,547)
Loss from operations		**(506,950)**	(293,619)
Finance costs	*6(a)*	**(78,401)**	(47,883)
Gain on disposal of subsidiaries		**7,107**	8,218
Gain on deemed disposal of interests in equity-accounted investees		**39,267**	9,215
Share of profits less losses of equity-accounted investees		**(42,541)**	(13,255)
Loss before taxation	*6*	**(581,518)**	(337,324)
Income tax	*7*	**(6,597)**	(13,971)
Loss for the year		**(588,115)**	(351,295)
Attributable to:			
Equity shareholders of the Company		**(436,515)**	(276,484)
Non-controlling interests		**(151,600)**	(74,811)
Loss for the year		**(588,115)**	(351,295)
Loss per share	*8*		
Basic (in cents)		**(24.08)**	(15.29)
Diluted (in cents)		**(24.94)**	(16.54)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2022
(Expressed in United States dollars)

	2022	2021
	US$'000	*US$'000*
Loss for the year	**(588,115)**	(351,295)
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	**(463)**	(325)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign subsidiaries, net of nil tax	**(177,827)**	8,815
Share of other comprehensive income of equity-accounted investees	**1,512**	113
Other comprehensive income for the year	**(176,778)**	8,603
Total comprehensive income for the year	**(764,893)**	(342,692)
Attributable to:		
Equity shareholders of the Company	**(565,882)**	(285,097)
Non-controlling interests	**(199,011)**	(57,595)
Total comprehensive income for the year	**(764,893)**	(342,692)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in United States dollars)

	Note	**31 December 2022** ***US$'000***	31 December 2021 *US$'000*
Non-current assets			
Investment properties		**6,579**	7,407
Property, plant and equipment		**993,014**	922,874
		999,593	930,281
Intangible assets		**223,683**	256,609
Goodwill		**262,829**	290,565
Equity-accounted investees		**423,873**	363,103
Financial assets measured at fair value through profit or loss		**18,072**	25,221
Derivative financial instruments		**5,083**	4,963
Deferred tax assets		**27,637**	20,368
Other non-current assets		**94,081**	102,652
		2,054,851	1,993,762
Current assets			
Derivative financial instruments		**–**	1,406
Financial assets measured at fair value through profit or loss		**38,201**	–
Inventories		**352,428**	289,931
Trade and other receivables	*9*	**284,833**	308,126
Pledged deposits and time deposits		**60,765**	32,890
Cash and cash equivalents		**1,203,007**	1,754,414
		1,939,234	2,386,767
Current liabilities			
Trade and other payables	*10*	**380,554**	358,792
Contract liabilities		**22,598**	23,590
Interest-bearing borrowings	*11*	**185,387**	94,746
Lease liabilities		**51,944**	50,505
Income tax payable		**17,470**	19,124
Derivative financial instruments		**4,172**	–
		662,125	546,757
Net current assets		**1,277,109**	1,840,010
Total assets less current liabilities		**3,331,960**	3,833,772

	Note	31 December 2022 *US$'000*	31 December 2021 *US$'000*
Non-current liabilities			
Interest-bearing borrowings	*11*	**336,689**	269,637
Lease liabilities		**124,373**	168,437
Deferred income		**38,123**	35,098
Contract liabilities		**24,839**	26,243
Convertible bonds	*12*	**769,553**	660,369
Other payables	*10*	**220,997**	425,914
Deferred tax liabilities		**24,718**	27,692
Derivative financial instruments		**–**	2,890
		1,539,292	1,616,280
NET ASSETS		**1,792,668**	2,217,492
CAPITAL AND RESERVES			
Share capital	*14*	**18**	18
Reserves		**1,135,012**	1,490,732
Total equity attributable to equity shareholders of the Company		**1,135,030**	1,490,750
Non-controlling interests		**657,638**	726,742
TOTAL EQUITY		**1,792,668**	2,217,492

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"), accounting principles generally accepted in Hong Kong 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 2022 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in equity-accounted investees.

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

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, *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. 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:

	2022	2021
	US$'000	*US$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
– Sales of medical devices	**822,484**	761,699
– Others	**15,933**	14,609
	838,417	776,308
Revenue from other sources	**2,414**	2,331
	840,831	778,639

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.

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2022, the aggregated amount of the transaction price allocated to the remaining performance obligation under the Group's existing contracts was US$44,652,000 (2021: US$51,734,000). This amount represents revenue expected to be recognised in the future from rendering post-sales services and extended warranty services. The Group will recognise the expected revenue in future when or as the service is rendered.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of medical devices that had an original expected duration of one year or less.

(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.
Cardiac rhythm management ("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 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, 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 2022 and 2021 is set out below.

	2022									
	Cardiovascular devices business *US$'000*	Orthopedics devices business *US$'000*	Cardiac rhythm management business *US$'000*	Endovascular and peripheral vascular devices business *US$'000*	Neurovascular devices business *US$'000*	Heart valve business *US$'000*	Surgical robot business *US$'000*	Surgical devices business *US$'000*	Others* *US$'000*	Total *US$'000*
Disaggregated by timing of revenue recognition										
Point in time	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

	2021									
	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 – sales of medical devices	135,020	215,343	209,472	106,028	59,013	31,324	329	4,727	443	761,699
Over time – post-sales services	–	–	10,949	–	–	–	–	–	–	10,949
Over time – rental income	861	271	–	–	40	–	–	–	1,159	2,331
Others	3,660	–	–	–	–	–	–	–	–	3,660
	139,541	215,614	220,421	106,028	59,053	31,324	329	4,727	1,602	778,639
Reportable segment net profit/(loss)	9,425	(26,223)	(84,889)	47,755	3,560	(28,502)	(97,720)	(11,481)	(56,136)	(244,211)
Interest income from bank deposits	2,730	45	–	2,137	535	3,756	3,424	14	392	13,033
Interest expense	877	3,247	15,451	275	7,011	2,999	821	330	1,062	32,073
Depreciation and amortisation for the year	15,629	25,410	18,094	3,685	5,000	4,820	4,973	2,163	2,711	82,485
Provision for/(reversal of) impairment of:										
– Property, plant and equipment	162	89	–	–	–	–	–	–	–	251
– Intangible assets	–	150	–	–	–	–	–	–	–	150
– Trade and other receivables	344	884	–	11	–	–	–	(79)	–	1,160
Reportable segment assets	611,181	490,510	435,891	275,451	210,226	524,108	436,895	210,071	446,013	3,640,346
Additions to non-current segment assets during the year	214,120	46,460	31,135	17,643	55,308	65,575	61,302	176,181	126,436	794,160
Reportable segment liabilities	195,723	240,742	329,785	38,683	237,683	40,233	59,314	93,448	83,849	1,319,266

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

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

	2022	2021
	US$'000	*US$'000*
Profit or loss		
Reportable segment net loss	**(492,213)**	(244,211)
Share awards scheme *(Note)*	**(6,223)**	(6,905)
Other equity-settled share-based payment expenses *(Note)*	**(35,991)**	(54,776)
Interest expenses on convertible bonds issued by the Company	**(16,254)**	(8,827)
Unallocated exchange loss	**(2,905)**	(2,435)
Gain on disposal of subsidiaries, net of tax	**7,107**	8,218
Unallocated expenses, net	**(41,636)**	(42,359)
Consolidated loss for the year	**(588,115)**	(351,295)
Assets		
Reportable segment assets	**3,557,953**	3,640,346
Elimination of inter-segment assets	**(118,929)**	(93,878)
Unallocated corporate assets:		
– Cash and cash equivalents	**243,035**	530,036
– Equity-accounted investees	**102,450**	77,791
– Property, plant and equipment	**160,556**	166,270
– Others	**49,020**	59,964
Consolidated total assets	**3,994,085**	4,380,529
Liabilities		
Reportable segment liabilities	**1,425,446**	1,319,266
Elimination of inter-segment liabilities	**(118,929)**	(93,878)
Derivative financial liabilities	**871**	1,651
Convertible bonds	**676,623**	660,369
Interest-bearing borrowings	**135,865**	165,514
Lease liabilities	**21,109**	36,187
Income tax payable arising from partial disposal of equity interests in a subsidiary	**11,254**	11,231
Unallocated corporate liabilities	**49,178**	62,697
Consolidated total liabilities	**2,201,417**	2,163,037

Note: The amounts of share award scheme and other equity-settled shared-based payment expenses during the year ended 31 December 2022 include the impact of restricted shares and share options granted to the executive and senior management of the Group.

(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 intangible assets and goodwill, and the location of operations, in case of investments in equity-accounted investees.

	Revenues from external customers		**Specified non-current assets**	
	2022	2021	**2022**	2021
	US$'000	*US$'000*	***US$'000***	*US$'000*
The PRC (country of domicile)	**405,636**	356,977	**1,376,300**	1,320,483
North America	**96,455**	94,980	**185,972**	178,937
Europe	**246,848**	241,799	**295,549**	271,298
Asia (excluding the PRC)	**64,094**	64,357	**50,370**	66,235
South America	**12,065**	9,698	**1,516**	3,270
Others	**15,733**	10,828	**271**	335
	840,831	778,639	**1,909,978**	1,840,558

5 Other net income

	2022	2021
	US$'000	*US$'000*
Government grants	**18,789**	27,546
Interest income on financial assets measured at amortised cost	**19,107**	15,825
Net loss on disposal of property, plant and equipment	**(455)**	(412)
Net foreign exchange gain/(loss)	**4,495**	(5,716)
Net realised and unrealised (loss)/gain on financial instruments carried at fair value through profit or loss ("FVPL")	**(751)**	25,707
Gain in relation to a settlement agreement	**333**	10,735
Others	**(5,368)**	2,790
	36,150	76,475

6 Loss before taxation

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

(a) Finance costs

	2022	2021
	US$'000	*US$'000*
Interest on the convertible bonds	**16,254**	12,375
Interest on interest-bearing borrowings	**13,728**	6,433
Interest on preferred shares issued by subsidiaries *(note 10)*	**34,958**	18,111
Interest on lease liabilities	**9,575**	5,791
Total interest expense on financial liabilities not at fair value through profit or loss	**74,515**	42,710
Less: interest expense capitalised into properties under development*	**(603)**	–
Add: fee charges and others	**4,489**	5,173
	78,401	47,883

* Borrowing costs have been capitalised at a rate of 1.55% – 4.2% per annum in 2022.

(b) Staff costs

	2022	2021
	US$'000	*US$'000*
Contributions to defined contribution retirement plans	**34,674**	24,478
Expenses recognised in respect of defined benefit retirement plans	**749**	564
Equity-settled share-based payment expenses	**72,803**	91,345
Cash-settled share-based payment expenses and other long-term employee benefits	**4,272**	3,829
Salaries, wages and other benefits	**452,627**	360,016
	565,125	480,232

(c) Other operating costs

	2022	2021
	US$'000	*US$'000*
Legal and profession fee	**5,262**	12,945
Impairment losses of non-current assets	**23,531**	239
Donation and others (i)	**20,486**	3,363
	49,279	16,547

(i) In 2015, the Italian Parliament enacted a legislation that imposed a "payback" measure on medical device companies that supply goods and services to the Italian National Healthcare System. Under the measure, companies are required to make payments to the Italian government if medical device expenditures in a given year exceed regional expenditure ceilings established for that year. The amount is calculated as a percentage of expenses in excess of the regional cap. In the third quarter of 2022, the Italian Ministry of Health provided guidelines to the Italian regions and provinces on seeking payback of expenditure overruns relating to the years through 2015 to 2018 and the Group received the invoices issued by the Italian Ministry of Health. As at 31 October 2022, the Group's reserve for this matter is US$15,131,000, of which, US$2,032,000 deducted from revenue for 2022 as a variable consideration, and the remaining US$13,099,000 in relation to the estimated costs for 2015 to 2021 was recorded in other operating costs. However, the actual liabilities could vary from the estimate.

(d) Other items

	2022	2021
	US$'000	*US$'000*
Amortisation of intangible assets*	**19,430**	15,729
Depreciation charge*		
– owned property, plant and equipment	**67,699**	50,662
– right-of-use assets	**54,863**	27,891
Less: Amounts capitalised as development costs	**(645)**	(803)
Total amortisation and depreciation	**141,347**	93,479
Impairment losses on:		
– trade and other receivables	**4,806**	1,160
– property, plant and equipment	**32**	251
– intangible assets	**7,050**	150
– goodwill	**16,481**	–
	28,369	1,561
R&D expenditures	**431,291**	323,685
Less: Amortisation of capitalised development costs	**(8,657)**	(6,450)
Costs capitalised into intangible assets	**(11,463)**	(25,907)
	411,171	291,328
Cost of inventories*	**392,110**	321,610

* Cost of inventories includes US$118,997,000 (2021: US$103,102,000) relating to staff costs and depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7 Income tax in the consolidated statement of profit or loss

	2022	2021
	US$'000	*US$'000*
Current tax – PRC Corporate Income Tax ("CIT")		
Provision for the year	**13,562**	12,893
Under/(over)-provision in respect of prior years	**527**	(18)
	14,089	12,875
Current tax – other jurisdictions		
Provision for the year	**2,931**	4,594
(Over)/under-provision in respect of prior years	**(787)**	323
	2,144	4,917
Total current tax	**16,233**	17,792
Deferred tax		
Origination and reversal of temporary differences	**(9,636)**	(3,821)
	6,597	13,971

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 13 entities entitled to a preferential income tax rate of 15% as they are certified as "High and New Technology Enterprise" ("HNTE"). According to Guoshuihan 2009 No. 203, if an entity is certified as an HNTE, it is entitled to a preferential income tax rate of 15% during the certified period.

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

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$436,515,000 (2021: US$276,484,000) and the weighted average number of ordinary shares of 1,812,826,000 shares (2021: 1,808,295,000 shares) in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares

	2022	2021
	'000	*'000*
Issued ordinary shares at 1 January	**1,820,751**	1,809,540
Effect of issue of shares in lieu of cash dividends	**–**	188
Effect of share options exercised	**3,426**	7,256
Effect of treasury shares held	**(11,351)**	(8,689)
Weighted average number of ordinary shares at 31 December	**1,812,826**	1,808,295

(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$453,474,000 (2021: loss of US$299,794,000) and the weighted average number of ordinary shares of 1,817,910,000 shares (2021: 1,812,922,000 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)

	2022	2021
	US$'000	*US$'000*
Loss attributable to ordinary equity shareholders	**(436,515)**	(276,484)
Effect of deemed exercise of put option granted to SRL in respect of share repurchase obligation	**(16,959)**	(23,235)
Effect of deemed exercise of restricted share units granted to the employees of a subsidiary	**–**	(75)
Loss attributable to ordinary equity shareholders (diluted)	**(453,474)**	(299,794)

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

	2022	2021
	'000	*'000*
Weighted average number of ordinary shares at 31 December	**1,812,826**	1,808,295
Effect of deemed exercise of put option granted to SRL in respect of share repurchase obligation	**5,084**	4,627
Weighted average number of ordinary shares (diluted) at 31 December	**1,817,910**	1,812,922

The calculation of diluted loss per share amount for the year ended 31 December 2022 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 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 Trade and other receivables

	31 December 2022	31 December 2021
	US$'000	*US$'000*
Trade receivables due from:		
– third party customers	**183,387**	192,958
– related parties	**3,175**	4,060
	186,562	197,018
Less: Loss allowance	**(15,689)**	(11,222)
Trade receivables, net of loss allowance	**170,873**	185,796
Other debtors	**12,532**	41,780
Amounts due from investors in connection of the restructuring of the neurovascular devices business	**–**	10,457
Income tax recoverable	**3,347**	4,575
Deposits and prepayments	**98,081**	65,518
	284,833	308,126

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:

	2022	2021
	US$'000	*US$'000*
Within 1 month	**74,650**	121,960
1 to 3 months	**69,211**	31,253
3 to 12 months	**23,508**	30,878
More than 12 months	**3,504**	1,705
	170,873	185,796

10 Trade and other payables

	31 December 2022	31 December 2021
	US$'000	*US$'000*
Current		
Trade payables due to:		
– third party suppliers	**134,251**	120,251
– a related party	**9,010**	10,803
Total trade payables *(i)*	**143,261**	131,054
Consideration payables in connection with the acquisition of subsidiaries *(iii)*	**23,499**	16,081
Other payables and accrued charges	**213,794**	211,657
	380,554	358,792
Non-current		
Share repurchase obligations *(ii)*	**192,163**	365,903
Contingent consideration in connection with the acquisition of a subsidiary *(iii)*	**8,823**	32,179
Net defined benefit obligation	**9,510**	11,118
Other payables	**10,501**	16,714
	220,997	425,914

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:

	2022	2021
	US$'000	*US$'000*
Within 1 month	**111,694**	110,136
Over 1 month but within 3 months	**16,794**	8,662
Over 3 months but within 6 months	**3,169**	6,985
Over 6 months but within 1 year	**4,806**	1,241
Over 1 year	**6,798**	4,030
	143,261	131,054

(ii) Share repurchase obligations

As at 31 December 2021, MicroPort Cardiac Rhythm Management Limited ("CRM Cayman") and MicroPort NeuroTech Limited ("MicroPort NeuroTech") issued preferred shares to certain investors in connection with their separate financings. These preferred shares include liquidation preference right, redemption right and conversion right, etc., granted to the investors.

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

Upon the completion of the listing of MicroPort NeuroTech, in July 2022, the preferred shares issued by MicroPort NeuroTech were automatically converted into the ordinary shares of MicroPort NeuroTech. Accordingly, these preferred shares were reclassified from liabilities to equity.

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

	Preferred shares issued by CRM Cayman	**Preferred shares issued by MicroPort NeuroTech**	**Total**
	US$'000	***US$'000***	***US$'000***
As at 1 January 2022	**171,730**	**194,173**	**365,903**
Conversion of the preferred shares into ordinary shares of a subsidiary	**–**	**(208,698)**	**(208,698)**
Charge to finance costs *(note 6(a))*	**20,433**	**14,525**	**34,958**
As at 31 December 2022	**192,163**	**–**	**192,163**

(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 GmbH ("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. As at 31 December 2022, the fair value of the outstanding contingent consideration in relation to the acquisition of Hemovent is US$28,732,000 (2021: US$39,633,000).

11 Interest-bearing borrowings

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

	2022	2021
	US$'000	*US$'000*
Within 1 year or on demand	**185,387**	94,746
After 1 year but within 2 years	**68,460**	33,545
After 2 years but within 5 years	**187,697**	155,714
After 5 years	**80,532**	80,378
	336,689	269,637
	522,076	364,383

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

	2022	2021
	US$'000	*US$'000*
Bank loans		
– secured	**236,427**	131,176
– unsecured	**285,649**	233,207
	522,076	364,383

At 31 December 2022, the bank facilities drawn down by the Group of US$92,665,000 (2021: US$71,283,000) were secured by land use rights and buildings held for own use with net book value of US$10,220,000 and US$138,443,000, respectively (2021: US$9,173,000 and US$91,984,000, respectively).

At 31 December 2022, the bank loans totalling US$143,762,000 (31 December 2021: US$59,893,000) were secured by the Group's equity interest in several subsidiaries including Suzhou MicroPort Argus Medtech Co., Ltd., MicroPort Vision Power MedTech (Shanghai) Co., Ltd., Hemovent and Shanghai MicroPort Huanbo Medtech 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.

12 Convertible bonds

	2022	2021
	US$'000	*US$'000*
Convertible bonds issued by a subsidiary *(a)*	**92,930**	–
Convertible bonds issued by the Company *(b)*	**676,623**	660,369
	769,553	660,369

(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 of LIBOR 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.

(b) Convertible bonds issued by the Company

In June 2021, the Company issued convertible bonds with a principal amount of US$700 million (the "2021 Convertible Bonds"). The 2021 Convertible Bonds do not bear any interest, which 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 102.01% 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.

No conversion of the 2021 Convertible Bonds had occurred up to 31 December 2022.

13 Dividends

The directors of the Company did not propose any payment of final dividend for the year ended 31 December 2022 (2021: HK$4.3 cents per share).

The directors of the Company did not propose any payment of final dividend for the year ended 31 December 2022.

14 Share capital

(i) Ordinary shares

	2022		2021	
	Number of shares	**Amount**	Number of shares	Amount
	'000	***US$'000***	*'000*	*US$'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	**1,820,751**	**18**	1,809,540	18
Shares issued under share option plans	**6,867**	**–**	10,702	–
Shares issued in lieu of cash dividends	**–**	**–**	509	–
At 31 December	**1,827,618**	**18**	1,820,751	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 2022, the Company purchased its own ordinary shares through the designated trustees under the share award scheme as follows:

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

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

(iii) Shares issued under the share option plans

During the year ended 31 December 2022, 6,866,884 (2021: 10,702,263) share options were exercised to subscribe for 6,866,884 (2021: 10,702,263) ordinary shares in the Company at a total consideration of US$4,447,000 (2021: US$7,455,000), of which nil (2021: nil) and US$4,447,000 (2021: US$7,455,000) was credited to share capital and share premium, respectively. In addition, an amount of US$1,391,000 (2021: US$2,116,000) was transferred from the capital reserve to the share premium account.

BUSINESS REVIEW

Overview

The year 2022 has witnessed lingering pandemic, high inflation in most economies, as well as fragile and uneven recovery of the global economy. In China, under the impact of multiple unexpected factors, we have seen increased downward pressure on the economy at this stage. However, as the pandemic prevention and control entered a new stage at the end of the year, the production and living order restored rapidly, and the rebound in the number of outpatient visits and surgeries in medical institutions has also been accelerating. While in the long run, it is expected that the proportion of aging population and the average life expectancy will continue to increase, creating significant clinical needs as well as favourable conditions for the stable growth of the global medical market.

In the international market, driven by robust demand, the medical industry continues to show strong potential as the impact of the pandemic eases and global trade resumes gradually. In terms of regulation, the entry threshold has been further raised in developed countries and regions, while the requirements for product clinical evidence, specifications, and continuous monitoring after launch have been further strengthened in emerging market. Faced with the complex and ever-changing market environment, to truly establish the core competitiveness and international influence of their brands, the industry players must focus on independent innovation, full life cycle supervision and management of products, and on creating a diversified product portfolio as well as sophisticated sales channels, while enhancing their sense of social responsibilities.

In China, the reform of the medical and health system continues to deepen, with the aim of promoting the construction of "Healthy China" and satisfying the growing needs of people for a better and healthy life. The government puts the protection of people's health as a strategic priority, and is committed to enhancing the expansion and balanced distribution of high-quality medical resources, as well as improving the basic public service system and the quality of public services. To bridge the gap in the supply side of medical resources, efforts and investment in building new medical infrastructure have been stepped up since the year 2022. The medical devices market has entered a stage of further expansion. In 2022, several national ministries and commissions issued a number of policies related to the pharmaceutical industry under the "14th Five-Year Plan", reinforcing the critical role of "innovation", emphasizing "taking innovation as the core task of promoting the high-quality development of the pharmaceutical industry", and setting the targets of "by 2025, achieving outstanding innovation results in frontier areas, strengthening our innovation capabilities, and tapping the high-end segments in the international business". Since 2022, policies related to high-value consumables have been intensively rolled out. In terms of centralized procurement on volume basis, the National Healthcare Security Administration ("NHSA") clearly pointed out that a new round of state-led centralised procurement for high-value consumables will be determined in a case-by-case manner. In the meantime, at the payment level, positive signals have been released for innovative medical devices. Beijing took the lead in implementing the CHS-DRG Payment Management Measures for New Drugs and New Technology Exclusions (《CHS-DRG 付費新藥新技術除外支付管理辦法》), which boosted the motivation for technological innovation, and innovative medical device companies are embracing

opportunities for development. Overall, the promulgation of various policies will steer the high-quality development of the medical industry, and leading companies are expected to benefit from multiple favourable factors and achieve long-term steady growth.

In terms of reportable segments based on financial report, the Group features eight major business segments: cardiovascular devices, orthopedics devices, CRM business, endovascular and peripheral vascular devices, neurovascular devices, heart valve, surgical robot and surgical devices. As at the end of the Reporting Period, the Group (also with its equity-accounted investees) held more than 8,720 patents (including applications) around the world, penetrated over 20,000 hospitals in more than 100 countries and regions. The Group also offered over 600 medical solutions to patients worldwide, covering the circulatory system, nervous system, exercise system, endocrine system, urinary system and reproductive system. As a leading global enterprise of innovative high-end medical devices, the Group has made every effort to promote the rapid development of its businesses, with multiple innovative products approved in domestic and overseas markets for launch during the Reporting Period, delivering a steady stream of driving forces for the high-quality growth of the future businesses.

During the Reporting Period, the Group's business segments suffered the disruption caused by multiple external factors. However, by actively exploring overseas and domestic market, the Group recorded global revenue of US$840.8 million, a significant increase of 15.6% excluding the foreign exchange impact as compared to the corresponding period of last year; among which, revenue of the international (non-China) business amounted to US$435.2 million, a significant increase of 10.1% excluding the foreign exchange impact as compared to the corresponding period of last year. We are pleased to note that in 2022, the surgical robot business of the Group reached the milestone of commercialization, with its revenue growing significantly by 904.8% excluding the foreign exchange impact as compared to the corresponding period of last year; the neurovascular devices business, endovascular and peripheral vascular devices business and the heart valve business experienced rapid growth, increasing by 43.0%, 31.0% and 25.0% respectively excluding the foreign exchange impact as compared to the corresponding period of last year; the orthopedics devices business, CRM business and cardiovascular devices business achieved steady growth, increasing by 9.5%, 3.5% and 2.3% excluding the foreign exchange impact as compared to the corresponding period of last year; the Group also recorded an exponential growth in revenue in the emerging business segments. During the Reporting Period, the Group recorded a net loss of US$588.1 million (loss attributable to equity holders of the Group: US$436.5 million).

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

Shanghai MicroPort EP MedTech Co., Ltd.* (上海微創電生理醫療科技股份有限公司, "EP") which the Group has significant influence over and account for under equity method, EP was successfully listed on the STAR Market of the Shanghai Stock Exchange ("the STAR Market") on August 31, 2022 (stock code: 688351.SH), becoming the first innovative medical device company qualified for the fifth set of listing standards for listing on the STAR Market of the Shanghai Stock Exchange.

Cardiovascular Devices Business

The cardiovascular devices business offers integrated medical solutions for the treatment of coronary artery-related diseases, develops, manufactures and commercialises industry-leading coronary stents and related delivery systems, along with balloon catheters, passive accessories and active devices, in fulfilling the overall demands of doctors and patients worldwide.

Cardiovascular diseases are the leading causes of human death and loss of healthy life span, and rank first in terms of burden of disease around the globe. With the expansion of the global aging population, the incidence of cardiovascular disease is rising, and therefore the overall demand for coronary interventional therapies will maintain a steady growth. As for the diagnosis and treatment methods, the concept of percutaneous coronary intervention ("PCI") precision treatment, which is characterized by intracavity imaging technology, robot-assisted surgery and artificial intelligence, has become a development trend, and innovative treatment methods represented by active intervention continue to expand the boundaries of treatment, driving the continued growth in the global end market of coronary intervention treatment.

As at the end of the Reporting Period, this segment has 6 drug-eluting stents and 4 balloon products on sale, with products available in over 40 countries and regions around the world, and has become the global leader in the area of coronary interventional precision treatment. During the Reporting Period, the Group's cardiovascular devices business recorded global revenue of US$134.1 million, representing an increase of 2.3% excluding the foreign exchange impact as compared to the corresponding period of last year. In the overseas market, the segment recorded overseas revenue of approximately US$25.4 million during the Reporting Period, representing a significant increase of approximately 60.0% (excluding the foreign exchange impact) as compared to the corresponding period of last year. Regionally, revenue in Europe, the Middle East and Africa ("EMEA"), South America and India grew by approximately 143.0%, 58.5% and 24.7%, excluding the foreign exchange impact, as compared to the corresponding period of last year respectively.

As for the stent products, during the Reporting Period, the renewal of volume-based procurement ("VBP") contracts bidding for coronary stents in China was completed. The Group won the bid for three of its products, of which, the terminal prices of two previous bid-winning products, namely Firebird2® Rapamycin Eluting Coronary CoCr Stent System ("Firebird2®") and Firekingfisher™ Rapamycin Eluting Coronary CoCr Stent System ("Firekingfisher™"), recorded an increase in this renewal. Thanks to the significant increase of nearly 80% in total bid-winning volume this time, as compared with the first-year bid-winning volume in 2020, the Group has further consolidate its dominant market position in the cardiovascular interventional treatment area. Meanwhile, the Group will continue to leverage its cost advantage building on economies of scale and upstream and downstream integration. As at the end of the Reporting Period, our drug eluting stent products have covered approximately 3,200 hospitals nationwide, with the Firebird2® newly penetrating into over 400 hospitals and the Firehawk® Rapamycin Target Eluting Coronary Stent System ("Firehawk®") newly penetrating about 180 hospitals during the Reporting Period. Since its launch in 2017, the "Swallow Program", which focuses on serving the unsatisfied healthcare needs in lower-tier regions, has penetrated into over 1,300 county-level hospitals across the country and saved more than 210,000 patients' lives. By ways of medical education, construction of internet systems for primary hospitals, improvement on patient management and referral

capabilities, the program is committed to helping county hospitals increase their ability in precision interventional treatment, enabling patients in lower-tier regions to enjoy quality and affordable high-end medical solutions.

In overseas market, The group kept on promoting market access and channel exploring. During the Reporting Period, the Group's coronary stent products had obtained 8 initial registrations in 4 countries or regions, and have been certified for commercialisation in 40 countries or regions accumulatively. Through the layout of diversified sales model, the Group continued to explore emerging markets and cultivate mature markets; as of the end of the Reporting Period, the sales of coronary stent products has covered 69 overseas markets, among which, Morocco, Sudan, Saudi Arabia and other overseas markets are entered for the first time. The Group has achieved significant commercial progress in a number of countries during the Reporting Period: as the Group's products continue to be selected in national campaigns in Argentina, our stent products took up more than half of the total market shares; in India, sales revenue continued to grow rapidly during the Reporting Period, leveraging the benefits of the multi-product portfolio created through the transition to the Firehawk stents; with the upgrading and adjustment of product structure, sales revenue increased significantly year on year in Brazil; supported by rich clinical data from the TARGET studies, the Group has won numerous government and hospital projects in multiple countries in the EMEA region, and has captured a leading market share in the countries.

As for the balloon products, during the Reporting Period, the Group's has recorded global revenue of US$22.1 million, representing a large increase of 28.1%, as compared to the corresponding period of last year. In China, our balloon products have covered about 1,500 hospitals nationwide, newly entering around 200 hospitals during the Reporting Period. As for overseas market, our balloon products had obtained 10 initial registrations in 6 countries or regions during the Reporting Period, and have been certified for commercialisation in 35 countries or regions accumulatively. As of the end of the Reporting Period, the sales of balloon products have covered 63 overseas markets. Thanks to the accelerated progressing of market coverge, the sales of our balloon products had achieved a breakthrough and recorded a revenue of US$2.3 million in the Reporting Period, a significant increase of 81.1% as compared with the previous year.

Orthopedics Devices Business

The orthopedics devices business offers total 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.

Despite the impact of the global pandemic and VBP of artificial joints in the PRC, the Group's orthopedics devices business achieved global operating income of US$223.6 million during the Reporting Period, an increase of 9.5% excluding the foreign exchange impact as compared to the corresponding period of last year, driven by the steady growth of overseas business.

In the overseas market, benefited from the Group's continuous channel development and campaigns of medical education and promotion, during the Reporting Period, the international (non-China) orthopedics business recorded a revenue of US$202.4 million, an increase of 10.3% excluding the foreign exchange impact as compared to the corresponding period of last year, among which EMEA recorded a significant increase of 32.6% in revenue (excluding the foreign exchange impact), driven by strong double digit growth in our direct selling markets (Italy, France, Germany, UK) and distributor markets (Greece, Austria/Switzerland, and Middle East), excluding the foreign exchange impact as compared to the corresponding period of last year. In addition to the regions mentioned above, the Group's growth in the Latin America, Canada, and Australia market were also driving force behind the overall revenue growth. During the Reporting Period, the international orthopedics business performed the first robotic surgery case in the United States using the FDA approved Skywalker™ robot system with Evolution® Medial-Pivot Knee system ("Evolution® Knee").

In China, despite the impact of multiple factors such as the decline in unit prices of products due to the inclusion into VBP, logistics disruptions caused by frequent outbreaks of the pandemic, and fewer elective surgeries in hospitals, during the Reporting Period, orthopedic business in the PRC continued to grow against the trend, and recorded a revenue of US$21.1 million, an increase of 2.9% excluding the foreign exchange impact as compared to the corresponding period of last year. In terms of joint business, in the second half of 2022, the sales of the products showed a strong momentum of recovery, and achieved an increase of 192% period on period as compared to the first half of 2022; since the implementation of VBP, thanks to the adequate combing of the Group on commercial channels, the hospital coverage increased rapidly thus further enhancing the brand awareness of minimally invasive joint products. In terms of spine and trauma business, attributed to the successful bids of products in national and provincial volume-based procurement, major breakthroughs were made in channel expansion, and the number of hospitals covered doubled during the Reporting Period. In addition, the Group has launched a number of global cost optimisation measures, and steadily reduced the cost of key products by means of upgrading the manufacturing process and improving production efficiency. During the Reporting Period, we have fully realised the independent production for our domestic orthopedic tools, and our global supply capacity of orthopedic tools has been greatly improved. Looking ahead, the Group will continue to strengthen the market presence for its diversified products, and provide more accessible medical solutions for precision diagnosis and treatment to patients with osteoarticular diseases around the world.

CRM BUSINESS

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

During the Reporting Period, owing to the rapid market promotion of new products, the global CRM business achieved revenue of US$204.2 million, an increase of 3.5% excluding the foreign exchange impact as compared to the corresponding period of last year.

During the Reporting Period, the international (non-China) CRM business recorded a revenue of US$191.1 million, representing an increase of 3.3% excluding the foreign exchange impact as compared to last year, mainly due to the accelerated penetration of the new generation of pacemaker equipped with Bluetooth® technology. In terms of regions, the EEMEA (Eastern Europe – Middle East – Africa), Latin America, and Australia achieved significant growth in sales revenue of 292.9%, 249.0%, and 35.3%, excluding the foreign exchange impact as compared to the corresponding period of last year respectively. The Group's self-developed Invicta™ Defibrillation Lead, which is compatible to 1.5T and 3T magnetic resonance imaging ("MRI"), has obtained CE Marking during the Reporting Period. It can be used together with Ulys™ and Edis™ implantable cardioverter-defibrillators ("ICD"), which have been launched into the European market, Gali™ Cardiac Resynchronization Therapy and Defibrillation (CRT-D) and NAVIGO™ Left Ventricular Pacing Lead. With the increase in the production volume of Invicta™, the Group will fully unleash the potential of the Group's portfolio of ICD and CRT-D products and provide a rapid growth in revenue and profitability. In terms of registration of new products, the Bluetooth SmartTouch™ programmer obtained the CE Mark during the Reporting Period, allowing physicians to adjust parameters as soon as the implantation of Bluetooth pacemakers; Alizea™ Bluetooth Pacemaker received approval in Japan, and has been widely recognised by clinicians and patients for its convenient remote monitoring capabilities; a number of core products of the Group have been approved for marketing in Australia, and is expected to achieve rapid growth in sales volume based on portfolio advantages; the full range of defibrillation equipment and related lead products have been approved in Agentina. In the future, with the increase in the sales volume of high-margin new products overseas, coupled by the active promotion of registration for pipeline products, the revenue and profitability of the CRM segment is expected to improve continuously.

During the Reporting Period, the CRM business in the PRC achieved a revenue of US$13.1 million, an increase of 6.7% excluding the foreign exchange impact as compared to the corresponding period of last year. Through the creation of a differentiated product portfolio. The Group's various types of dual-chamber pacemakers have successfully won the bids in the provincial and inter-provincial league VBPs, bringing in a significant increase in market share and penetration rates. In the first half of the year, our business team successfully enabled Rega®, the first and currently the only Chinese-developed MRI-conditional implantable pacemaker, to be certified for commercialisation and realize mass-production, making a major breakthrough for domestic products in this field. In terms of cardiac defibrillation products, the self-developed Platinium™ ICD was approved by the National Medical Products Administration ("NMPA") for launching to the market during the Reporting Period, and the building of the first domestic defibrillation product production line has been completed. With the full launch of MRI-compatible and high-voltage defibrillation product series, the competitiveness and influence of the CRM business will continue to grow, substantially solidifying our leading position with the largest market share among domestic players. Despite the impact of volume-based procurement on the terminal pricing system within the industry, the Group, leveraging on its advantages of rich pipeline, adjusted its product mix to cope with changes in terminal market prices, while actively promoting domestic brands to continue to increase their awareness and influence, and striving to accelerate the realisation of import substitution. In addition, the Group strives to tap the county-level hospital market, and further enhance the application of the pacemaker implantation procedure in primary medical institutions; actively improves the automation and digitalisation of production lines, and lays a solid foundation for the continuous and stable supply in the future.

Endovascular and Peripheral Vascular Devices Business

The endovascular and peripheral vascular devices business focuses on providing integrated disease solutions for aortic and peripheral vascular diseases such as thoracic and abdominal aortic aneurysm, aortic dissection, atherosclerosis, and lower extremity arteriosclerotic occlusion.

During the Reporting Period, the aortic and peripheral vascular intervention business achieved revenue of US$133.2 million, an increase of 31.0% excluding the foreign exchange impact as compared to the corresponding period of last year, which is mainly attributable to the rapid increase in the revenue of the innovative products, and the further consolidation of the Group's leading position in the field of aortic and peripheral vascular devices area.

In China and as for the endovascular business, thanks to the continued construction of sales channels, the Castor® Branched Aortic Stent Graft System ("Castor®" Branched Stent), being the world's first branched aortic stent graft and delivery system, has entered a total of nearly 900 hospitals across the country, and has achieved steady growth in sales revenue as of the end of the Reporting Period. The new generation of Minos® Abdominal Aortic Stent Graft System ("Minos® Abdominal Aortic Stent") has covered more than 600 hospitals across the country, and the sales achieved a significant increase year on year; the newly launched product Talos® Thoracic Stent Graft System ("Talos® Thoracic Stent") and Fontus® Branched Surgical Stent Graft System ("Fontus® Branched Surgical Stent") also successfully started to enter hospitals and achieved rapid sales increase during the Reporting Period. In terms of peripheral business, as of the end of the Reporting Period, Reewarm® PTX Drug Coated Balloon has been promoted and applied in more than 600 hospitals across the country, of which, nearly 250 hospitals were newly covered during the Reporting Period, and the market share has continued to increase; with the approval of Reewarm® PTX (0.035" series) Drug Coated Balloon during the Reporting Period, the scope of clinical application of the product has been broadened, and it is expected that the development will further drive the volume of this series of products and benefit more patients with peripheral artery disease.

Overseas, as of the end of the Reporting Period, the endovascular and peripheral vascular devices product sales have covered 22 overseas countries and regions such as Europe, Latin America, and Southeast Asia. During the Reporting Period, Minos® abdominal aortic stent was approved for commercialisation in Colombia and South Korea; Reewarm® PTX Drug Coated Balloon was approved for commercialisation in Brazil; Hercules® balloon dilation catheter was approved for commercialisation in Japan; 6 key products were approved for commercialisation in Belarus. Thanks to the continued market coverage, the overseas business of this segment achieved a sales revenue of US$7.7 million, representing a significant increase of over 74.9%. During the Reporting Period, the Company continued to step up its efforts in exploring the international market. Through the equity investment in Optimum Medical Device Inc., the mature agent network and professional sales personnel in Europe are expected to facilitate the penetration of its products in the European market. As of the end of the Reporting Period, 5 CE Markings had been obtained for the products of this business segment, and supported by the channels, and are expected to benefit more patients around the world.

Neurovascular Devices Business

The neurovascular devices business specialises in providing total solutions for the treatment of neurovascular diseases, including hemorrhagic stroke, cerebral atherosclerotic stenosis and acute ischemic stroke, continuously focused in R&D, production and commercialisation of neurovascular therapeutic and access devices.

During the Reporting Period, the neurovascular devices business recorded a revenue of US$79.9 million, and achieved a significant growth of 43.0% excluding the foreign exchange impact as compared to the corresponding period of last year; and specifically, the international (non-China) business recorded approximately US$3.2 million in revenue, achieving a year on year increase of 3,492.0%.

In China, the Group continues to consolidate its channel resources and tap low-tier markets to further strengthen its leading position in the neurovascular device field. During the Reporting Period, the Group's products entered approximately 500 new hospitals, covering a total of approximately 2,600 hospitals accumulatively nationwide. Focusing on serving stroke patients in the primary market, the Eagle & Swallows program has newly entered more than 250 new county hospitals during the Reporting Period, covering a total of nearly 600 hospitals in more than 200 lower tier cities and counties. The Group has been consolidating its share of the primary market. In the field of hemorrhagic stroke treatment, the clinical use and sales of Tubridge® ("Tubridge®"), the first Chinese-developed flow-diverting stent, continued to increase during the Reporting Period, with its market share reaching the first place in China. Benefited from bid-winning of the entire provincial and provincial-league VBPs, sales of NUMEN® Coil Embolisation System ("NUMEN® Coil") climbed up rapidly during the Reporting Period, achieving a breakthrough growth in market share. In the treatment of cerebral atherosclerotic stenosis, attributed to the application in stenosis cases of emergency thrombectomy in lower-tier hospitals, the APOLLO™ Intracranial Arterial Stent System ("APOLLO™") has seen a continuous and steady growth in surgeries with its market share maintaining the first in the industry for many consecutive years. The Bridge® Rapamycin Target Eluting Vertebral Artery Stent System ("Bridge®") accelerated the bidding and hospitalization process, with its revenue increased rapidly. In the treatment of acute ischemia, the Group continued to improve its product portfolio, with new products such as Neurohawk® Stent Thrombectomy Device ("Neurohawk®") and X-track® Distal Access Catheter commercialized during the Reporting Period, contributing to incremental revenue.

In overseas markets, the Group has continued to promote the registration and launch of its core products and has made significant progress in internationalization. As of the end of the Reporting Period, the Group's NUMEN® Coil products have realised commercial implantation in seven overseas countries and regions, including Korea, the United States, Brazil, Chile and many European countries. During the Reporting Period, the first sales of APOLLO™ were also made in Brazil, adding new momentum to the overseas business. The rapid increase in demand for NUMEN® Coils in Korea, where they have been included in the national health insurance reimbursement catalog since early 2022, has led to significant revenue growth. The Group also actively embraces commercial partnerships: in the United States, with the rich channel resources of its associate company Rapid Medical, NUMEN® Coils are rapidly becoming commercially available. NUMEN® Coils can also be used with Rapid Medical's own Comaneci® Embolization Assist Device (an FDA breakthrough medical device) to create a full product portfolio in the field of coil embolization surgery. In addition, the Group has established subsidiaries in the

United States, the United Kingdom, the Netherlands and Brazil, as well as regional sales headquarters in Europe, the Middle East and Africa (collectively referred to as "EMEA"), North America, Latin America and the Asia Pacific region, with commercial footprint spanning four continents, laying a solid foundation for its core products to establish overseas presence.

Heart Valve Business

The Group's heart valve products include two self-developed and commercialised products: VitaFlow® Transcatheter Aortic Valve Implantation and Delivery System ("VitaFlow®") (including the auxiliary Alwide® Balloon Catheter), VitaFlow Liberty™ Transcatheter Aortic Valve Implantation and Retrievable Delivery System (VitaFlow Liberty™) (including the auxiliary Angelguide® tip-preshaped super-stiff guidewire and Alwide® Plus Balloon Catheter), and various transcatheter aortic valve implantation ("TAVI") products, transcatheter mitral valve ("TMV") products, transcatheter tricuspid valve ("TTV") products, surgical valve products and procedural accessories at different development stage. Apart from its self-developed product portfolio, the Group also cooperates with international business partners (namely 4C Medical and Valcare) on certain TMV and TTV products, and has the exclusive right to commercialisation of these products in the PRC.

During the Reporting Period, the heart valve business recorded revenue of US$36.8 million, an increase of 25.0% excluding the foreign exchange impact as compared to the corresponding period of last year, which was mainly attributable to the increase of market shares due to progress in hospitalizations of TAVI products. Driven by steady promotion of the production process optimisation, production efficiency improvement and continuous development of multiple-supply resources and other measures to reduce costs and increase efficiency, and improved bargaining power in raw material procurement driven by economies of scale, the gross profit margin of the business segment also increased significantly by 6 percentage points year on year to 64.6%.

The Group has accelerated the integration of its rich resources in the pan-cardiac field to further promote the penetration of the innovative transcatheter solutions for structural heart diseases to the lower-tier regions through medical education and marketing activities. During the Reporting Period, VitaFlow® and VitaFlow Liberty™ products have covered a total of nearly 440 hospitals, and the number of sergeons able to perform procedures independently with the Group's TAVI products has also recorded rapid growth. In terms of market development, the TAVI business team continued to strengthen collaboration with the coronary business and the "Rosefinch Swallow" team, making full use of the Group's nationwide channel network and clinical resources to jointly carry out patient screening, diagnosis and referral. During the Reporting Period, the Group has completed more than ten thousand patient screenings. The screening system, which has a strong presence in lower-tier regions and wide coverage, effectively breaks geographical restrictions, and is expected to continue to fill the gaps in medical services in lower-tier regions. In terms of product development, during the Reporting Period, the Group successfully promoted the self-developed transcatheter mitral valve replacement system into the clinical trial stage, further improving its presence in the field of structural heart diseases.

In the international market, the commercialisation of the heart valve products achieved a breakthrough, and the annual revenue amounted to US$1.0 million, a substantial increase of 626% year on year. During the Reporting Period, the number of surgeries involving VitaFlow® and VitaFlow Liberty™ in Argentina realized significant increase, and VitaFlow Liberty™ and the auxiliary Angelguide® were successfully registered in Colombia in August 2022 and achieved commercial implantation during the Reporting Period, marking that the Group has taken another solid step in its international layout. As of the end of the Reporting Period, the heart valve business has successfully developed around 40 overseas centres and recorded nearly 100 cases of commercial implantation. Meanwhile, the Group has also been actively promoting the registration of products in multiple overseas emerging markets. Alwide® Plus was approved for registration by Brazil Food and Drugs Supervision Agency (ANVISA) during the Reporting Period; In February 2023, VitaFlow Liberty™ and Alwide® Plus obtained registration approval from the Food and Drug Administration of Thailand ("Thai FDA").

Surgical Robot Business

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

The Group is the only company in the global surgical robot industry with a product portfolio covering five major and fast-growing surgical specialties, namely laparoscopic, orthopedic, panvascular, natural orifice and percutaneous surgical procedures. One of the Group's flagship products, Toumai® Laparoscopic Surgical Robot ("Toumai®"), was approved by the NMPA for launch to the market during the Reporting Period, and became the first four-arm laparoscopic robot developed by a Chinese company and used in clinical application. The product also recorded its first sale and won multiple bids in this period. Another flagship product, the SkyWalker™ Orthopedic Surgical Robot ("SkyWalker™"), obtained approval from the NMPA, 510(k) clearance from the U.S. Food and Drug Administration ("FDA") and CE Marking, becoming the first and the only Chinese surgical robot cleared by the NMPA and FDA and with CE Marking for launch to date. During the Reporting Period, SkyWalker™® won the first domestic bid; several devices of this type have also completed trial running in overseas markets. With the continuous expansion of our global business, it is expected that more patients from various countries and regions will be benefited from the product. Apart from independent R&D, the Group's cooperative development project with Biobot, the world's leading surgical robot company, is also progressing smoothly. The Mona Lisa prostate puncture surgery robot achieved its first sales during the Reporting Period and successfully opened up the market in the PRC's Taiwan region. We have completed the enrolment of all patients for the multi-centre clinical trial which is conducted for the purpose of obtaining NMPA, and the world's first localised treatment of prostate cancer based on a prostate positioning robot combined with a cryoablation platform has also been completed. The R-ONE® vascular interventional surgery robot jointly developed by the Group and Robocath has also completed all registration clinical trials, becoming the first cardiovascular interventional robot system in the PRC to complete multi-centre clinical trials for registration. In the future, the Group will continue to promote

the development of human health with high-quality, high-reliability robotic products, and realise our mission of "Make surgery easier, safer, and less invasive".

During the Reporting Period, the surgical robot business achieved breakthrough in growth, recording operating income of US$3.1 million, a substantial increase of 904.8% (excluding the foreign exchange impact) over the previous year, mainly driven by the successful commercialisation of Toumai® and the accelerated promotion and sales of DFVision® 3D electronic laparoscope ("DFVision®") in the hospitalization process. In June 2022, Toumai® successfully completed the longest-distance 5G ultra-remote robotic surgery in the world to date, fully demonstrating the leading technical strength and advantages of Chinese-developed surgical robots in the field of 5G ultra-remote robotic surgery. As of the end of the Reporting Period, the Group has deployed more than 40 clinical application and training centres across the country, among which four training centres were built in Beijing, Shanghai, Guangzhou and in the form of mobile surgical vehicles, and deployed channels in over ten provinces and cities to provide professional education, technical services, digital learning platforms and other one-stop comprehensive supporting services, empowering primary medical institutions across the country and around the world, while enabling universal access to the inclusive process of intelligent robot-assisted surgery technology at a faster pace. As of the date of this announcement, Toumai® completed more than 600 human clinical surgeries, and over 400 SkyWalker™ Total Knee Arthroplasty ("TKA") human clicinal surgeries. The Group also established Shanghai Engineering Research Center of Minimally Invasive Surgical Robots (上海微創手術機器人工程技術研究中心) to build an open service platform covering research and development, verification, clinical and industrialization support through the cooperation between the industry, universities and research institutions.

Surgical Devices Business

Surgical devices business focuses on providing overall solutions for cardiac surgery and emergency life support, including: extracorporeal membrane oxygenation system ("ECMO") for cardiopulmonary support, extracorporeal circulation series consumable products such as oxygenation system (artificial lungs), occlusion series products used in congenital heart disease treatment (atrial septal defect occluder and delivery system, ductus arteriosus occluder and delivery system, ventricle septal defect occluder and delivery system) and general surgical polypropylene herniorrhaphy series products.

During the Reporting Period, the surgical devices business recorded revenue of US$4.5 million. As of the end of the Reporting Period, the products of this business segment have entered 16 overseas markets. The surgical intubation products and the occluder products have successfully entered the Egyptian and Mexican markets during the Reporting Period, and realised the first batch of commercial sales. During the Reporting Period, the self-developed Vitasprings® integrated membrane oxygenator ("Vitaspring®") was approved by the NMPA for launch to the market. This product is also the first integrated membrane oxygenator admitted into the "Green Path" in the PRC. MOBYBOX® ECMO system ("MOBYBOX"), which is a core product of the Group's wholly-owned subsidiary, Hemovent GmbH, has obtained CE Marking for its excellent clinical effects. During the Reporting Period, the Group is actively promoting the domestic registration, industrialisation and commercialisation of this highly innovative product. In November 2022, the first set of MOBYBOX products completed the production in the Shenzhen production line and passed the test.

EMERGING BUSINESS SEGMENTS

In addition to the rapid development of mature business segments, the Group is also actively developing a number of emerging businesses through its subsidiaries or affiliates, committed to building a business loop covering the entire human life cycle from prevention and diagnosis to treatment and rehabilitation. The product portfolio covers interventional imaging, non-vascular intervention, rehabilitation treatment, quinturology, sports medicine, assisted reproduction, skin and body management, etc.. At the same time, the Group has also been actively developing platform-based businesses to bridge the upstream industry chain, covering areas such as active pharmaceutical ingredients, smart manufacturing of medical devices, disinfection and sterilization, to fully utilize the efficiency and synergy of group operations.

In the interventional imaging field, during the Reporting Period, the commercialization of the MicroPort Argus™ intravascular optical coherence tomography ("OCT") system, the only purge-free disposable imaging catheter in China, achieved a breakthrough. Leveraging on the mature commercialization channel of the coronary segment, the Group accelerated hospital admissions and built a distributor network for the OCT system, leading to a rapid increase in market share. The Group's domestic medical digital subtraction angiography ("DSA") system, jointly developed with Siemens, was successfully adopted by 3 hospitals during the Reporting Period. In terms of research and development, the Group's self-developed intravascular ultrasound ("IVUS") imaging system and the accompanying disposable catheter commenced type testing, and the dual-mode intravascular imaging system ("IVUS+OCT") completed prototype development. In the field of non-vascular interventions, the Group continued to improve its diversified strategic deployment in urology, respiratory, gastroenterology and gynecology. During the Reporting Period, the Group's two major products, namely the single-use flexible digital ureteroscope catheter and the single-use hemostatic clip device, were approved by the NMPA for launch in China, and five new products were approved for marketing in Brazil, Thailand and Colombia. In terms of registration and R&D, the Group's self-developed single-use biliary-pancreatic duct imaging catheter has been approved by the NMPA for registration in March 2022, and The "Green Path" product, the prostatic urethral lift system, has completed the first-in-man (FIM) clinical trial and started the enrollment of the clinical trial soon in March 2022. For rehabilitation treatment segment, the Group has been actively expanding into the areas of musculoskeletal rehabilitation, cardiopulmonary rehabilitation and neurological rehabilitation. As at the end of the Reporting Period, seven products in these areas have been approved for marketing, and the commercialization of the first active product, the TherMotion® Cryo-Thermo Compression Device, has been progressing smoothly with over 100 hospital admissions following its approval for marketing in China, and was successfully approved in the United States and Colombia in March 2023. In addition, the lower-limb rehabilitation robot-assisted system, the first rehabilitation robot product, was approved for marketing in China during the Reporting Period. As for the construction of outpatient clinics, the Suzhou rehabilitation clinic has entered the trial operation stage and the Shanghai rehabilitation clinic proposal was approved during the Reporting Period.

At the same time, the Group has continued to expand its presence in emerging racing lanes through its associates. The Group is committed to building a platform for integrated solutions include glucose management, oncology chemotherapy and pain management: for glucose management, since the launch of the first La Fenice® insulin pump, the Group has continued to promote the upgrade of iterative and new product development. As of the end of the Reporting Period, the second generation of insulin pump products have been submitted for registration and the continuous glucose monitoring system ("CGM")

has entered the prototype examination stage. As for oncology chemotherapy, the first chemotherapy injection pump, AutoEx®, was successfully commercialized during the Reporting Period and the application for registration of the Peripheral Venous Puncture Central Catheter ("PICC") was submitted. As for pain management, the analgesic pump is in the process of registration with the NMPA. In terms of sports medicine, seven products were approved for marketing during the Reporting Period, including the Galaxy Insight™ True 4K high-resolution arthroscope system, the Endosharp® sterile disposable shaving tip series, and the Cross Ligament Reconstruction Kit, Javelot® titanium wireline anchor system and PEEK wireline anchor system received registration approval in February and March 2023, respectively, with multiple new products entered the assessment for registration phase. The multi-center registrational clinical trial for Archimedes®, the world's first long-term implantable balloon rotator cuff system self-developed by an associate, has completed a multi-center clinical trial and all of its subjects were enrolled in China during the Reporting Period. The product was also submitted to the European Union for registration during the Reporting Period and was in the pre-application stage of FDA preparation, and China's first tunnel-form rotator cuff repair system has entered clinical registration and has completed the assessment before approval. In the field of assisted reproduction, the Daylily® Embryo Transfer Catheter received FDA 510 (K) marketing clearance during the Reporting Period. The artificial insemination catheter was cleared for marketing in Thailand, and the vitrified frozen carrier rod, single-use sterile culture dish and sperm centrifuge test tube were cleared for marketing in China during the Reporting Period, and the Group continues to explore and expand potential business scenarios of the segment. In July 2022, the first medical laboratory was established in Shenzhen, covering a more comprehensive business in the field of assisted reproduction.

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 22 products obtaining the Class III medical devices registration certificates from the NMPA, and have obtained the FDA clearances for 6 products and the CE Marking for 7 products 4 products newly admitted in the Innovative Medical Device Special Review and Approval Procedure (the "Green Path"), reaching a total of 29 "Green Path" products, ranking the first in the medical device industry for seven consecutive years.

As for the cardiovascular devices business, the Group has a variety of innovative and iterative products under R&D, including coronary stent and balloon catheter, active interventional devices, passive access consumables and other products under development. During the Reporting Period, the Group's two stent iterative products, Firehawk Pro™ Coronary Rapamycin Target-eluting Stent System ("Firehawk Pro™ Stent") and Firebird Pro+ Coronary Rapamycin Target-eluting Stent System ("Firebird Pro+ Stent") were approved for launch to the market by the NMPA. Meanwhile, we have completed the enrolment of all patients in the TARGET IV NA clinical trial of the Firehawk® Rapamycin Target Eluting Coronary Stent System ("Firehawk® Stent"). The clinical data of this study will support the approval by the FDA and Canadian regulatory authorities of Firehawk® Stent for the treatment of atherosclerotic coronary artery lesions; for the second-generation bioabsorbable vascular stent system – Firesorb® Rapamycin Target Eluting Coronary Stent System ("Firesorb® Stent"), we have completed key registration clinical endpoint follow-up and will submit a registration application in the near future. During the Reporting Period, the results of the OCT clinical study of Firehawk® applied in high-risk populations were first announced at the Euro-PCR, further verifying its safety and effectiveness as the world's lowest drug-

loaded coronary stent in high-risk patients with complicated conditions. In terms of coronary balloon products, during the Reporting Period, we have completed the enrolment of all patients in the pre-marketing clinical trial of the coronary rapamycin drug-coated balloon catheter ("PROMISE-BIF Study") on the treatment of primary coronary bifurcation lesions. In terms of active products, the pre-marketing clinical trial of the rotational atherectomy system ("CORRECT Study") on the treatment of coronary artery calcification is progressing smoothly, and the product was admitted in the Innovative Medical Device Special Review and Approval Procedure (the "Green Path") in January 2023, providing a new option for clinical interventional treatment of coronary artery calcification lesions, especially for moderate to severe calcification. In terms of access products, the self-developed Beyond Prefer™ guiding wire was approved for launch to the market by the NMPA during the Reporting Period, and application registration in respect of the microcatheter has been submitted to the NMPA; in terms of special coronary balloon, the anchor balloon has been submitted to the NMPA for registration; the enrolment of the first patient in respect of the pre-marketing clinical trial ("CREST study") of spinous process balloon has been completed, marking the further improvement in the Group's entire product line mix in the coronary field.

In terms of orthopedics devices business, a number of products of the Group's made significant progress in overseas regions. During the Reporting Period, final testing has been completed for the Group's self-developed Hinge Knee System, and the FDA application will be submitted for registration soon. The Group is actively promoting the Procotyl® P Acetabular Cup globally after it was launched in Europe, and plans to submit an application for registration with the US FDA in the near future. The product is currently undergoing pre-submission verification; in addition, a Dual Mobility version and Revision solution of the cup system will follow the initial release. In the PRC market, the registration and R&D of various products progressed smoothly during the Reporting Period, and the VenusOne Acetabular System with plasma spray was successfully approved for launch to the market. The Group continues to supplement and optimise the domestic product line. The new generation of China-made Medial-Pivot Knee System has been approved for launch to the market. Zirconium-Niobium Alloy Femoral Head Prosthesis, which was admitted in the "Green Path", and uni-condylar-fixed-platform prosthesis have been submitted to the NMPA for approval. In order to better promote the overall solution for orthopedic joints, the Group's knee joint image processing software, joint bone guides and other products were approved by the NMPA during the Reporting Period; the innovative products such as interphalangeal joints, wrist joints, and ankle joints to meet the diverse needs of clinical practice. In the field of spinal trauma, four products including spinal orthopedic equipment kits, laminectomy system kits, non-locking metal hollow bone screw kits and vertebroplasty tools were certified for commercialisation in the PRC during the Reporting Period.

As for the CRM business, the Group's R&D pipeline covers a new generation of Implantable Cardioverter Defibrillator ("ICD") and Cardiac Resynchronisation Therapy and Defibrillation ("CRT-D") equipped with Bluetooth® technology; in the field of patient management and arrhythmia assessment, we are also discovering an online platform for Holter recordings and analysis, which also includs a module of ECG analysis through Artificial Intelligence. In the PRC market, the Group actively promoted the R&D progress of MRI-compatible products. Registration application in respect of the next-generation 3T whole-body MRI-compatible pacemaker ENO™ and its matching Vega pacing lead has been submitted to the NMPA during the Reporting Period; in terms of MRI compatible leads, the BonaFire® whole-body MRI-compatible passive pacing lead, a self-designed "Green Path" product, has completed all

clinical follow-up and will be submitted to the NMPA for approval and registration. In terms of cardiac defibrillation products, the Group reached a registration milestone during the Reporting Period. The Platinium™ ICD was successfully approved for commercialisation in April. Platinium™ CRT-D was also under approval by the NMPA. During the Reporting Period, the Group continued to promote the domestic development of implantable cardioverter-defibrillators (ICDs), and the Ministry of Science and Technology's 14th Five-Year Plan officially established a key project for it, laying the foundation for the first localisation of high-energy defibrillators.

In the endovascular and peripheral vascular devices business, a number of innovative and iterative products reached milestones: in the field of aortic intervention, the Talos® Thoracic Stent Graft System was approved by the NMPA for launched to the market at the beginning of the year; the first pre-marketing clinical implantation of the new generation Cratos® Thoracic Endovascular Stent Graft System ("Cratos® Branched Stent") was completed during the Reporting Period; the first pre-market clinical implantation of Aegis® II Abdominal Aortic Stent Graft System ("Aegis® II stent"), which is based on the Aegis® Bifurcated Aortic Stent-graft ("Aegis®") after being fully upgraded and iterated, was completed in January 2023; the thoracic main multibranch stent-graft system has entered the pre-market clinical trial stage, and is expected to further consolidate the Group's leading presence in the aortic field. In the field of peripheral vascular intervention, the "Green Path" product Vflower® venous stent system has completed all registration clinical follow-up; Fishhawk® mechanical thrombectomy catheter has completed the enrolment of several pre-market clinical trials, and entered the national innovative medical device Special Review Process ("Green Path"), during the Reporting Period becoming the seventh product of the aortic and peripheral vascular intervention business segment to be included in the "Green Path"; Vewatch® vena cava filter also successfully entered the pre-market clinical trial stage in October. In the field of tumor intervention, the key product TIPS (transjugular intrahepatic portosystemic shunt) covered stent system successfully completed the first pre-market clinical implantation in November, and the Group also simultaneously deployed innovative products such as developing embolization microspheres. As the Group continues to increase research and development of innovative products, new products are expected to continue to disrupt the leading position of international companies and benefit more patients.

In the neurovascular devices business, the Group continued to promote the development of new products in the three major areas of neurovascular diseases. In the field of hemorrhagic stroke, the Rebridge® Intracranial Artery Stent ("Rebridge® Stent") entered the national innovative medical device special review process ("Green Path") during the Reporting Period, becoming the fourth neurovascular devices of the business segment to be included in the "Green Path"; the results of IMPACT, a post-launch clinical trial of Tubridge® flow-diverting stent ("Tubridge® Stent") showed that the complete occlusion rate of 12M aneurysms, the primary endpoint was 79.1%, further verifying the high occlusion rate and low recurrence rate of Tubridge® in the treatment of unruptured internal carotid artery and vertebral artery aneurysms of various sizes. In the field of cerebral atherosclerotic stenosis, the Diveer® Intracranial Balloon Dilatation Catheter ("Diveer® Balloon Catheter") was approved by the NMPA for launch during the Reporting Period, further enriching the product line in this segment. In the field of acute ischemic stroke, the Group is the only Chinese company with stent embolization devices compatible with different size vessels. During the Reporting Period, the self-developed Neurohwak® Stent Thrombectomy Device, a stent retriever system with full visualization device, was successfully approved and commercialised. The study was published in an authoritative journal "Frontiers in

Neurology", showing that the safety and effectiveness of Neurohawk® have reached a world-leading level among the industry. Moreover, the Group is the exclusive agent of Rapid Medical's world's first adjustable, fully developed stent-type thrombectomy device Tigertriever® ("Tigertriever® Thrombectomy Stent"), which is in the registration application stage of the NMPA, and will help formulate a unique "dual stent" thrombectomy product portfolio strategy.

In the heart valve business, the Group efficiently synigizes internal and external resources, and has been promoting the research and development of all-round medical solutions for structural heart diseases that include TAVI products, TMV products, TTV products, surgical valve products and procedural accessories in an organised manner. In terms of TAVI, the Group's self-designed third-generation TAVI product achieved key technological breakthroughs, and animal trials had been started for the product. While inheriting all the advantages of VitaFlow Liberty™, the product has realised the world's first adjustable bending function, which further improves surgical efficiency, and relaxes error tolerance, precision and accuracy, creating better usability experience for doctors. In terms of TMV, in July 2022, the Group's self-developed transcatheter mitral valve replacement product successfully completed the first human implantation, becoming the world's first clinically applied dry valve TMVR model, and in January 2023, a six-month post-operation follow-up of patients was completed, showing significant improvement in mitral regurgitation and quality of survival, which preliminarily proved the safety and effectiveness of the product. The Group is also actively promoting the clinical application of this innovative product in multiple centres. TheAltaValve™ Transcatheter Mitral Valve replacement product and Amend™ Transcatheter Mitral Valve repair product developed by international partners are in the stage of early feasibility study overseas and have completed a number of clinical applications. Currently, the Group is also preparing for humanitarian applications in the PRC.

As for the surgical robot business, the Group is committed to leading the technological innovation and progress of domestic surgical robots by addressing the cutting-edge development needs of minimally invasive surgery. A number of core products received significant registrations and clinical advancements during the Reporting Period. Following the approval of the Toumai® Laparoscopic Surgical Robot ("Toumai®") for urological surgery in January 2022, the Group has continued to advance the evidence-based construction of Toumai® and has completed a number of difficult robotic-assisted clinical validation surgeries, setting many "firsts" records. Toumai® Single-arm Laparoscopic Surgical Robot ("Toumai® Single-arm") was also enrolled in a registered clinical trial initiated during the Reporting Period. During the Reporting Period, SkyWalker™ Orthopedic Surgical Robot was successively approved for marketing in the PRC, the United States, and the European Union, reaching a key milestone in the Group's globalization strategy. The Group also continues to explore breakthrough applications of SkyWalker in other procedures of surgeries. As of February 2023, SkyWalker has performed the first total hip replacement surgery and the first unicondylar knee replacement surgery. In addition, the Group has continued to build an innovative platform for surgical robot technology. The Trans-bronchial Surgical Robot has completed the first-in-man trial, marking a major breakthrough in the field of minimally invasive surgery. Both the R-one® panvascular surgical robots and Mona Lisa percutaneous surgical robots jointly developed were submitted to the NMPA for registration during the Reporting Period. During the Reporting Period, Mona Lisa successfully completed the world's first localised treatment of prostate cancer based on a prostate positioning robot combined with a cryoablation platform, marking the clinical validation of Mona Lisa's precision therapy in the field of percutaneous puncture. In terms of cutting-edge technology, the Group continues to promote the practice

of 5G surgery in the clinical field. Toumai® successfully completed two ultra-long-distance 5G robotic urological surgeries involving two places with a distance of about 5,000 kilometres during the Reporting Period; in February 2023, Toumai® again broke through spatial and regional barriers and successfully carried out a ultra-remote hepatobiliary surgery, reaching a new milestone in 5G remote robotic surgery and bringing the possibility to perform more difficult and complex surgeries in more remote and less developed areas.

As for the surgical devices business, the Group has complete expertise in all the fundamental technologies in the extracorporeal membrane oxygenation ("ECMO") system, including membrane oxygenators, blood pumps, sensors, intubation and control systems, and has established its capability in continuous innovation and iteration for the whole series of products. During the Reporting Period, the VitaSprings® Spiral Diversion Integrated Membrane Oxygenator ("VitaSprings®") was registered and approved by the NMPA, becoming the first made-in-China highly integrated membrane oxygenator. In February 2023, the first batch of post-launch clinical applications was realised, breaking the current reliance on overseas suppliers in high-end integrated membrane oxygenators. At the same time, the self-developed new generation of disposable arterial and venous cannulas has been submitted to the NMPA for registration, and design iterations has been completed for the self-developed ECMO, and the design of the model has been finalised. MOBYBOX, the world's first ECMO system that uses the combination of a displacement pump with an artificial lung, developed by Hemovent GmbH, a wholly-owned subsidiary of the Group, and its supporting MOBYO artificial lung kit, had been submitted as an innovative application for import registration to the NMPA during the Reporting Period. The animal study in respect of MOBYO artificial lung kit has also completed to support the application of the Food and Drug Administration ("FDA"), and the Hemovent WATCHA blood oxygen saturation monitoring sensor has been awarded with CE Marking.

HUMAN RESOURCES AND TRAINING

As of the end of the Reporting Period (31 December, 2022), the Group had a total of 9,435 employees around the world, of which 1,928 or 20.4% were overseas employees in the Asia Pacific region, Europe, the Middle East, Africa, North America and Australia.

Through the construction mechanism of organisational competence, the Group improves organisational efficiency and the overall ability of employees, and establishes a comprehensive talent development platform. Focus is placed on the enhancement and development of the intellectual, emotional, reactive and instrumental quotient of staff and the organic integration within the organisation. Adhering to the principle of "maturity, usage, cultivation, remuneration and care" regarding human resources, and the employee career path of "2 ways, 3 levels, 6 paths, 18 steps and 108 posts", we provide employees with sufficient room for advancement in combined directions horizontally and vertically. Within the Group, we have set up four internal learning institutions, namely the "Jixia Leadership Academy", "Basic Knowledge, Skills and Innovation School", "Emerging Medical Science and Technology Knowledge and Practice Workshop", and "Culture Lecture & Philosophy Hall". Through the extraction of internal knowledge and experience and the transmission of the spirit of "passing on the knowledge to others", and with an aim of comprehensively cultivating "professional, excellent, special and uncommon" technical talents and future enterprise leaders, we accompany our employees to grow together by building a learning organisation, and work together to achieve our mission of "breaking barriers to support billions of people thriving beyond the age of 115 years old".

PROSPECTS

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

1. Consolidating its leading position in the medical device market in the PRC. With its strong brand recognition, extensive distribution network, and the economies of scale achieved by the deployment of multiple channels, the Group will further increase its market share in the PRC and continue to 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 penetration to realise integration of our brand and global operations. The Group will continuously deepen the globalised branding and operation strategy based on local language families by consistently implementing the operation model of "globalisation in operational strategy, localised implementation, deployment with diversification, and unified positioning", thereby realising global deployment through effective integration of resources and markets around the world, which in turn will bring the products of MicroPort® to more countries or regions and benefit patients and doctors around the world.

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

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

FINANCIAL REVIEW

Overview

Despite facing an increasingly fierce competition in the rapidly growing medical device industry in China and abroad as well as the impact of the COVID-19 pandemic, the revenue of the Group increased by 15.6% excluding the foreign exchange impact or 8.0% in US$ for the year ended 31 December 2022 as compared to the year ended 31 December 2021. The Group persisted in providing a diversified product portfolio and pursued the Group's globalization strategy with non-China sales contributing to 51.8% of the total revenue. The Group aims to continuously bring its innovations, technologies and services to millions of global patients and become a patient oriented global enterprise capable of leading minimally invasive and other emerging medical technologies.

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

Revenue

US$'000	**Year ended 31 December**		**Percent change**	
	2022	2021	in US$	excluding the foreign exchange impact
Cardiovascular devices business	**134,130**	139,541	(3.9%)	2.3%
Orthopedics devices business	**223,555**	215,614	3.7%	9.5%
CRM business	**204,239**	220,421	(7.3%)	3.5%
Endovascular and peripheral vascular devices business	**133,179**	106,028	25.6%	31.0%
Neurovascular devices business	**79,900**	59,053	35.3%	43.0%
Heart valve business	**36,808**	31,324	17.5%	25.0%
Surgical robot business	**3,092**	329	839.8%	904.8%
Surgical devices business	**4,511**	4,727	(4.6%)	0.0%
Other business (Note)	**21,417**	1,602	1,236.9%	1,284.4%
Total	**840,831**	778,639	8.0%	15.6%

Note:

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

The Group's revenue for the year ended 31 December 2022 was US$840.8 million, representing an increase of 8.0% compared to US$778.6 million for the year ended 31 December 2021. The Group's reported revenue was impacted by exchanging from non-dollar functional currencies of the Group's subsidiaries to US dollars, the presentation currency of the Group, due to the impact of the appreciation or depreciation of US dollars against functional currencies. Excluding the foreign exchange impact, the Group's revenue increased by 15.6%. Such growth was principally attributable to the rapid market penetration and new product revenue contribution. The following discussion is based on the Group's major business segments.

– *Cardiovascular devices business*

The Group's cardiovascular devices business recorded revenue of US$134.1 million for the year ended 31 December 2022, representing an increase of 2.3% excluding the foreign exchange impact or a decrease of 3.9% in US$ compared to the year ended 31 December 2021. The increase in revenue was mainly because the overseas business drove the revenue to grow through bid wins and deliveries in key countries in Asia Pacific, Middle East, Africa, Russia and Latin America, and by optimising reseller model, expanding sales channels, iterating products, and accelerating the development of uncharted markets.

– *Orthopedics devices business*

US$'000	**Year ended 31 December**		**Percent change**	
	2022	2021	in US$	excluding the foreign exchange impact
Orthopedics devices business	**223,555**	215,614	3.7%	9.5%
– US	**87,282**	86,727	0.6%	0.6%
– Europe, Middle East and Africa	**63,888**	51,926	23.0%	32.6%
– Japan	**30,848**	37,423	(17.6%)	(2.0%)
– the PRC	**21,129**	22,363	(5.5%)	2.9%
– Others	**20,408**	17,175	18.8%	18.4%

The Group's orthopedics devices business recorded revenue of US$223.6 million for the year ended 31 December 2022, representing an increase of 9.5% excluding the foreign exchange impact or 3.7% in US$ compared to the year ended 31 December 2021. The change in revenue was mainly due to solid business growth from continued channel development and product promotion, mainly including the rapid growth in knee revenue driven by the widespread recognition of the rollout of digital orthopedic technology combined with medial pivot knee among clinicians and patients, and channel expansion in regions such as the Middle East and Vietnam.

– *CRM business*

US$'000	**Year ended 31 December**		**Percent change**	
	2022	2021	in US$	excluding the foreign exchange impact
CRM business	**204,239**	220,421	(7.3%)	3.5%
– Europe, Middle East and Africa	**172,191**	188,028	(8.4%)	2.4%
– Japan	**12,308**	13,230	(7.0%)	6.7%
– The PRC	**13,139**	13,647	(3.7%)	6.7%
– US	**2,623**	2,541	3.2%	3.2%
– Others	**3,978**	2,975	33.7%	41.5%

The CRM business recorded revenue of US$204.2 million for the year ended 31 December 2022, representing an increase of 3.5% excluding the foreign exchange impact or a decrease of 7.3% in US$ compared to the year ended 31 December 2021, mainly due to the new generation of pacemakers and home monitors, which are equipped with Bluetooth® technology, has been widely recognised by local clinicians and patients for its convenient remote monitoring functions since its launch in Europe and Japan, driving the rapid growth in sales of pacemakers; and the rapid growth in market share in the Middle East, Latin America, and Australia.

– *Endovascular and peripheral vascular devices business*

The Group's endovascular and peripheral vascular devices business achieved revenue of US$133.2 million for the year ended 31 December 2022, representing a growth of 31.0% excluding the foreign exchange impact or a growth of 25.6% in US$ compared to the year ended 31 December 2021. The increase was mainly because the innovative products, including Castor® Branch Aortic Overlay Stent and Delivery System, Minos® Abdominal Aortic Overlay Stent and Delivery System and Reewarm PTX® Drug Balloon Dilatation Catheter, continued to achieve rapid growth during the Reporting Period, and the aforementioned products further consolidated and improved this Group's competitiveness in the aortic and peripheral vascular intervention market despite the recurrence of the pandemic which had a certain impact on the performance of some procedures. At the same time, as the Group continued to increase its efforts in expanding the international market for its innovative products, the revenue from overseas business has also achieved rapid growth.

– *Neurovascular devices business*

The Group's neurovascular devices business recorded revenue of US$79.9 million for the year ended 31 December 2022, representing a growth of 43.0% excluding the foreign exchange impact or a growth of 35.3% in US$ compared to the year ended 31 December 2021. The increase was mainly due to: (i) overseas revenue surpassed US$3 million for the first time, with revenue mainly coming from the United States, Korea and Europe; (ii) the rapid ramp-up of sales of the innovative products approved in recent years, including NUMEN® Coil Embolisation System, the Bridge® Rapamycin Target Eluting Vertebral Artery Stent System and U-track™ Intracranial Support Catheter System; and (iii) the continuous growth in clinical use of market-leading products (including the Tubridge® flow-diverting stent and the Asahi® series of neurovascular guidewires).

– *Heart valve business*

The heart valve business recorded revenue of US$36.8 million for the year ended 31 December 2022, representing a growth of 25.0% excluding the foreign exchange impact or a growth of 17.5% in US$ compared to the year ended 31 December 2021. The increase was mainly due to the rapid growth in sales and implant volumes of VitaFlow® and VitaFlow Liberty™ heart valves system as a result of their positive market recognition.

– *Surgical robot business*

The surgical robot business recorded revenue of US$3.1 million for the year ended 31 December 2022, representing a growth of 904.8% excluding the foreign exchange impact or a growth of 839.8% in US$ compared to the year ended 31 December 2021. This increase was mainly due to the rapid growth in revenue from DFVision® 3D electronic laparoscopy, the first in a kind to get licensed, and the revenue incurred as a result of the successful hospital installation of the core product, Toumai®, in the same year when it was licensed.

– *Surgical devices business*

The Group's surgical devices business recorded revenue of US$4.5 million for the year ended 31 December 2022, remaining stable excluding the foreign exchange impact or representing a decrease of 4.6% in US$ compared to the year ended 31 December 2021.

– *Other business*

The Group's other businesses recorded revenue of US$21.4 million for the year ended 31 December 2022, representing an increase of 1,284.4% excluding the foreign exchange impact or an increase of 1,236.9% in US$ compared to the year ended 31 December 2021. The increase was mainly due to the sales revenue contribution of Fujian Kerui Pharmaceutical Co., Ltd ("Kerui Pharma") and Suzhou MicroPort Argus Medtech Co., Ltd. ("Suzhou Argus"), the newly acquired subsidiaries of the Group in the second half of 2021, and the revenue contribution as a result of the multiplication of sales revenue of MicroPort Urocare (Jiaxing) Co., Ltd. ("Urocare"). These businesses individually did not meet the quantitative thresholds for determining reportable segments.

Cost of Sales

For the year ended 31 December 2022, the Group's cost of sales was US$339.1 million, representing a 18.2% increase compared to US$286.9 million for the year ended 31 December 2021. Such increase was primarily attributable to the increased sales volume of the major businesses.

Gross Profit and Gross Profit Margin

As a result of the foregoing factors, the Group's gross profit increased by 2% from US$491.8 million for the year ended 31 December 2021 to US$501.8 million for the year ended 31 December 2022. Gross profit margin is calculated as gross profit divided by revenue. The Group's gross profit margin decreased to 59.7% for the year ended 31 December 2022 as compared to 63.2% for the year ended 31 December 2021, which mainly attributable to unfavourable sales mix and cost increase from COVID-19 lockdowns, new manufacturing plants and inflation.

Other Net Income

The Group recorded other net income of US$36.2 million for the year ended 31 December 2022, representing a 52.7% decrease as compared to US$76.5 million for the year ended 31 December 2021. The decrease was mainly due to the the movement in the Group's financial instrument carried at fair value through profit or loss as the Group recorded gains on change in fair value of US$25.7 million for the year ended 31 December 2021.

Research and Development Costs

Research and development costs increased by 41.0% from US$297.8 million for year ended 31 December 2021 to US$419.8 million for the year ended 31 December 2022. The increase was primarily due to the increased investments in the on-going and newly kicked off research and development projects.

Distribution Costs

Distribution costs increased by 10.3% from US$297.5 million for the year ended 31 December 2021 to US$328.2 million for the year ended 31 December 2022. The increase was mainly due to the market development and an increase in product promotion of the surgical robots and heart valve businesses.

Administrative Expenses

Administrative expenses decreased by 1.0% from US$250.0 million for the year ended 31 December 2021 to US$247.5 million for the year ended 31 December 2022.

Other Operating Costs

Other operating costs increased by 197.8% from US$16.5 million for the year ended 31 December 2021 to US$49.3 million for the year ended 31 December 2022. The increase was mainly due to: (i) increase in impairment losses on individual non-currents assets during the Reporting Period; (ii) provision for the payback that the Italian government seeks for from medical device companies as reimbursement for overspending on medical devices in the relevant regions.

Finance costs

Finance costs increased by 63.7% from US$47.9 million for the year ended 31 December 2021 to US$78.4 million for the year ended 31 December 2022. Such increase was mainly due to the increase in the accrued interest of convertible bonds issued by the Company and preferred shares issued by the subsidiaries of the Group.

Gain on deemed disposal of interests in equity-accounted investees

The gain on the deemed disposal of interests in equity-accounted investees surged by 326.1% from US$9.2million for the year ended 31 December 2021 to US$39.3 million for the year ended 31 December 2022. The increase was primarily due to the fact that: The Group's effective interests in EP was diluted to 32.7% as a result of EP's listing on the STAR Market on 31 August 2022.

Income tax

Income tax decreased from US$14.0 million for the year ended 31 December 2021 to US$6.6 million for the year ended 31 December 2022. The change was mainly due to the decrease in profit before taxation of the domestic subsidiaries in the PRC.

Capital Management

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

Liquidity and Financial Resources

As at 31 December 2022, the Group had US$1,203.0 million of cash and cash equivalents on hand, as compared to US$1,754.4 million as at 31 December 2021. The decrease was mainly attributable to (i) operating expenditure on research and development, registration, and commercialisation of businesses such as surgical robots and heart valves; (ii) capitalised expenditure of the Group; (iii) investments in equity-accounted investees; and (iv) share repurchases. The Board's approach to managing liquidity of the Group is to ensure sufficient liquidity at any time to meet its matured liabilities in order to avoid any unacceptable losses or damage to the Group's reputation.

BORROWINGS AND ASSET LIABILITY RATIO

Total borrowings of the Group, including interest-bearing borrowings and convertible bonds, as at 31 December 2022 were US$1,291.6 million, representing an increase of US$266.8 million as compared to US$1,024.8 million as at 31 December 2021. During the Reporting Period, the Group's asset liability ratio (calculated as total liabilities divided by total assets) increased from 49.4% as at 31 December 2021 to 55.1% as at 31 December 2022.

NET CURRENT ASSETS

The Group's net current assets as at 31 December 2022 were US$1,277.1 million, as compared to US$1,840.0 million as at 31 December 2021.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to currency risk primarily from sales, purchases, borrowing and lending which give rises to receivables and payables that are denominated in a foreign currency (mainly RMB, Euro and JPY). For the year ended 31 December 2022, the Group recorded a net exchange gain of US$4.5 million, as compared to a net exchange loss of US$5.7 million for the year ended 31 December 2021. The Group did not have any significant hedging arrangements to manage foreign exchange risk but has been actively monitoring and overseeing its foreign exchange risk.

CAPITAL EXPENDITURE

In addition, during the year ended 31 December 2022, the Group's total capital expenditure amounted to approximately US$257.3 million, which was used in (i) construction of building; (ii) acquiring equipment and machinery; and (iii) expenditures for R&D projects in development stage.

CHARGE ON ASSETS

As at 31 December 2022, the Group had mortgaged its buildings held for own use and land use right for the purpose of securing bank loans with a carrying value of US$92.7 million; In order to obtain a bank loan with a carrying value of US$143.8 million for acquisition or capital contribution, the Group pledged its equity interests in Suzhou Argus, Shanghai MicroPort Huanbo Medical Technology Co., Ltd., MicroPort Vision Power MedTech (Shanghai) Co., Ltd. and Hemovent GmbH as collateral.

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 through self-development, mergers and acquisitions. The Group's future operating plans will be supported by various sources of financing to support capital expenditure, including but not limited to internal funding and bank loans. Currently, the Group has sufficient banking facilities.

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 2022 as set out in this preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, 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.

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 2022, 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 14 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 2022.

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 10 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 2022.

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 2022.

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

Save for the 2,755,400 shares of the Company purchased by the trustee of the share award scheme at a cash consideration of US$6,390,000 on the Stock Exchange, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no other material acquisition and disposal of subsidiaries and associated companies by the Company during the year ended 31 December 2022.

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 2022 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 2022 (2021: 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 2022 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, 30 March 2023

As at the date of this announcement, the executive Director is Dr. Zhaohua Chang; the non-executive Directors are Mr. Norihiro Ashida, Dr. Yasuhisa Kurogi, and Mr. Hongliang Yu; and the independent non-executive Directors are Mr. Jonathan H. Chou, Dr. Guoen Liu, and Mr. Chunyang Shao.