MicroPort NeuroTech Limited
微創腦科學有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2172)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The Board of the Company is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2023 (the "**Reporting Period**") together with the unaudited comparative figures for the six months ended 30 June 2022 (the "**Prior-year Period**"), which have been reviewed by the Audit Committee.

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2023	2022	Change
	RMB'000	*RMB'000*	*%*
	(unaudited)	(unaudited)	
Revenue	**299,193**	205,993	45.2%
Gross profit	**232,637**	141,547	64.4%
Profit from operations	**82,200**	13,582	505.2%
Profit/(loss) for the period	**57,999**	(93,729)	N/A
Earnings/(loss) per share	**0.11**	(0.20)	N/A

For the six months ended 30 June 2023, the Group's revenue was mainly derived from hemorrhagic stroke products, cerebral atherosclerotic stenosis products, acute ischemic stroke products and access products. During the Reporting Period, the Group recorded the revenue of approximately RMB299.2 million, representing an increase of around 45.2% over that of approximately RMB206.0 million for the Prior-year Period.

The increase was mainly due to: (1) market-share leading products (including Tubridge® Flow-diverting Stent ("**Tubridge® Flow-diverting Stent**") etc.) continued to increase the market penetration, further consolidating the competitive advantages, and maintaining a positive growth momentum; (2) The continued tendering and admission of several new products launched in recent years (including NUMEN® Coil Embolization System ("**NUMEN® Coil**"), Bridge® Rapamycin Target Eluting Vertebral Artery Stent System ("**Bridge® Vertebral Artery DES**") and U-track® Intracranial Support Catheter System ("**U-track® Support Catheter**"), etc.) into hospitals has contributed to the exploration of blank markets; newly approved products in 2022 (including Neurohawk® Stent Thrombectomy Device ("**Neurohawk® Thrombectomy Device**"), Diveer® Intracranial Balloon Dilatation Catheter ("**Diveer® Balloon Catheter**"), etc.) accelerated the market development, contributing to the Group's revenue growth.

During the Reporting Period, the Group recorded the profit from operations of approximately RMB82.2 million, representing an increase of approximately 505.2% as compared to that of approximately RMB13.6 million for the Prior-year Period, which was mainly attributable to the increase in revenue and gross profit.

During the Reporting Period, the Group recorded the profit for the period of approximately RMB58.0 million, representing the losses turning into profits as compared to the Prior-year Period.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023 — unaudited

(Expressed in Renminbi)

		Six months ended 30 June	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**299,193**	205,993
Cost of sales		**(66,556)**	(64,446)
Gross profit		**232,637**	141,547
Other net income	*4*	**18,198**	4,840
Research and development costs		**(84,531)**	(49,183)
Distribution costs		**(55,919)**	(33,710)
Administrative expenses		**(28,185)**	(31,749)
Other operating costs	*5(b)*	**—**	(18,163)
Profit from operations		**82,200**	13,582
Finance costs	*5(a)*	**(1,963)**	(89,468)
Share of losses of an associate		**(11,923)**	(12,839)
Profit/(loss) before taxation	*5*	**68,314**	(88,725)
Income tax	*6*	**(10,315)**	(5,004)
Profit/(loss) for the period		**57,999**	(93,729)
Attributable to:			
Equity shareholders of the Company		**64,041**	(92,352)
Non-controlling interests		**(6,042)**	(1,377)
Profit/(loss) for the period		**57,999**	(93,729)
Earnings/(loss) per share	*7*		
Basic and diluted (in RMB)		**0.11**	(0.20)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023 — unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Profit/(loss) for the period	**57,999**	(93,729)
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that will not be reclassified to profit or loss:		
Exchange differences on translation of financial statements of the Company	**46,137**	(22,061)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign subsidiaries	**(20,858)**	(23,905)
Other comprehensive income for the period	**25,279**	(45,966)
Total comprehensive income for the period	**83,278**	(139,695)
Attributable to:		
Equity shareholders of the Company	**89,320**	(138,318)
Non-controlling interests	**(6,042)**	(1,377)
Total comprehensive income for the period	**83,278**	(139,695)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023 — unaudited

(Expressed in Renminbi)

	Note	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Non-current assets			
Property, plant and equipment		**176,236**	193,566
Investment property		**13,097**	13,268
		189,333	206,834
Intangible assets		**130,486**	131,650
Interest in an associate		**148,820**	155,501
Deferred tax assets		**12,896**	11,642
Other non-current assets		**27,013**	26,688
		508,548	532,315
Current assets			
Financial assets measured at fair value through profit or loss	*11*	**266,444**	266,053
Inventories		**173,473**	114,726
Trade and other receivables	*8*	**57,461**	35,256
Time deposits		**60,079**	40,721
Cash and cash equivalents		**827,466**	827,929
		1,384,923	1,284,685
Current liabilities			
Trade and other payables	*9*	**208,567**	188,703
Contract liabilities		**7,589**	11,632
Lease liabilities		**24,077**	24,725
Derivative financial instruments		**—**	272
Income tax payables		**3,525**	18,468
		243,758	243,800
Net current assets		**1,141,165**	1,040,885
Total assets less current liabilities		**1,649,713**	1,573,200

	Note	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Non-current liabilities			
Lease liabilities		**49,031**	60,519
Deferred income		**19,556**	19,136
Other non-current liabilities		**8,329**	7,894
		76,916	87,549
NET ASSETS		**1,572,797**	1,485,651
CAPITAL AND RESERVES	*10*		
Share capital		**76**	76
Reserves		**1,565,050**	1,472,727
Total equity attributable to equity shareholders of the Company		**1,565,126**	1,472,803
Non-controlling interests		**7,671**	12,848
TOTAL EQUITY		**1,572,797**	1,485,651

1 Basis of preparation

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

During the six months ended 30 June 2023 and 2022, the Group's business was primarily conducted through MicroPort NeuroTech (Shanghai) Co., Ltd. ("**MP NeuroTech Shanghai**") (微創神通醫療科技 (上海) 有限公司). As part of the Group restructuring (the "**Restructuring**"), the Group obtained control of MP NeuroTech Shanghai in 2022.

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). It has been reviewed by the Audit Committee of the Company and was authorised for issue on 30 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

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

The financial information relating to the financial year ended 31 December 2022 that is included in the interim financial report as comparative information does not constitute the Company's annual consolidated financial statements for that financial year but is derived from those financial statements.

2 Changes in accounting policies

The HKICPA has issued the following new and amended HKFRSs and guidance that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform — Pillar Two model rules*

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

3 Revenue and segment reporting

The Group sells medical devices through appointed distributors.

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

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of medical devices — point in time	**298,185**	205,189
Revenue from other sources		
Gross rentals	**1,008**	804
	299,193	205,993
Disaggregated by geographical location of customers		
— the PRC	**284,158**	194,181
— Outside the PRC	**15,035**	11,812
	299,193	205,993

The geographical analysis above includes property rental income in the PRC for the six months ended 30 June 2023 of RMB1,008,000 (six months ended 30 June 2022: RMB804,000).

4 Other net income

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Fair value changes in financial instruments measured at fair value	**2,121**	—
Government grants	**7,731**	1,493
Interest income on financial assets carried at amortised cost	**8,318**	3,124
Net loss on disposal of property, plant and equipment	**—**	(31)
Others	**28**	254
	18,198	4,840

5 Profit/(loss) before taxation

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

(a) Finance costs

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Interest on other financial liabilities	**—**	87,032
Interest on lease liabilities	**1,858**	2,374
Total interest expenses on financial liabilities not at fair value through profit or loss	**1,858**	89,406
Others	**105**	62
	1,963	89,468

(b) Other operating costs

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Listing expenses	**—**	16,344
Donations	**—**	1,819
	—	18,163

(c) Other items

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Amortisation of intangible assets	**7,697**	6,867
Depreciation charge		
— owned property, plant and equipment and investment property	**8,909**	7,184
— right-of-use assets	**12,514**	13,938
	21,423	21,122
Less: Capitalised into intangible assets	**(817)**	(250)
	20,606	20,872
Research and development expenditure	**90,409**	62,550
Less: Development costs capitalised into intangible assets	**(5,878)**	(13,367)
	84,531	49,183
(Reversal)/provision of inventories write-down	**(176)**	231

6 Income tax

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Current tax — PRC Corporate Income Tax ("CIT")		
Provision for the period	**11,569**	6,126
Deferred tax		
Origination and reversal of temporary differences	**(1,254)**	(1,122)
	10,315	5,004

Pursuant to the CIT Law of the PRC, all of the Company's PRC subsidiaries are liable to PRC CIT at a rate of 25%, except for MP NeuroTech Shanghai, which is entitled to a preferential income tax rate of 15% as it is certified as a "High and New Technology Enterprise" ("**HNTE**") during the six months ended 30 June 2023 and 2022. According to Guoshuihan 2009 No. 203, if an entity is certified as an HNTE, it is entitled to a preferential income tax rate of 15% during the certified period.

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

Certain countries which the Group operates in, recently enacted or plan to enact new tax laws to implement the Pillar Two model rules with reference to the framework published by the Organisation of Economic Co-operation and Development ("**OECD**"). The new tax laws will take effect after 1 January 2024. When these laws take effect, the Group expects to be subject to a system of top-up taxes adjustments that results in the total amount of taxes payable on excess profit in each jurisdiction representing at least the minimum rate of 15%. As the new tax laws are not yet effective, the Group does not expect any current tax impact for the year ending 31 December 2023 (2022: nil). The Group has applied the temporary mandatory exception from deferred tax accounting for the top-up tax and would account for the tax as current tax when incurred.

7 Earnings/(Loss) per share

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company of RMB64,041,000 for the six months ended 30 June 2023 (loss attributable to equity shareholders of the Company of RMB92,352,000 for the six months ended 30 June 2022) and the weighted average of 582,658,100 ordinary shares (six months ended 30 June 2022: 461,397,840 shares).

(b) Diluted earnings/(loss) per share

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

8 Trade and other receivables

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

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
Within 1 month	**28,056**	5,622
1 to 3 months	**1,990**	4,155
3 to 12 months	**1,203**	294
Over 12 months	**271**	—
	31,520	10,071
Other debtors	**4,806**	3,283
Deposits and prepayments	**21,135**	21,902
	57,461	35,256

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

9 Trade and other payables

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

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
Within 1 month	**57,114**	35,093
Over 1 month but within 3 months	**1,546**	2,560
Over 3 months but within 6 months	**3,540**	368
Over 6 months but within 1 year	**2,965**	1,306
Over 1 year	**972**	889
Trade payables	**66,137**	40,216
Accrued expenses	**19,816**	22,583
Accrued payroll	**30,674**	42,333
Other payables	**91,940**	83,571
	208,567	188,703

10 Capital and reserves

(a) Dividends

The directors of the Company did not propose the payment of any dividend during the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

(b) Purchase of own shares

During the six months ended 30 June 2023, the Company purchased its own ordinary shares through the designated trustees under the Share Award Scheme as follows:

Month/year	No. of shares repurchased	price paid per share Highest *HKD*	Lowest *HKD*	Aggregate considerations paid *RMB'000*
January and April 2023	517,000	20.20	13.72	8,310

Repurchased shares held at the end of Reporting Period under the Share Award Scheme were classified as treasury shares and presented as a decrease in the capital reserve.

11 Financial assets measured at fair value through profit or loss

	30 June 2023 *RMB'000*	31 December 2022 *RMB'000*
Wealth management products	**266,444**	266,053

As at 30 June 2023, the Company held five wealth management products subscribed from five segregated portfolio companies incorporated in the Cayman Islands, with purchase cost amounted to US$36,450,000 (equivalent to RMB249,368,000) in aggregate at annualised return rate of 1.6% or 1.5%–4.5%. The Company can redeem the wealth management products at any time upon expiration of lock-up period (if any).

INDUSTRY OVERVIEW

Stroke is an acute cerebral vessel disease, which is the second major fatal disease in the world and the first major fatal disease in China, with high rates of incidence, disability, mortality and recurrence. According to the research data of the Global Burden of Disease (GDB), China had the largest number of stroke patients in the world, and the proportion of patients younger than 70 years old kept increasing, with a trend toward younger patients. Another research result[1] on the burden of stroke disease in China shows that in 2020, the prevalence of stroke in China was 2.6% among people aged 40 years or older, which was much higher than the global prevalence of stroke, and the number of new strokes in China (approximately 3.4 million) was higher than that in the United States (approximately 0.61 million) and Europe (approximately 1.12 million), representing approximately a quarter of all new stroke cases worldwide each year. The research also shows that there were significant urban-rural differences in the burden of stroke disease in China, with both stroke incidence and mortality rates higher in rural areas than in urban areas.

Thanks to the development of neuroimaging, the neuro-interventional therapy is gradually replacing the traditional surgical craniotomy and conventional drug therapy with its safe, effective and minimal invasive characteristics, and has become an important method of stroke treatment. However, currently the neuro-interventional medical device industry in China is still at an early stage of development, with a relatively low market penetration especially in the vast grassroots areas represented by low tier cities and counties. In recent years, relevant policies have been successively issued to encourage and support the development of the neuro-interventional industry in terms of stroke diagnosis, treatment and prevention, medical device innovation, technical specifications and supervision, etc.

As an important aspect of "Healthy China Construction" (健康中國建設), China has been gradually establishing and improving the prevention, diagnosis and treatment policy for stroke. In 2021, multiple departments including the NMPA jointly formulated the *Comprehensive Plan for Strengthening Stroke Prevention and Treatment Work to Reduce Millions of New Disabilities* (《加強腦卒中防治工作減少百萬新發殘疾工程綜合方案》), which proposes the overall goal of further improving the prevention and treatment effect of stroke and reducing the incidence rate and disability rate, and clarifies that the phased goals to be achieved by 2022, 2025, and 2030, including the awareness rates of hypertension among residents, the development of intravenous thrombolysis and thrombectomy techniques, etc. Meanwhile, the "Identification and Hierarchical Diagnosis and Treatment Action for the Stroke in China's Thousands of Counties and Ten Thousands of Towns (中國千縣萬鎮卒中識別與分級診療行動)" was accelerated to open up the green channel for stroke treatment, and establish and improve the hierarchical diagnosis

[1] Burden of stroke in China in 2020, JAMA Netw Open. 2023;6(3):e231455

and treatment model for stroke as a specific disease. According to the National Health Commission of the PRC, as of the end of August 2023, an aggregate of 1,827 stroke centers were established in the country, including 603 advanced stroke centers (inclusive of construction units), 546 comprehensive prevention stroke centers and 678 prevention stroke centers. With the rapid growth of the number of stroke centers and the continuous improvement of the stroke first-aid maps, the capacity and the coverage of diagnosis and treatment in grassroots areas have been further improved.

In addition, the pharmaceutical and healthcare system reform in the PRC continued to deepen. In March 2023, the NHSA issued *the Notice on Pharmaceutical Centralized Procurement and Price Management in 2023* (《關於做好2023年醫藥集中採購和價格管理工作的通知》), which proposes to conduct a new batch of national organized procurement of high-value medical consumables based on the principle of "one product, one policy", establishing the overall tone for centralized procurement of drugs and medical consumables. In June 2023, Beijing issued the *Management Plan on the Linage of DRG Payment and Volume-based Procurement in Medical Institutions* (《醫療機構DRG付費和帶量採購聯動管理方案》), aiming to correlate DRG payment with volume-based procurement (VBP) to bring the winning price of VBP into the consideration of DRG weight. This policy will motivate medical institutions to further optimize cost and resource management and has an important reference significance for the form and direction of future centralized VBPs. In July 2023, six departments including the National Health Commission jointly issued the *Key Tasks for Deepening the Reform of the Medical and Health System in the Second Half of 2023* (《深化醫藥衛生體制改革2023年下半年重點工作任務》), which clarifies the development priorities for deepening the medical reform in the next stage: from the perspective of medical insurance coverage, treatment and surgical projects with clear clinical efficacy and significant technical value will be prioritized to be included into the adjustment scope; from the perspective of payment mode, while adjusting the payment structure through the centralized VBPs of drugs and medical devices as well as the innovative medical insurance negotiations, no less than 70% of the coordinated regions are required to carry out DRG/DIP reform by the end of 2023. Under the reform of diversified and composite medical insurance payment methods, medical devices with the clear clinical value and the strong rigid treatment demand are expected to usher in faster growth, while auxiliary attributes and non-essential varieties are showing a weakening trend, which will bring a long-term and in-depth impact on the structure of clinical medical products.

COMPANY'S BUSINESS

As a pioneer and the largest Chinese company in the neuro-interventional medical device industry in China, the Group is committed to providing innovative and accessible solutions for cerebral vessel diseases to patients and physicians around the world. The Group has a comprehensive portfolio of commercialized products covering three major areas of cerebral vessel diseases, namely hemorrhagic stroke, cerebral atherosclerotic stenosis and acute ischemic stroke. According to Frost & Sullivan, the Group is the only Chinese company among the top five players in China's neuro-interventional medical device market, with the market share of approximately 8% in terms of the sales in 2022, nearly double that of 2020 while ranking the first among all the domestic brands for many years.

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

BUSINESS REVIEW

In the first half of 2023, by adhering to the sinking strategy of sales channel, the Group actively responded to changes in the external policy environment and accelerated the global business layout, thus achieving a rapid growth in the operating performance with the profitability greatly improved. During the Reporting Period, the Group achieved the revenue of RMB299.2 million, representing an increase of approximately 45.2% over the Prior-year Period. The profit from operations was RMB82.2 million, representing an increase of approximately 505.2% over the Prior-year Period. The profit for the period was RMB58.0 million, turning losses into profits as compared to the Prior-year Period.

COMMERCIALIZATION CAPABILITIES

The Group has established a team for the promotion of medical solutions with the professional medical background and extensive experiences. The team continues to export innovative neuro-interventional treatment concepts to the market, and provides patients and physicians with an integrated solution to treat cerebral vascular diseases, including the promotion and education regarding the surgical methods and products, recommendations for treatment options, training on surgery and surgical devices, clinical support and postoperative follow-ups, so as to strengthen our leading position as a domestic brand.

As at the end of the Reporting Period, our team for the promotion of medical solutions consisted of nearly a hundred employees with an average industry experience of over 8 years. In addition, the Group has established cooperative relationships with more than 200 distributors and sub-distributors, and our sales channels cover 31 provinces, municipalities and autonomous regions across the country. The Group's products have been clinically used in more than 2,800 hospitals nationwide, covering more than 1,400 tertiary hospitals and all of the top 100 hospitals in China's National Stroke Center, cumulatively supporting approximately 145,000 neuro-interventional procedures.

In the first half of 2023, benefiting from the comprehensive and complete product matrix and the long-term accumulation of practitioner recognition, the Group's products have newly developed more than 200 hospitals, of which more than 100 were county-level hospitals, gradually consolidating the grassroots market. In the meantime, the provincial VBP projects of coils have been implemented gradually in various provinces, and Henan Province has also launched the VBP of neuro-interventional medical consumables among public medical institutions. The related products of the Group have won the bids in all the VBP projects carried out in the past, with hospital admission and clinical promotion ushering in a breakthrough.

In the field of hemorrhagic stroke products, Tubridge® Flow-diverting Stent, the Group's market-share leading product, further accelerated its market penetration with the focus on developing the second-tier and grassroots hospitals. During the Reporting Period, Tubridge® Flow-diverting Stent was newly admitted into more than 150 hospitals, covering more than 940 hospitals in total, which had also led to a rapid increase in the combinatorial usage of Fastrack® Microcatheter System ("**Fastrack® Microcatheter**"). NUMEN® Coil took the opportunity of winning the VBP bid to accelerate the development of new markets. During the Reporting Period, the product newly entered more than 150 hospitals and had achieved clinical applications in an accumulated number of 730 hospitals. WILLIS® Intracranial Stent Graft ("**WILLIS® Stent Graft**"), as the world's first and only approved intracranial stent graft, not only has excellent clinical effects in the treatment of complex cranial vascular diseases, but has also won a wide recognition by clinical experts with its continuously expansion of advantages in indications such as vascular rupture in nasopharyngeal carcinoma surgery and cervical dissection aneurysm.

In the field of cerebral atherosclerotic stenosis treatment products, the innovative product Bridge® Vertebral Artery DES has further increased the acceptance of the drug-loaded stent treatment concept by surgeons with its differentiated characteristics such as grooved drug loading design and low long-term restenosis rate. During the Reporting Period, Bridge® Vertebral Artery DES newly entered more than 230 hospitals, covering more than 820 hospitals in total. It had also won the exclusive bid in Henan Province's VBP, with the clinical usage increasing significantly. In addition, APOLLO™ Intracranial Stent System ("**APOLLO™ Intracranial Stent**") continued to accelerate the pace of hospital admission, and established the presence in more than 140 new hospitals during the Reporting Period, covering more than 2,030 hospitals in total. Diveer® Balloon Catheter has continued to accelerate the market introduction with its advantages of ultra-soft head end, ultra-low outside diameter, and easier passage through highly narrow lesions since its launch in 2022. As of the end of the Reporting Period, Diveer® Balloon Catheter has been listed on the procurement platforms of 29 provinces nationwide and entered more than 100 hospitals in total, further improving the Group's product portfolio in the treatment of atherosclerotic stenosis.

In the field of acute ischemic stroke treatment products and access products, as of the end of the Reporting Period, Neurohawk® Thrombectomy Device and X-track® Distal Catheter, which were newly launched in 2022, both had been listed on the procurement platforms of 27 provinces, and had entered over 250 and 100 hospitals respectively. As a key accessory in aneurysm treatment surgery, driven by the sales volume of related therapeutic products of the Group, U-track® Support Catheter has further leveraged its competitive advantages such as the high clinical adaptability and the complete channel integration, and had realized the year-on-year increase of 150% in terms of clinical usage during the Reporting Period, continuously bringing new momentum to the revenue growth.

As for the grassroots market, the Group actively responded to the national call for establishing primary stroke centers through the Eagle & Swallows (神雕飛燕) program. The Group has been providing the clinical training, follow-up consulting and routine guidance to physicians in hospitals in low-tier cities and counties, thereby helping grassroots hospitals to improve their stroke treatment ability. In the first half of 2023, Eagle & Swallows team established the presence in more than 100 new grassroots hospitals, with a total coverage of approximately 700 hospitals in over 200 lower-tier cities and counties. In addition, the Group continued to promote the high quality medical resources to those local areas through the special fund of "Brain Power" (百腦神通) for cultivating young neuro-interventional physicians, so as to build a platform for technical communication among grassroots clinicians, allowing more local patients with cerebral vessel diseases to benefit from the initiatives. As of the end of the Reporting Period, the Group had launched a total of 13 clinical education bases for the Brain Power program and provided technical trainings to around 160 surgeons.

The Group is committed to improving the global stroke clinical diagnosis and treatment technology and continues to provide professional training to doctors on clinical techniques and standardized diagnosis and treatment processes, gradually building up a customised, systematic and multi-level clinical training system. With the focus on the promotion of our innovative products, namely Tubridge® Stent, NUMEN® Coil and Bridge® Vertebral Artery DES, we have offered a series of innovative clinical therapies through the combination of several product portfolios, including the "AND procedure" (APOLLO™ Intracranial Stent + Neurohawk® Thrombectomy Device + Diveer® Balloon Catheter) for the treatment of large vessel occlusions associated with intracranial atherosclerotic stenosis (ICAS-LVO) and the "NEXT procedure" (Neurohawk® Thrombectomy Device + X-track® Distal Catheter) for the acute thrombectomy surgeries.

INTERNATIONAL BUSINESS

During the Reporting Period, the Group achieved a breakthrough in its international business with the overseas revenue of RMB15.0 million, representing an increase of 27.3% over the Prior-year Period.

As of the end of the Reporting Period, the Group's products have been commercialized in a total of 12 overseas countries, including South Korea, the United States, Brazil, Poland, Spain, Portugal, Chile, Ireland, the United Kingdom, Croatia, Greece and Argentina, covering half of the countries ranking top 10 worldwide in terms of the number of neuro-interventional procedures. In Ireland and the United Kingdom, the Group has successfully implemented a direct sales model, which has significantly improved the operational efficiency while better adapting to local market demand and marketing habits, adding new impetus to the growth of overseas business. In France, the Micro Frame and Micro Fill series of NUMEN® Coils have entered the national medical insurance reimbursement list. In the United States, the Group's NUMEN® Coil has been rapidly promoted through the existing sales channels of our associate company, Rapid Medical. Meanwhile, NUMEN® Coil can be used in conjunction with Rapid Medical's self-owned Comaneci® Embolization Assist Device ("**Comaneci® Assist Device**") to form a complementary product portfolio in the field of coil embolization procedures — "Numenaneci" (NUMEN® Coil + Comaneci® Embolization Assist Device). In the future, both parties will leverage their complementary strengths in terms of sales channels and product distribution to promote the application of innovative neurovascular disease solutions in the Chinese and global markets.

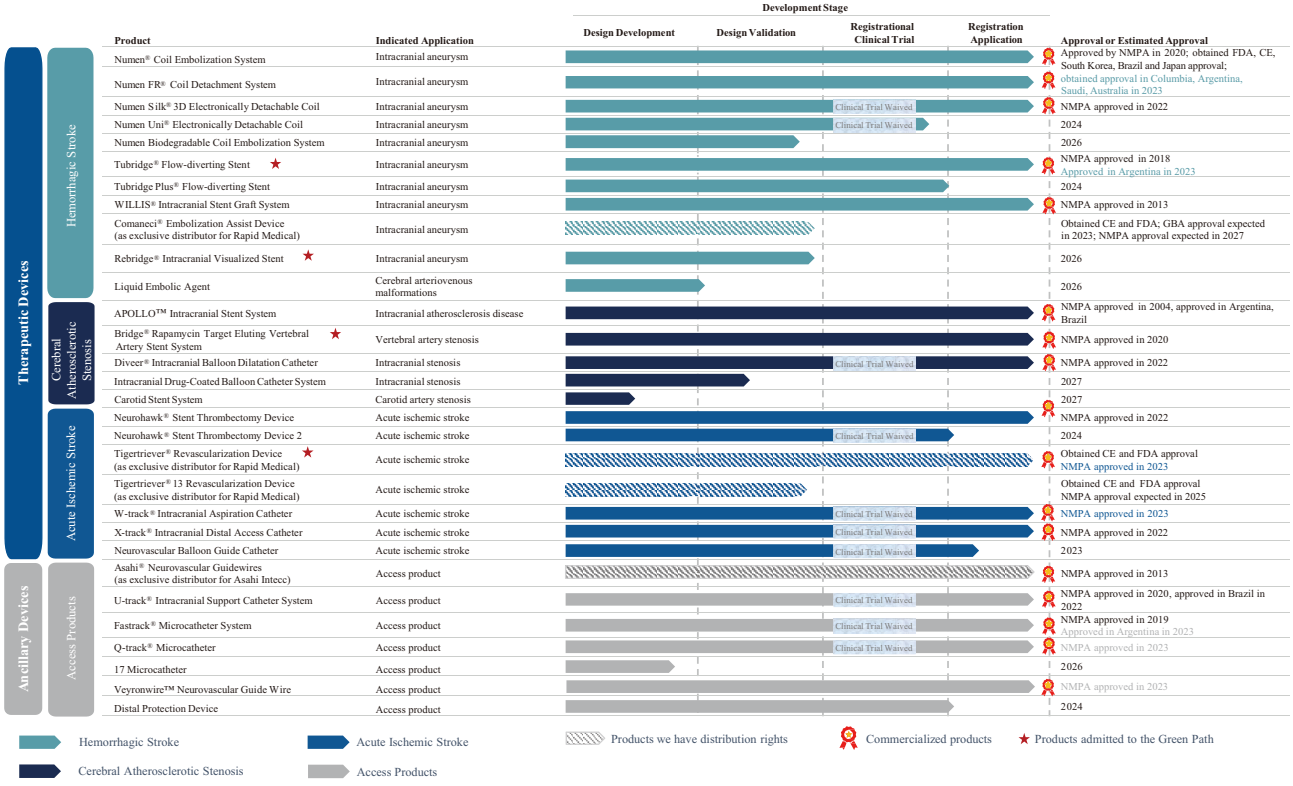
In terms of product admission and market promotion, multiple innovative products of the Group continued to debut in the international market. In the first half of 2023, NUMEN® Coils were approved successively for commercialization in Australia, Saudi Arabia, Colombia and Argentina, and Tubridge® Flow-diverting Stent and Fastrack® Microcatheter were also approved for marketing in Argentina. In the first half of 2023, the Group carried out a total of 7 overseas surgical training and academic exchange activities, and for the first time at the World Live Neurovascular Conference (WLNC), we promoted and exhibited Tubridge® Flow-diverting Stent and other products on a large scale in the form of independent exhibition stand, attracting many top clinical experts in neuro-intervention from around the world to observe and study.

PRODUCT PIPELINE

Since the approval for marketing of the first product in 2004, leveraging its excellent R&D capability and efficient physician-engineer collaboration (醫工結合) model, the Group has built up a diversified portfolio of neuro-interventional products. As of the date of this announcement, the Group had a total of 17 products that have been approved and commercialized in China, and 13 pipeline products under different development stages. Among them, four products have been approved by the NMPA to be admitted to the Green Path, ranking first among Chinese neuro-interventional medical device companies.

From the beginning of 2023 and up to the date of this announcement, the Group's R&D projects have achieved fruitful results. Four products including Tigertriever® Revascularization Device ("**Tigertriever® Revascularization Device**"), W-track® Intracranial Aspiration Catheter ("**W-track® Aspiration Catheter**"), Q-track® Microcatheter and Veyronwire™ Neurovascular Guide Wire ("**Veyronwire™ Guide Wire**") have been approved by the NMPA for marketing; the registration applications of Neurovascular Balloon Guide Catheter ("**Balloon Guide Catheter**"), Neurohawk® Stent Thrombectomy Device 2 and Distal Protection Device have been submitted to the NMPA for approval. In addition, several clinical projects of Tubridge® Flow-diverting Stent have made significant progress: the PART MINI clinical study for the treatment of wide-neck, small and medium-sized aneurysms has completed the enrollment of all patients; the pre-marketing clinical study of the new generation of Tubridge Plus® Flow-diverting Stent with full visualization has also successfully completed the enrollment of all patients.

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



Hemorrhagic Stroke Products

Intracranial aneurysm is one of the main causes of hemorrhagic stroke. According to Frost & Sullivan, hemorrhagic stroke products represent the largest segment in terms of sales of neuro-interventional medical devices in China. The Group has a portfolio of eleven products for the treatment of hemorrhagic stroke, of which five products have been approved for commercialisation, including embolization coils, flow-diverting stents and stent grafts, and covering key therapeutic areas of hemorrhagic stroke. According to Frost & Sullivan, the market share of the Group's Tubridge® Flow-diverting Stent was more than 45%, ranking top two in the domestic market share and the first among domestic brands in terms of the number of procedures performed in 2022.

During the Reporting Period, the Group recorded the revenue of hemorrhagic stroke products of RMB206.8 million, representing an increase of 76.0% over the Prior-year Period, which was mainly due to the significant increase in the clinical use of Tubridge® Flow-diverting Stent and the increase in the global sales revenue of NUMEN® Coil.

NUMEN® Coil

NUMEN® Coil is a coil embolization system used to treat intracranial aneurysm. It was approved by the NMPA in September 2020, and was subsequently approved for commercialization in the European Union, South Korea, the United States, Brazil, Japan, Argentina, Australia, Saudi Arabia and Colombia, and has been commercialised in 12 overseas countries or regions, including South Korea, the United States, Brazil, Poland, Spain, Portugal, Chile, Ireland, the United Kingdom, Croatia, Greece and Argentina, all receiving high praise from local clinicians. NUMEN® Coil permits stable framing, smooth filling and finishing, with superb conformability to shapes of aneurysms. Its three models, MicroFrame, MicroFill and MicroFinish, have a total of 177 specifications, providing physicians with a full range of embolization options. In June 2023, the research results of NUMEN® Coil applied to aneurysms less than 5mm were officially published in the journal "BMC Surgery", further demonstrating its safety and effectiveness of application to aneurysms less than 5mm, and the clinical effect has reached the international advanced level.

NUMEN Silk® Coil

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

Tubridge® Flow-diverting Stent

Tubridge® Flow-diverting Stent was the first neuro-interventional medical device that entered the Green Path, and was also the first Chinese-developed flow-diverting stent approved by the NMPA. Leveraging the principle of haemodynamics, Tubridge® Flow-diverting Stent can alter the blood flow state of the aneurysm to reduce the impact of blood flow on the aneurysm, which allows the endothelial cells to grow along the stent skeleton, gradually repairing the aneurysm neck and curing the aneurysm. Since its launching in 2018, the product has been widely recognised by surgeons in the industry by virtue of its excellent clinical effects. During the Reporting Period, the product was listed in the 2022 Shanghai Biomedical "New and Excellent Medical Devices" Product Catalogue (《2022年度上海市生物醫藥"新優藥械"產品目錄》) and passed the "Shanghai Brand" certification.

During the Reporting Period, the PARAT MINI clinical study of Tubridge® Flow-diverting Stent in the treatment of small and medium-sized and intracranial wide-neck aneurysms completed the enrollment of all cases, in order to expand the indications of this product in the treatment of small and medium-sized aneurysms. Its new-generation product, Tubridge Plus® Flow-diverting Stent ("**Tubridge Plus® Flow-diverting Stent**"), which aims to improve the smoothness in delivery and stent visibility under angiography, could facilitate the accurate placement of the stent and enhance the safety of procedures. As of the date of this announcement, the PARAT PLUS study of the pre-marketing clinical trial for this product has completed the enrollment of all cases. The two clinical studies provided a number of evidence-based medical evidences for Tubridge® series flow-diverting stent in the treatment of large and giant aneurysms, medium and small aneurysms, and real-world applications.

WILLIS® Stent Graft

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

Comaneci® Assist Device

Comaneci® Assist Device is an adjustable temporary coil embolization assisting stent developed by Rapid Medical. It has received CE Marking in 2014 and FDA approval in 2019, and received FDA Breakthrough Device designation in February 2022 for the treatment of cerebral vasospasm after hemorrhagic stroke. The product is used in the coil embolization of wide-neck or unusually shaped aneurysms to prevent the coil from falling and inadvertently blocking the artery. We are the exclusive distributor in Greater China for Comaneci® Assist Device.

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

The Rebridge® Stent is the first Chinese-developed full-visualized coil embolization assisting stent to enter clinical trials. The whole body of the stent is densely braided from radiopaque alloy wires, and thus, when compared with other stents that only have several radiopaque wires, Rebridge® Stent allows physicians to position more precisely for optimal adherent effect after stent expansion.

Intracranial Atherosclerotic Stenosis Products

The Group has a comprehensive product portfolio in the field of treatment of cerebral atherosclerotic stenosis, consisting of five self-developed products, which specifically cover solutions for the three major disease segments including intracranial stenosis, vertebral artery stenosis and carotid artery stenosis. According to Frost & Sullivan, the Group's intracranial stents ranked the first in China, with the market share of over 60% in terms of the volume of procedures performed in 2022.

During the Reporting Period, the Group recorded the revenue of cerebral atherosclerotic stenosis products of approximately RMB55.8 million, representing an increase of approximately 17.1% over the Prior-year Period. The increase was mainly due to the acceleration of marketing of Bridge® Vertebral Artery DES.

APOLLO™ Intracranial Stent

APOLLO™ Intracranial Stent is a balloon-expandable stent system, and was approved by the NMPA in 2004. It is the first stent system in the world to treat intracranial atherosclerotic disease (ICAD), and was approved for marketing in Argentina in 2015. With its excellent safety and efficacy, APOLLO™ Intracranial Stent has maintained the first place in its market share for many years. In recent years, benefiting from the application of stenosis cases in emergency clot retrieval procedure in grassroots hospitals, the market demand for APOLLO™ Intracranial Stent has maintained a stable growth trend.

Bridge® Vertebral Artery DES

Bridge® Vertebral Artery DES is the first approved vertebral artery DES admitted to the Green Path. Bridge® Vertebral Artery DES is designed with single-sided grooved drug-coated stent, and the drug is accurately targeted to release, which can effectively reduce the incidence of in-stent stenosis and avoid the negative impact of drugs on the endothelialization of the stent. The results of pre-marketing clinical trials of the product showed that the success rate of Bridge® Vertebral Artery DES implantation was 98%, and the incidence of in-stent restenosis (≥50%) at 6 months after operation was only 3.7%, which fully proved its clinical safety and effectiveness. During the Reporting Period, the product was listed in the 2022 Shanghai Biomedical "New and Excellent Medical Devices" Product Catalogue(《2022年度上海市生物醫藥"新優藥械"產品目錄》).

Diveer® Balloon Catheter

Diveer® Balloon Catheter is a specialized rapid-exchange intracranial balloon catheter self-developed by the Company, which is used for the interventional treatment of non-acute symptomatic intracranial atherosclerotic stenosis. Its ultra-soft tip reduces the risk of vascular injury, and its low push resistance enables excellent placement and pushability in tortuous vessels and complex lesions. The product was approved by the NMPA in January 2022, further expanding the Group's product line for the treatment of cerebral atherosclerosis stenosis.

Acute Ischemic Stroke Products

In the field of acute ischemic stroke, the Group has four commercialized products and three products under research and development, covering stent thrombectomy devices and aspiration thrombectomy devices. According to Frost & Sullivan, the Company is the only Chinese company with stent thrombectomy devices compatible with different sizes of blood vessels.

During the Reporting Period, the Group recorded the revenue of acute ischemic stroke products of approximately RMB6.9 million, representing an increase of approximately 1,459.5% over the Prior-year Period, mainly due to the revenue growth contributed by the newly-launched Neurohawk® Thrombectomy Device and X-track® Distal Catheter in 2022.

Neurohawk® Thrombectomy Device

Neurohawk® Thrombectomy Device is the Group's self-developed stent retriever with full visualization, which was approved by the NMPA in February 2022. It features a composite mesh design consisting of two meshes with different opening sizes arranged in a staggered spiral pattern, which allows it to better capture large, tough or fragile clots and improves its wall apposition.

X-track® Distal Access Catheter

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

Tigertriever® Revascularization Stent

Tigertriever® Revascularization Stent is the world's first adjustable stent retriever with full visualization, indicated for procedures performed in blood vessels of varying diameters. The product obtained the CE Marking in the European Union in May 2018, obtained the FDA approval in the United States in March 2021 and was approved by the NMPA in August 2023. We were engaged by Rapid Medical as the exclusive distributor in Greater China for Tigertriever® Revascularization Stent, Tigertriever® 13 Stent and all iterations of Tigertriever®. Tigertriever® Stent was admitted into the NMPA's Green Path in May 2020. Tigertriever® 13 Stent is the smallest stent embolectomy device for the treatment of distal vascular occlusion in the world, which was approved by the FDA in July 2022.

W-track® Aspiration Catheter

W-track® Aspiration Catheter is an intracranial aspiration catheter used for clot aspiration. It has a multi-segment transition design to allow its smooth delivery, and its double-wire braided structure with stainless steel enhances the elongation resistance of the catheter while maintaining flexibility. W-track® Aspiration Catheter can reach the target occlusion quickly and smoothly, in particular in tortuous intracranial vessels. The product was approved by the NMPA in August 2023.

Balloon Guide Catheter

Balloon Guide Catheter is a large lumen catheter with a compliant balloon at the distal tip of the catheter, which is designated to facilitate the insertion and guidance of an intravascular catheter while causing temporary distal flow arrest in the artery. We have submitted the registration application for this product to the NMPA.

Access Products

The Group has a product portfolio of seven auxiliary access devices, among which the five commercialized products include Asahi® Neurovascular Guidewires ("**Asahi® Guidewires**"), U-track® Intracranial Support Catheter System ("**U-track® Support Catheter**"), Fastrack® Microcatheter System, Q-track® Microcatheter and Veyronwire™ Guide Wire, and the products under research and development include various models of microcatheter products and distal protection device products.

During the Reporting Period, the Group recorded the revenue of access products of approximately RMB28.6 million, representing a decrease of approximately 27.7% over the Prior-year Period, which was because the production and logistics of self-owned products were affected by the public health event during the Prior-year Periods, leading to the proportion of distributed products in the sales portfolio increased significantly.

Asahi® Guidewires

Asahi® Guidewires are one of the global leading neurovascular guidewires. Asahi® Guidewires feature a unique multistranded coil design at the tip, enhancing torque response, elongation resistance and flexibility. The product was approved by the NMPA in August 2013. The Group has been engaged by Asahi Intecc as the exclusive distributor of Asahi® Guidewires in China since 2016.

Fastrack® Microcatheter

Fastrack® Microcatheter is currently the only microcatheter system with a lumen of 0.029" in China. Its unique large lumen can provide the simplicity of instrument delivery and recovery. The product is designed to reach farther lesions in neurovascular surgery, and support the precise delivery of intracranial interventional devices. The product was approved by the NMPA in July 2019.

U-track® Support Catheter

U-track® Support Catheter can reach remote lesions in neurovascular surgery and support the precise delivery of various neurovascular interventional devices. The product was approved by the NMPA in December 2020 and was approved for marketing in Brazil in September 2022. During the Reporting Period, the first batch of commercial use of this product was completed in Brazil. It was the Company's fourth product entering the Brazilian market and the first access product, which enriched the Company's product portfolio for cerebrovascular diseases in Brazil.

Q-track® Microcatheter

Q-track® Microcatheter was approved by the NMPA in June 2023. The product adopts a non-invasive head end, specially treated transition section design and hydrophilic coating lubrication, which can reach the deep blood vessels of the brain and avoid the stimulation of blood vessels as much as possible. The product has an effective length of 155cm and is compatible with various surgical procedures to meet the needs of different scenarios. In particular, it can effectively remove thrombus when using in conjunction with the Neurohawk® Thrombectomy Device during the treatment of acute ischemic stroke.

RESEARCH AND DEVELOPMENT

The Group has always adhered to the purpose of addressing clinical needs and continued on innovation. After years of accumulation, we have mastered the core design and manufacturing technology platforms for the R&D and manufacturing of neuro-interventional medical devices, including braiding and coiling technology, stent forming and processing technology, balloon technology and catheter technology. We have also established a core R&D team with significant technical expertise in these fields. As of 30 June 2023, the Group had a total of 165 R&D personnel, more than 55% of which have master's degrees or above.

The Group has established a mature project evaluation mechanism to regularly track the development direction of cutting-edge technology in the industry, evaluate market demand and its own technology reserves, so as to provide a foundation for medium-and long-term product development strategy. Through a mature physician-engineer collaboration system, we actively understand the clinical needs of physicians and patients, conduct in-depth exploration of clinical pain points, and regularly evaluate new technologies under development to ensure our products meet clinical needs.

Intellectual Property Rights

The Group insists on R&D and innovation with proprietary intellectual property rights. As of 30 June 2023, the Group had 196 authorized patents, including 44 overseas patents. During the Reporting Period, 18 authorized patents were newly granted, including one overseas patent. In addition, the Group has 295 patents under application. With the strategies of branding, marketing and compliance protection, we have completed the layout of domestic and foreign trademarks with 176 registered trademarks and submitted nine applications for new trademarks during the Reporting Period.

QUALITY MANAGEMENT AND MANUFACTURING

The Group upholds the product quality as its core value. We have established a digital product quality control system covering the entire production process, allowing us to trace the whole life cycle of product design, development, manufacturing and after-sale service. During the Reporting Period, the Group obtained the MDSAP (Medical Device Single Audit Program), a quality system certification accepted in five countries, which effectively reduces the audit cost for products entering overseas markets. As of the end of the Reporting Period, the Group has successively obtained a number of system certifications, covering the relevant regulations and standard requirements of China, the European Union, the United States, Australia, Brazil, Japan, South Korea, Argentina and other countries around the world, forming an international quality management system.

The Group summed up the "Practical Experience on the 'One Core and Three Links (『一核三環』)' Quality and Health Management Model" in the long-term exploration and practice based on the comprehensive quality management, and was awarded with the honorary title of "Shanghai Quality Benchmark" in July 2023 by virtue of this project. Through the implementation of the "'One Core and Three Links' Quality and Health Management Model", the Group has formed a relatively complete management model in terms of improving product quality, reducing quality costs and improving system operation capabilities, which is conducive to establishing clearer quality evaluation standards, formulating clearer quality management strategies, and promoting our high-quality development.

During the Reporting Period, we further accelerated the localization of raw materials and had completed 80 supply chain improvement and upgrading projects, in order to improve the stability of the supply chain, and significantly optimize production costs. As of the end of the Reporting Period, the localization rate of raw materials for our products had reached over 90%. At the same time, we had established an advanced quality management system, continuously strengthened the construction of the lean system, steadily improved the production yield and the production efficiency, and realized the cost reduction and consumption control.

HUMAN RESOURCES

After a decade of development, the Group has built the largest neuro-interventional industrialization team in China, with a full-cycle operational capabilities in the neuro-interventional medical device industry covering R&D, clinical trials and registration, supply chain management and commercialization. As of 30 June 2023, the Group had a total of 575 employees, more than 50% of which had bachelor's degrees or above.

PROSPECT

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

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

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

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

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

3. Expand the strategic global layout

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

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group's revenue was mainly derived from hemorrhagic stroke products, cerebral atherosclerotic stenosis products, acute ischemic stroke products and access products. The Group's revenue increased by approximately 45.2% from approximately RMB206.0 million for the six months ended 30 June 2022 to approximately RMB299.2 million for the six months ended 30 June 2023.

The increase was mainly because: (1) market-share leading products (including Tubridge® Flow-diverting Stent, etc.) continued to increase the market penetration, further consolidating the competitive advantages, and maintaining a positive growth momentum; (2) the continued tendering and admission of several new products launched by the Group in recent years (including NUMEN® Coil, Bridge® Vertebral Artery DES and U-track® Support Catheter, etc.) into hospitals has contributed to the exploration of blank markets; and (3) multiple newly approved products in 2022 (including Neurohawk® Thrombectomy Device, Diveer® Balloon Catheter, etc.) accelerated the market development, contributing to the Group's revenue growth.

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

	For the six months ended 30 June		
	2023	2022	Change
	RMB'000	*RMB'000*	*%*
	(unaudited)	(unaudited)	
Hemorrhagic stroke products	**206,837**	117,505	76.0%
Cerebral atherosclerotic stenosis products	**55,827**	47,677	17.1%
Acute ischemic stroke products	**6,924**	444	1,459.5%
Access products	**28,597**	39,563	-27.7%
Other business revenue	**1,008**	804	25.4%
Total	**299,193**	205,993	45.2%

Cost of Sales

Our cost of sales increased by approximately 3.3% from approximately RMB64.4 million for the six months ended 30 June 2022 to approximately RMB66.6 million for the six months ended 30 June 2023. Such increase was primarily due to an increase in sales volume of various types of products mentioned above.

Gross Profit and Gross Profit Margin

Our gross profit increased by approximately 64.4% from approximately RMB141.5 million for the six months ended 30 June 2022 to approximately RMB232.6 million for the six months ended 30 June 2023. The increase was primarily due to an increase in sales volume of various types of products mentioned above.

The Group's gross profit margin was approximately 77.8% during the Reporting Period. Gross profit margin increased by 9.1 percentage points from 68.7% in the Prior-year Period, primarily due to an increase in the proportion of in-house produced products in the product sales structure, as well as the implementation of multiple supply chain improvement projects and economies of scale to reduce production costs.

Research and Development Costs

Our research and development costs increased by approximately 71.9% from approximately RMB49.2 million for the six months ended 30 June 2022 to approximately RMB84.5 million for the six months ended 30 June 2023, primarily due to the increase in the investment in existing and newly launched R&D projects.

Distribution Costs

Our distribution costs increased by approximately 65.9% from approximately RMB33.7 million for the six months ended 30 June 2022 to approximately RMB55.9 million for the six months ended 30 June 2023, primarily due to the resumption of distribution activities in the Chinese market in the first half of 2023, and an increase in the investment in overseas business distribution as compared with the Prior-year Period.

Administrative Expenses

Our administrative expenses decreased by approximately 11.2% from approximately RMB31.7 million for the six months ended 30 June 2022 to approximately RMB28.2 million for the six months ended 30 June 2023, primarily due to the improvement of efficiency on operating management, as well as the transfer of expenses to other operating departments as the change of premises' usage.

Other Net Income

Our other net income increased by approximately 276.0% from approximately RMB4.8 million for the six months ended 30 June 2022 to approximately RMB18.2 million for the six months ended 30 June 2023, primarily due to: (1) an increase of approximately RMB6.2 million in gains from government grants compared to the Prior-year Period; (2) an increase of approximately RMB5.2 million in interest income compared to the Prior-year Period; and (3) an increase in gains on fair value changes in financial assets of approximately RMB2.1 million.

Other Operating Costs

During the Reporting Period, other operating costs were nil, as compared to approximately RMB18.2 million in the Prior-year Period, primarily due to related listing expenses incurred in the Prior-year Period, and there were no such expenses for the six months ended 30 June 2023.

Finance Costs

Our finance costs decreased by approximately 97.8% from approximately RMB89.5 million for the six months ended 30 June 2022 to approximately RMB2.0 million for the six months ended 30 June 2023, primarily due to: the interest of approximately RMB87.0 million on other financial liabilities as a result of preferred shares issued under the series A financing in the Prior-year Period, such interest expense required no payment in cash and no further accrued from the Listing Date of the Group, and there was no such interest expense for the six months ended 30 June 2023.

Share of the Losses of an Associate

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

Share of the losses of an associate decreased by approximately 7.1% from approximately RMB12.8 million for the six months ended 30 June 2022 to approximately RMB11.9 million for the six months ended 30 June 2023.

Income Tax Expenses

Our income tax expenses increased by approximately 106.1% from approximately RMB5.0 million for the six months ended 30 June 2022 to approximately RMB10.3 million for the six months ended 30 June 2023, primarily due to an increase in profit from operations.

Inventories

Our inventories consist of: (1) raw materials used in production and research and development; (2) work in progress; and (3) finished goods.

Our inventory increased from approximately RMB114.7 million as of 31 December 2022 to approximately RMB173.5 million as of 30 June 2023, primarily due to an increase in reserves of raw materials and finished goods as a result of the continuous expansion of the Group's business scale.

Current Trade and Other Receivables

Our current trade and other receivables primarily consist of: (1) trade receivables; and (2) prepayments and deposits.

Our current trade and other receivables increased from approximately RMB35.3 million as of 31 December 2022 to approximately RMB57.5 million as of 30 June 2023, primarily due to an increase in trade receivables as a result of the growth of the business.

Trade and Other Payables

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

Our trade and other payables increased from approximately RMB188.7 million as of 31 December 2022 to approximately RMB208.6 million as of 30 June 2023, primarily due to: (1) an increase in trade payables due to the increase in procurement of raw materials; and (2) an increase in other payables as a result of the growth of the business.

Lease Liabilities

As of 30 June 2023, the Group recorded lease liabilities of approximately RMB73.1 million, which were primarily in relation to the properties the Group leased for our office premises, manufacturing and R&D facilities. The Group recognizes lease liabilities with respect to all leases, except for short-term leases and leases of low value assets.

Capital Expenditure

The capital expenditure of the Group amounted to approximately RMB14.8 million during the Reporting Period, representing an addition of intangible assets and property, plant and equipment. In particular, the intangible assets of the Group primarily represent the capitalized development costs.

Foreign Exchange Exposure

During the Reporting Period, the Group mainly operated in China and a majority of its transactions were settled in RMB, the functional currency of the Company's primary subsidiaries. As of 30 June 2023, certain portion of the Group's bank balances was denominated in U.S. dollars. The Group currently does not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. Except for certain bank balances, trade receivables, trade and other payables, and other amounts denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations as of 30 June 2023.

Significant Investment

As of 30 June 2023, the Group's significant investment was an investment in an associate Rapid Medical at a cost of approximately US$27.5 million (equivalent to RMB191.9 million). The issued and fully paid share capital of Rapid Medical is 22.1 million shares, 22.28% of which are held by the Group, and its principal business is the development, manufacture and sale of innovative devices for neuro-interventional procedures. As at 30 June 2023, the Group's interests in associates were all derived from Rapid Medical, amounting to approximately RMB148.8 million, which accounted for approximately 7.9% of the Group's total assets. For the six months ended 30 June 2023, Rapid Medical recorded a loss of approximately US$7.5 million (equivalent to RMB52.1 million), which was mainly due to the increase in R&D and sales activities expenses of Rapid Medical, and the Group recorded a share of losses of an associate of approximately RMB11.9 million. For details, please refer to the section headed "Acquisition of certain interests in Rapid Medical" in the Prospectus. The Group have been approved to use trademarks of Rapid Medical and became the exclusive agent of Rapid Medical's related products in Greater China, and we have leveraged Rapid Medical's sales network in the United States to facilitate our overseas business. As a strategic investor, the Group will hold our investment in Rapid Medical for the long term.

Contingent Liabilities

As of 30 June 2023, the Group did not have any contingent liabilities.

Capital Management

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

Liquidity and Financial Resources

The Group's cash and cash equivalents were approximately RMB827.5 million as of 30 June 2023, as compared to approximately RMB827.9 million as of 31 December 2022, primarily due to the net cash inflow from operating activities of approximately RMB32.4 million, net cash outflow from investing activities of approximately RMB21.8 million and net cash outflow from financing activities of approximately RMB19.8 million during the Reporting Period. The Group's policy is to regularly monitor its liquidity requirements, to ensure that it maintains sufficient reserve of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

Borrowings and Gearing Ratio

Total borrowings of the Group, including interest-bearing borrowing as of 30 June 2023 and 31 December 2022 were nil. As of 30 June 2023, the gearing ratio of the Group (calculated as total interest-bearing borrowings and lease liabilities divided by total equity plus other financial liabilities as of the same date) decreased to 4.6%, as compared to 5.7% as of 31 December 2022.

Net Current Assets/Liabilities

As of 30 June 2023, the Group's net current assets were approximately RMB1,141.2 million, as compared to approximately RMB1,040.9 million as of 31 December 2022. Such increase was mainly attributable to the profit from operating activities during the Reporting Period.

Charge on Assets

As of 30 June 2023, there was no charge on assets of the Group.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the Reporting Period, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Future Plans for Material Investments or Capital Assets

As of 30 June 2023, the Group did not have any plans for material investments and capital assets. The Group actively responded to external environment changes and continuously promoted business development. The Group will make further announcements in accordance with the Listing Rules, where applicable, if any investments and acquisition opportunities materialize.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Company was listed on the Main Board of the Stock Exchange on Listing Date with total net proceeds from the Listing of approximately HK$278.1 million after deduction of the underwriting commissions, fees and other estimated expenses payable by the Company in connection with the Global Offering. The proceeds from Listing are and will continuously be used in accordance with the plans as disclosed in the section headed "Future Plans and Use of Proceeds" of the Prospectus, namely:

Use of proceeds	Approximate percentage of total amount *(%)*	Amount of net proceeds allocated upon Listing *(HK$ million)*	Utilized amount as at 30 June 2023 *(HK$ million)*	Unutilized amount as at 30 June 2023 *(HK$ million)*	Expected timeline of full utilization
Research and development of therapeutic and access products for hemorrhagic stroke, cerebral atherosclerotic stenosis and AIS	30%	83.4	83.4	—	Fully utilized
Commercialization of the Company's products for hemorrhagic stroke, cerebral atherosclerotic stenosis and AIS	20%	55.6	55.6	—	Fully utilized
Expansion of the Company's manufacturing facility to increase the scale of the Company's production	15%	41.7	—	41.7	By the year ending 31 December 2023
Expansion of the Company's global presence	20%	55.6	55.6	—	Fully utilized
Advancing the Company's product portfolio through strategic acquisitions, investment, cooperation or a combination of these tactics	10%	27.8	—	27.8	By the year ending 31 December 2023
Working capital and other general corporate purposes	5%	13.9	13.9	—	Fully utilized

Save as disclosed above, since the Listing Date, the Group has not utilized any other portion of the net proceeds and will gradually utilize the remaining net proceeds in accordance with the intended purposes as stated in the Prospectus. The expected timeline is based on the best estimation of future market conditions and business operations made by the Company currently and remains subject to change based on future development of market conditions and actual business needs.

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

During the six months ended 30 June 2023, save for the 517,000 Shares purchased by the Trustee of the Share Award Scheme on the Stock Exchange at the total consideration of HK$9,533,660 (equivalent to RMB 8,310,000) pursuant to the terms of the trust deed under the Share Award Scheme, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

THE SHARE AWARD SCHEME

Reference is made to the annual report of the Company for the year ended 31 December 2022. Unless otherwise provided in the Share Award Scheme, subject to the receipt by the Trustee of within the period stipulated in the vesting notice sent to the relevant Selected Participant by the Board or the Committee, and a confirmation from the Company that all vesting conditions having been fulfilled, the Trustee shall transfer the relevant Award Shares to the Selected Participant(s) or his/her nominee(s) as soon as practicable after the Vesting Date. The Vesting Date shall be on any Business Day at the end of March of any year or any other date as stated in the Offer Letter or may be otherwise determined by the Board. No Award Shares have been granted during the year ended 31 December 2022.

During the six months ended 30 June 2023, 516,717 Share Awards have been granted and been fully vested on the same day.

Categories	Date of grant	Number of Award Share outstanding as at 1 January 2023	Number of Award Shares outstanding as at 30 June 2023
Directors			
Xie Zhiyong	2023/03/30	—	125,775
Wang Yiqun Bruce	2023/03/30	—	79,063
Other grantees in aggregate			
Employee	2023/03/30	—	311,879

The Company will fully comply with interim report disclosure requirement as provided in the Listing Rules, among others, the requirements under Award Share Chapter 17 of the Listing Rules.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

As at the date of this announcement, there were no material events after the Reporting Period.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

The Board reviewed the Company's corporate governance practices and is satisfied that the Company has complied with all applicable code provisions as set out in the CG Code during the Reporting Period.

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Upon specific enquiry, all Directors confirmed that they had complied with the requirements as set out in the Model Code during the Reporting Period.

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, namely Mr. Siu Chi Hung (Chairman), Dr. Xu Yi and Dr. Zhang Haixiao.

The Audit Committee has reviewed together with the management of the Company the accounting principles and policies adopted by the Company, the interim results and the unaudited consolidated financial statements of the Group for the Reporting Period.

REVIEW BY INDEPENDENT AUDITOR

The Group's interim financial report for the Reporting Period is unaudited, but has been reviewed by the Company's independent auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants.

INTERIM DIVIDEND

The Board resolved not to declare the payment of any interim dividend for the Reporting Period.

EMPLOYEES AND REMUNERATION POLICIES

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (http://www.medneurotech.com), and the interim report of the Group for the Reporting Period will be dispatched to Shareholders in due course and will also be available on the website above.

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

DEFINITIONS

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

"Asahi Intecc"	Asahi Intecc Co., Ltd., a medical devices company incorporated under the laws of Japan with limited liability on 8 July 1976, and all of its subsidiaries
"Audit Committee"	the audit committee of the Board
"Award Share"	in respect of a Selected Participant, such number of Scheme Shares (or such number of returned shares) as determined by the Board and awarded to each of the Selected Participant(s) for the purpose of the Award
"Board"	the board of Directors
"Business Day"	a day (other than Saturday, Sunday and public holidays) on which the Stock Exchange is open for trading and on which banks are open for business in Hong Kong
"CG Code"	the corporate governance code as contained in Appendix 14 to Listing Rules
"Company" or "we" or "us" or "our"	MicroPort NeuroTech Limited, an exempted company incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2172)
"Director(s)"	director(s) of the Company
"FDA"	the United States Food and Drug Administration
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., our industry consultant
"Global Offering"	the global offering of the shares, details of which are set forth in the Prospectus
"Group"	the Company and its subsidiaries
"HKFRSs"	Hong Kong Financial Reporting Standards

"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"KPMG"	KPMG, Certified Public Accountants
"Listing"	the listing of the shares on the Main Board of the Stock Exchange
"Listing Date"	15 July 2022, the date on which dealings in the shares on the Main Board of the Stock Exchange first commence
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules
"NHSA"	National Healthcare Security Administration
"NMPA"	National Medical Products Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局)
"PRC"	the People's Republic of China
"Prospectus"	the prospectus of the Company dated 29 June 2022
"Rapid Medical"	Rapid Medical Ltd., a company incorporated in the State of Israel with limited liability on 12 August 2008, which is primarily engaged in the development, manufacturing and sales of innovative devices for neuro-interventional procedures and is indirectly owned as to 22.28% by the Company
"Reporting Period"	for the six months ended 30 June 2023
"RMB"	Renminbi, the lawful currency of the PRC
"Selected Participant"	eligible participant selected by the Board to participate in the Scheme
"Share Award Scheme"	a share award scheme adopted by the Board on 26 August 2022
"share(s)"	ordinary share(s) of the Company

"Shareholder(s)"	holder(s) of the shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiaries"	has the meaning ascribed thereto under the Listing Rules
"Trustee"	the original trustee and any additional or replacement trustees, being the trustee or trustees for the time being of the trusts declared in the trust deed entered into between the Company and trustee, which are independent third parties and not connected with the Company or any of its connected persons
"Vesting Date"	the date on which the Trustee may vest the legal and beneficial ownership of the Awarded Shares (or the relevant portions thereof) in the relevant Selected Participant
"%"	per cent

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

Hong Kong, 30 August 2023

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