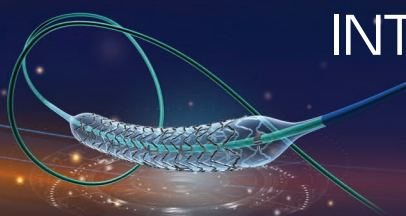
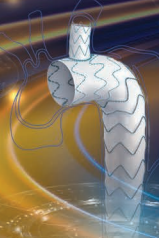
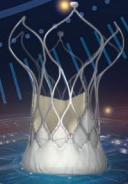
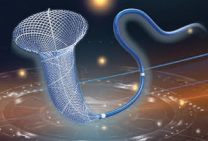




微創醫療科學有限公司  
MicroPort Scientific Corporation

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 00853)



**2024**  
INTERIM REPORT



# COMPANY PROFILE

MicroPort Scientific Corporation (the "Company" or "MicroPort®") and its subsidiaries (collectively the "Group") is a leading medical device group focusing on innovating, manufacturing and marketing high-end medical devices globally. With a diversified product portfolio now being used in over 20,000\* hospitals in the world, the Group maintains world-wide operations in a broad range of business segments including cardiovascular devices, orthopedics devices, cardiac rhythm management ("CRM"), endovascular and peripheral vascular devices, neurovascular devices, structural heart disease, surgical robot, etc. In MicroPort® family, domestic and international employees from more than 30 countries work together to provide trustworthy and universal access to state-of-the-art solutions of prolonging and reshaping all lives for patients around the globe cross, so as to enable them to live 115 years or more.

The Group is people-oriented. We firmly believe that all people have the right to equal medical care, health and live longer, and hope to collaborate with all walks of life to actively create a variety of transformative medical treatments. Through practical application of innovative science, we continually develop leading technologies and products and provide trustworthy and universal access to state-of-the-art solutions of prolonging and reshaping all lives to patients. Every five seconds, one of MicroPort®'s products is being used worldwide to save and prolong life or improve life quality.

We have a large and growing intellectual property portfolio and a strong research and development ("R&D") team. We work in close cooperation with internationally recognized physicians and scientists worldwide to develop a range of products that meet the highest quality and clinical standards. As we strive to provide state-of-the-art medical technologies and deliver new-generation medical devices and treatments for chronic ailments, our R&D team applies their expertise to ensure the sustained innovation of our latest products.

MicroPort is committed to achieving its corporate vision, with a global R&D, manufacturing, marketing and service network in Shanghai, Suzhou, Jiaxing, Shenzhen in China, Irvine, Memphis, Boston in the United States, outskirts of Paris in France, outskirts of Milan in Italy, Aachen in Germany, Oxford in the United Kingdom, Santo Domingo

in Dominica, Mumbai in India and San Jose in Costa Rica, as well as a strong focus on technological innovation with over 10,000\* patents (including applications).

Our products touch the lives of many people every day and we take this important responsibility very seriously. We are proud that MicroPort® products will always achieve the highest standards of quality and ensure improved health for patients. We know our products offer hope and relief to many people around the world, and every one of our employees takes personal responsibility to achieve our vision. It is our commercial achievements that enable us to contribute back to the society. Our commitment to social responsibility is an important aspect of our culture and philosophy. MicroPort® Group is committed to alleviating or even eliminating the serious threats to life safety posed by various chronic diseases. It plays an increasingly important, even indispensable, role in the process of improving the average life expectancy of human beings, and makes significant contributions to satisfying the endless pursuit of "health and longevity" of human beings.

## OUR VISION

### PEOPLE ORIENTED

Building a Super-Conglomerate of People Centric Enterprises of Emerging Medical Technologies.

## OUR MISSION

### CONTINUOUS INNOVATION

To Provide Trustworthy and Universal Access to State-of-the-Art Solutions of Prolonging and Reshaping All Lives.

\* Note: Such numbers include the numbers of associated companies of the Group.

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# CORPORATE INFORMATION

## HONORARY CHAIRMAN

Mr. Hiroshi Shirafuji

## DIRECTORS Executive Director

Dr. Zhaohua Chang (*Chairman of the Board and Chief Executive Officer*)

## Non-Executive Directors

Mr. Hiroshi Shirafuji

Mr. Norihiro Ashida

Ms. Weiqin Sun

Dr. Qiyi Luo (*retired on 22 May 2024*)

Mr. Bo Peng (*retired on 22 May 2024*)

## Independent Non-Executive Directors

Mr. Jonathan H. Chou

Dr. Guoen Liu

Mr. Chunyang Shao

## COMPANY SECRETARY

Ms. Yuen Wing Yan Winnie, *FCG, HKFCG*

## AUTHORIZED REPRESENTATIVES

Dr. Zhaohua Chang

Ms. Yuen Wing Yan Winnie

## AUDIT COMMITTEE

Mr. Jonathan H. Chou (*Chairman*)

Mr. Norihiro Ashida

Mr. Chunyang Shao

## REMUNERATION COMMITTEE

Dr. Guoen Liu (*Chairman*)

Dr. Zhaohua Chang

Mr. Jonathan H. Chou

## NOMINATION COMMITTEE

Mr. Chunyang Shao (*Chairman*)

Dr. Guoen Liu

Ms. Weiqin Sun

## STRATEGIC COMMITTEE

Dr. Zhaohua Chang (*Chairman*)

Mr. Hiroshi Shirafuji

Mr. Jonathan H. Chou

Ms. Weiqin Sun

Dr. Qiyi Luo (*retired on 22 May 2024*)

Mr. Bo Peng (*retired on 22 May 2024*)

## REGISTERED OFFICE

PO Box 309, Ugland House

Grand Cayman, KY1-1104

Cayman Islands

## PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

1601 Zhangdong Road

Zhangjiang Hi-Tech Park

Shanghai 201203

The PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place

348 Kwun Tong Road

Kowloon

Hong Kong

## AUDITOR

KPMG

*Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance*

## LEGAL CONSULTANT

Sidley Austin

## SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

## COMPANY WEBSITE

[www.microport.com](http://www.microport.com)

## SECURITIES CODES

Stock: 00853.HK

Bonds: 40168.HK

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

China Construction Bank Corporation Shanghai Pudong Branch

Bank of China Limited Shanghai Zhangjiang Sub-Branch

China Minsheng Banking Corporation Limited

Shanghai Pudong Development Bank Corporation Limited

Zhangjiang Technology Sub-Branch

Bank of America

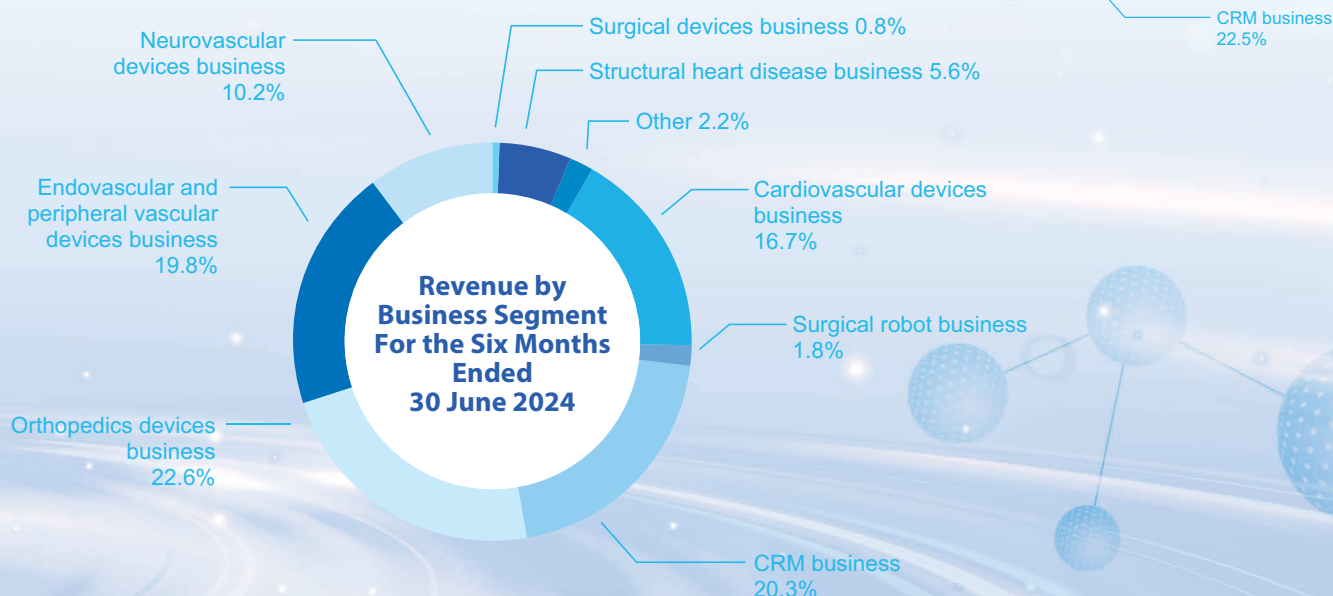
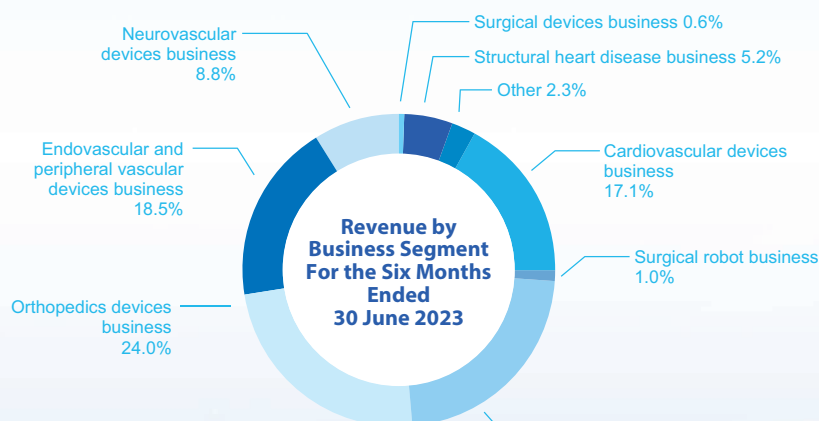
BNP Paribas



# FINANCIAL HIGHLIGHTS

| Six months ended 30 June                                |                  |                  |                    |
|---|------------------|------------------|--------------------|
|   | 2024<br>US\$'000 | 2023<br>US\$'000 | Change<br>%        |
| Revenue   | 558,702          | 482,605          | Increased by 15.8% |
| Gross profit  | 330,580          | 288,416          | Increased by 14.6% |
| Loss for the period                                     | (106,674)        | (219,921)        | Decreased by 51.5% |
| Loss attributable to equity shareholders of the Company | (96,830)         | (162,618)        | Decreased by 40.5% |
| Loss per share –  |                  |                  |                    |
| Basic (in cents)  | (5.29)           | (8.94)           | Decreased by 40.8% |
| Diluted (in cents)                                      | (5.63)           | (9.45)           | Decreased by 40.4% |
| Non-HKFRS adjusted net loss for the period              | (68,432)         | (185,213)        | Decreased by 63.1% |

## REVENUE ANALYSIS



# CEO STATEMENT

In the first half of 2024, faced with a complex and volatile external environment, we continued to focus on executing our Group's strategic transformation with the goal of improving the health of our financial statements. We concentrated on and consolidated our core businesses, aggressively promoted product exports, and strived to reduce costs, increase efficiency, and drive sustained growth in our Group's performance.

During the six months ended 30 June 2024 (the "Reporting Period"), the Group achieved global revenue of US\$558.7 million, representing a year-on-year increase of 17.0%<sup>note</sup>. Among them, in terms of the segments that are separately listed, the neurovascular devices business, structural heart disease business, endovascular and peripheral vascular devices business, and surgical robot business all achieved rapid revenue growth, with year-on-year increases of 36.5%<sup>note</sup>, 26.7%<sup>note</sup>, 26.3%<sup>note</sup>, and 117.0%<sup>note</sup>, respectively. Revenue from cardiovascular devices business increased by 13%<sup>note</sup> year-on-year, revenue from orthopedic devices business increased by 9%<sup>note</sup> year-on-year, and revenue from cardiac rhythm management (CRM) business increased by 6%<sup>note</sup> year-on-year. It is worth mentioning that, thanks to our extensive and in-depth overseas distribution network, the Group's going abroad business continued to maintain strong growth momentum, with revenue increasing by 44.0%<sup>note</sup> year-on-year.

The rapid revenue growth is strongly supported by our comprehensive marketing and service integration network platforms established domestically and abroad. These platforms meticulously allocate resources, promote optimization, sharing, and collaboration of resources within the Group, and significantly enhance our overall operational efficiency. By implementing business strategies focused on improving profitability and strategic focus, the Group's operating expense ratio decreased from 94% in the same period last year to 64% during the Reporting Period (with the R&D expense ratio decreasing from 39% to 21%). The robust revenue growth and significant improvement in operational efficiency led to a substantial narrowing of our non-HKFRS adjusted net loss by 63.1% year-on-year during the Reporting Period.

MicroPort's innovation capability remains one of our fundamental and core competencies. With years of hard work, we have a pipeline of innovative products in various segments that are nearing regulatory approval for launch. In July this year, our new generation Bioresorbable Scaffold System, Firesorb<sup>®</sup>, which took 15 years of development, received NMPA approval, successfully addressing the long-standing "high thrombosis rate" issue in the bioabsorbable scaffold system field. From the beginning of 2024 until now, the Group and its associates have obtained 31 Class III initial registration certificates from NMPA. 4 products entered the green path, making a total of 34 "green path" innovative products since the path's inception, ranking first in the medical device industry for nine consecutive years. In terms of overseas market access, since the beginning of the year, we have obtained 102 additional initial registration certificates in 25 overseas countries and territories, including CE certification for 11 products and FDA approval for 4 products.

In terms of the cardiovascular devices business, we offer accessible integrated holistic solutions for the treatment of coronary diseases to the global market. During the Reporting Period, global revenue grew by 13.4%<sup>note</sup> year-on-year, and net profit significantly increased by 279.4% year-on-year. Overseas, the cardiovascular devices business recorded a robust year-on-year sales revenue growth of 56.3%<sup>note</sup> in the overseas market. Domestically, MicroPort continued to maintain its leading market share in the coronary stent category. Newly approved innovative products continue to add new momentum to this segment, and currently, our coronary business boasts the world's most comprehensive product portfolio in the coronary segment, offering accessible integrated holistic solutions for the treatment of coronary diseases, including passive implants, active therapeutic devices, and imaging devices. In addition to the approval of Firesorb<sup>®</sup>, our intravascular ultrasound imaging system, rotational atherectomy system, coronary shock wave balloon, rapamycin drug balloon, and spinous process balloon are among several innovative products expected to receive regulatory approval for launch in the near term, which will bring new growth momentum to the Group's cardiovascular devices segment.

In terms of the orthopedic devices business, global revenue grew steadily by 9.0%<sup>note</sup> year-on-year during the Reporting Period, net loss narrowed significantly by 37.5%, and EBITDA turned positive. Relying on excellent design concepts and product quality, the implant volume and sales volume of our hip and knee joint products both achieved rapid growth. During the Reporting Period, sales revenue of the orthopedics business in China increased significantly by 32.5%<sup>note</sup> year-on-year and gross profit margin also improved. Overseas, by continuously strengthening cooperation and synergy in the global orthopedics business supply chain, the international supply chain for orthopedics has fully recovered and achieved rapid sales growth in several overseas regions.

# CEO STATEMENT

In terms of the CRM business, global revenue achieved a stable year-on-year growth of 5.6%<sup>note</sup> during the Reporting Period, net loss decreased by 15.9% year-on-year, and EBITDA also improved significantly. In China, leveraging volume-based procurement, we accelerated the market penetration of pacemaker products. China business revenue saw a year-on-year increase of 61.5%<sup>note</sup>, with both market share and brand influence improved and an expanded coverage of more than 60 additional hospitals. With the NMPA's regulatory approval of the new generation ENO™ series pacemakers and Vega™ pacing leads compatible with 1.5T/3.0T whole-body MRI examinations for launch, our product portfolio on sale has been greatly enriched, helping us further expand our competitive edge in the China market. Overseas, the supply of upstream components for overseas CRM business has been restored, and we are actively promoting the market for Bluetooth pacemaker systems and Bluetooth CRT-D products.

In terms of the endovascular and peripheral vascular devices business, global revenue grew by 26.3%<sup>note</sup> year-on-year during the Reporting Period, with overseas sales revenue increasing by more than 65%<sup>note</sup> year-on-year and the proportion of overseas revenue continuing to rise. In terms of R&D, we had 5 products approved for launch by the NMPA, continually enriching and improving the product portfolio around the thoracic aorta, abdominal aorta, and peripheral domains. The Cratos® Branched Aortic Stent Graft System received EU Custom-made Device certificate, laying the foundation for its commercialization and implantation overseas.

In terms of the neurovascular devices business, the Group achieved a global revenue growth of 36.5%<sup>note</sup> year-on-year during the Reporting Period, with going abroad business achieving a commercial breakthrough, showing a strong year-on-year growth of 87.0%<sup>note</sup>. In terms of R&D, from the beginning of 2024 until now, this segment has received NMPA approval for 5 products, including NeuroGuard® Neurovascular Balloon Guide Catheter, Neurohawk® Thrombus Stent Generation II, Safecer™ Embolization Protector, PathFinder™ Carotid Balloon Dilatation Catheter, and the next-generation holographic TubridgePlus® Flow-diverting Stent.

In terms of the structural heart disease business, the Group achieved a global revenue growth of 26.7%<sup>note</sup> year-on-year during the Reporting Period, with an increase of 4.8 percentage points in gross profit margin compared to the same period last year, and the net loss narrowed significantly by 69.6% year-on-year. Domestically, benefiting from the continuously expanded hospital coverage, our TAVI product implant volume continued to increase, which further enhances our leading position in the heart valve field, and the AnchorMan® Left Atrial Appendage Closure System and its access system were approved by the NMPA, quickly contributing incremental revenue. In terms of going abroad business, during the Reporting Period, VitaFlow Liberty® received CE certification from the EU. As of now, our TAVI products have successfully entered nearly 100 key hospitals in 11 overseas countries and territories.

In terms of the surgical robot business, the Group achieved a significant global revenue growth of 117.0%<sup>note</sup> year-on-year during the Reporting Period, and the net loss narrowed significantly by 49.4%. Domestically, the core product Toumai® added 7 new commercial installations, with a total of 20 commercial installations completed, maintaining the first place in market share for new installations of domestic laparoscopic surgical robots. With the commencement of commercial scale clinical revenues, the MicroPort surgical robots business recorded revenue contributions for the first time from the sales of consumables and accessories, as well as from providing services. This segment's overseas market sales revenue grew significantly by 293.2%<sup>note</sup> year-on-year, with the overseas sales footprint continuing to expand during the Reporting Period. The flagship products Toumai® and SkyWalker™ received widespread recognition in international markets, with academic influence continuing to improve.

Looking ahead, the Group will continue to prioritize improving the health of our financial statements, focusing on our core business, deepening our domestic market and accelerating our expansion into international markets. We will further solidify the commercial value and market share of our marketed products in our advantageous segments, accelerate the R&D and registration process of innovative medical devices that address significant unmet clinical needs and are approaching regulatory approval or have broad market potential, and continuously optimize our Group's horizontal and vertical business presence to build differentiated and sustainable core competencies. Meanwhile, we will continue to vigorously implement resource focus and cost control measures, continually enhance operational efficiency, actively seek and execute the divestiture of non-strategic and non-core loss-making businesses, and optimize the financial structure to enhance shareholder returns and create long-term common value for stakeholders.

Note: All the revenue growth rates mentioned above are the information compared to the corresponding period of last year and excluding the foreign exchange impact

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Overview

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

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

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

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



# MANAGEMENT DISCUSSION AND ANALYSIS

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

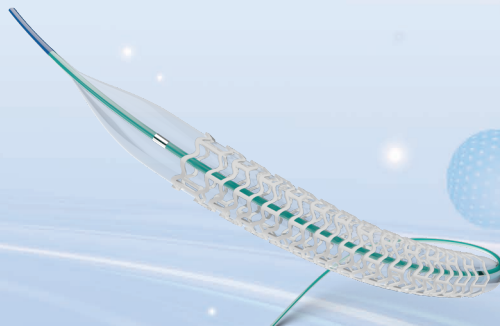
Adhered to its focus on improving profitability, the Group has consistently executed and implemented resource concentration and cost-optimization measures, resulting in a decline in the operating expense ratio from 94% for the corresponding period of last year to 64% (in which the research and development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

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

## Cardiovascular Devices Business

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

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



# MANAGEMENT DISCUSSION AND ANALYSIS

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

- **In overseas markets, diversified product portfolio and extensive sales network drove robust growth in overseas revenue.** Revenue from this business segment in overseas markets increased by 56.3% excluding the foreign exchange impact as compared to the corresponding period of the last year. In particular, the Group's cardiovascular devices business recorded strong growth of 107.9% excluding the foreign exchange impact as compared to the corresponding period of the last year in Europe, the Middle East and Africa (the "EMEA") due to being selected in hospital tenders and increased sales upon agent channel adjustment. It also saw an increase in the overall revenue in Latin America and Asia Pacific (excluding China) due to added channels. With the Group's continuous efforts in overseas channel expansion and untapped market development, as of the end of the Reporting Period, stent products have been cumulatively approved for launch in 45 countries or regions; balloon products were cumulatively approved for launch in 38 countries or regions. Leveraging the advantages of a diverse product portfolio, this business segment has achieved a tiered product coverage of demand in overseas markets. On the overseas clinical study front, the enrollment of all patients in the TARGET FIRST clinical study on Firehawk<sup>®</sup> in Europe was completed in March 2024. Clinical studies on Firehawk<sup>®</sup>, including Target DAPT, Target Safe, and Target IV NA, are expected to release results between the second half of 2024 and the first half of 2025. Under the support of more abundant global clinical research data, the Group will provide more high-quality and affordable integrated cardiovascular intervention solutions for worldwide patients.
- **In China, market penetration continued to increase at all levels, and domestic sales continued to grow, solidifying the leading position of the Group in the Chinese market.** During the Reporting Period, sales revenue from this business segment in the Chinese market increased by 4.4% excluding the foreign exchange impact as compared to the corresponding period of last year. With the normalization of volume-based procurement and the continuous optimization of the relevant policies, the Group's cardiovascular devices business segment has accumulated competitive advantages by dint of its excellent product quality, abundant production capacity, extensive and in-depth sales channels and lean production management, consolidating its leading market share in the cardiovascular interventional field. As at the end of the Reporting Period, the Group's drug eluting stents had cumulatively covered more than 3,500 hospitals in China, balloon products had covered more than 1,500 hospitals, and accessories had covered over 600 hospitals in the domestic market.

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## Orthopedics Devices Business

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

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

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

- **The orthopedics devices business in China saw a rapid increase of revenue, with measures steadily implemented to reduce costs and improve efficiency.** During the Reporting Period, revenue from the orthopedics devices business in China significantly increased by 32.5% year-on-year excluding the foreign exchange impact. In respect of the joint business, the Group achieved rapid growth in the implantation and sales volume of hip and knee joint products during the Reporting Period due to its joint product design concepts and the superior quality of its products. In terms of new products, the Group's unicompartmental knee joint products were gradually promoted in various provinces across the country and contributed part of the sales revenue during the Reporting Period, which further enriched the Group's product portfolio and optimized the product sales structure. In early 2024, the Group received NMPA approval for its zirconium-niobium femoral condyle and the Evolution® CCK Revision Knee System ("Evolution® CCK"). Evolution® CCK is the revision prosthesis of Evolution®, a star product of the Group, which will further expand the knee joint replacement market and contribute to the provision of a full range of joint reconstruction solutions for the clinic setting. During the Reporting Period, revenue from the spine and trauma business remained steady. The cost of its key products went down steadily via continuous optimization of manufacturing processes and increase in production efficiency. The orthopedics devices business in China continued to promote the integration of regional platforms and optimization and construction of channels to strengthen regional coverage efficiency.
- **The international (non-China) orthopedics devices business saw its supply chain recover, leading to stable growth in sales revenue.** During the Reporting Period, revenue from the international (non-China) orthopedics devices business increased by 6.4% year-on-year excluding the foreign exchange impact. The business in the U.S. was under short-term pressure due to a delay in commercialized penetration in the region as a result of the backlog of orders, while revenue from the EMEA surged by 19.5% year-on-year excluding the foreign exchange impact, with a year-on-year growth of 8.0% in Japan excluding the foreign exchange impact. During the Reporting Period, the Group actively diversified its suppliers, striving to further minimize the risks associated with reliance on a single supplier. With strengthened cooperation and coordination in the global supply chain of the orthopedics business, the previous backlog of orders continued to decrease and gradually returned to normal levels. In addition to the implementation of marketing strategies to promote the development of new market channels, the Group has provided precise and personalized knee joint replacement solutions to patients around the world through the combination of its SkyWalker™ Orthopedic Surgical Robot and Evolution® Medial-pivot Knee System, which significantly shortens the learning curve of physicians and continues to attract the attention of overseas experts and effectively boosts the sales growth of both products.



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

# MANAGEMENT DISCUSSION AND ANALYSIS

## CRM Business

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

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

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

- **The supply of parts and products overseas recovered.** During the Reporting Period, revenue from the international (non-China) CRM business increased by 1.3% year-on-year excluding the foreign exchange impact. The upstream parts supply problem has been comprehensively solved. In terms of market entry, a number of our key products were simultaneously approved for marketing in some countries and regions during the Reporting Period, including the TALENTIA™ Implantable Cardioverter-Defibrillator (ICDs) and Cardiac Resynchronization Therapy and Defibrillation Devices (CRT-Ds), which were approved for marketing in Australia. EDIS™ and GALI™ defibrillator systems were approved for launch in Cyprus. The XFine™ pacing lead has passed CE MDR certification in the European Union. These products will further enrich the product portfolio of the Group's CRM business to meet the diversified needs of patients. In terms of new product promotion, the first commercial implantation of Alizea™ ("Alizea™") implantable Bluetooth pacemaker and its accessory product VEGA™ pacing lead in the U.S. was successfully completed during the Reporting Period. Alizea™, the Group's latest pacemaker, with a size of only 11 cc and wireless Bluetooth technology, is currently the longest-lasting cardiac pacemaker in the market among products of the same size. The first commercial implantation of the TALENTIA™ CRT-D has been completed after its launch in Europe. TALENTIA™ and ENERGYA™ are the Group's latest ICD and CRT-D products that hit the market in Europe, featuring the longest expected service life in the industry today, as well as a number of advanced features, such as the PARAD+™ arrhythmia identification, AutoMRI™, and SonR™ systems. An increasingly abundant product portfolio will facilitate global marketing and add new momentum to the sustainable growth of the business.
- **In China, bid winning in volume-based procurement accelerated market penetration and further enriched product portfolio enhanced competitive advantages.** During the Reporting Period, revenue from the CRM business in China significantly increased by 61.5% year-on-year excluding the foreign exchange impact. During the Reporting Period, the Group accelerated market expansion by dint of volume-based procurement, developing more than 60 new hospitals, which led to a significant year-on-year increase of 50.8% in the sales of the Group's pacemakers and a year-on-year increase of 64.6% in the sales of lead products. Beyond that, the gross profit margin of the CRM business in China increased significantly as compared to the same period of the previous year, with proactive dynamic adjustment of product sales structure and continuous reduction of production costs. The next-generation ENO™ pacemaker and Vega™ pacing lead compatible with 1.5T/3.0T whole-body MRI examinations received approval from the NMPA in January 2024. The Group has the first approved 1.5/3.0T whole-body MRI-compatible pacing system, forming a tiered product sales portfolio. It seized the opportunities from the new round of volume-based procurement, further expanding the Group's competitive edges. Furthermore, the domestic pacemaker compatible with 1.5T/3.0T whole-body MRI examinations received approval from the NMPA in August 2024, and innovative products, such as the Group's first domestic ICD, and BonaFire™, a domestically self-developed whole-body MRI-compatible passive fixed pacing lead (which gained access to the special review procedure of innovative medical devices by the NMPA), are expected to be launched in the near future, supporting the CRM business in China to develop a complete whole-body MRI-compatible cardiac rhythm management solution, and further consolidate the leading position of its domestic brands in the market.





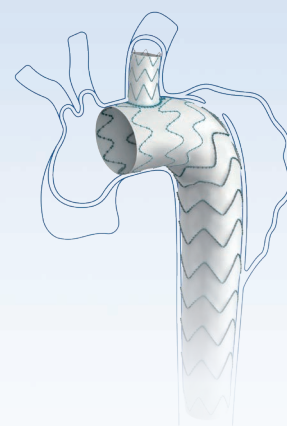
# MANAGEMENT DISCUSSION AND ANALYSIS

## Endovascular and Peripheral Vascular Devices Business

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

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

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



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

# MANAGEMENT DISCUSSION AND ANALYSIS

- **Continuous efforts were made overseas to promote the access and expansion of various innovative products into the international markets.** During the Reporting Period, overseas sales revenue from this segment significantly increased by over 65% year-on-year excluding the foreign exchange impact. The share of overseas revenue continued to grow. As of the end of the Reporting Period, EV MedTech had 7 products sold overseas, which realized commercial clinical application in 34 countries and regions including Europe, Latin America and Southeast Asia. Among them, Castor<sup>®</sup> Branched Stent, Minos<sup>®</sup> Abdominal Aortic Stent, and Hercules<sup>®</sup> Low Profile Thoracic Stent Graft and Delivery System (“Hercules<sup>®</sup>-LP Stent Graft System”) realized commercial clinical application in 19, 21 and 22 countries, respectively. By actively investing in Lombard Medical which has extensive experience in the market and industry, EV MedTech will have a mature overseas sales network covering the European market, and rich market and channel resources, which will help it expand its products in mainstream medical device markets such as the U.S. and Japan, and guarantee the continued and stable implementation of its globalization strategy.
- **In terms of product registration and market entry, the Group continued to export innovative products in areas of thoracic aorta, abdominal aorta and peripheral vessels both at home and abroad in tiered series.** During the Reporting Period and as of the date of this interim report, in terms of aortic vascular intervention business, the L-REBOA<sup>®</sup> Aortic Balloon Occlusion Catheter independently developed by EV MedTech has received marketing approval from the NMPA. The Cratos<sup>®</sup> Branched Aortic Stent Graft and Delivery System has received the European Union Customized Certificate and initiated pre-market clinical trials overseas, with multiple clinical trial implants completed in Switzerland and Spain. In terms of peripheral vascular intervention business, the Vewatch<sup>®</sup> Vena Cava Filter, Vepack<sup>®</sup> Filter Retrieval Device, and Vflower<sup>®</sup> Venous Stent System have successively received marketing approval from the NMPA. In terms of peripheral arterial business, the ReeAmber<sup>®</sup> Peripheral Balloon Dilatation Catheter has received marketing approval from the NMPA. EV MedTech also actively explored the simultaneous pre-market clinical studies and application of its innovative products in China and abroad. In the future, the Group’s endovascular and peripheral vascular devices business will introduce more quality and innovative high-end medical device portfolios to the domestic and overseas markets, in a bid to benefit more patients with circulatory diseases worldwide.

## Neurovascular Devices Business

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

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





# MANAGEMENT DISCUSSION AND ANALYSIS

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

- **In China, the professional business team continued to expand the market coverage of innovative products, and promoting the penetration of high-quality medical resources in lower-tier markets.** During the Reporting Period and as of the end of the Reporting Period, MicroPort Neuro newly covered approximately 300 hospitals, with a cumulative coverage of approximately 3,300 hospitals, including over 1,800 tertiary hospitals and all of the top 100 hospitals in China's national stroke center rankings, cumulatively supporting approximately 190,000 neurovascular interventions. Its sales channels cover 31 provinces, municipalities and autonomous regions across China. During the Reporting Period and as at the date of this interim report, a total of five new products of MicroPort Neuro have successfully received marketing approval from the NMPA, including NeuroGuard<sup>®</sup> Neurovascular Balloon Guide Catheter, Neurohawk<sup>®</sup> Thrombus Stent Generation II, Safecer<sup>™</sup> Embolization Protector and PathFinder<sup>™</sup> Carotid Balloon Dilatation Catheter, and the next-generation holographic Tubridge Plus<sup>®</sup> Flow-diverting Stent, which has further enriched its product portfolios.
- **In overseas regions, multiple products have made new breakthroughs in commercialization, enhancing the brand influence in the global market.** During the Reporting Period, overseas revenue from MicroPort Neuro significantly increased by 87.0% year-on-year excluding the foreign exchange impact. Among them, sales revenue in the Asia Pacific region, North America region, Latin America region, and Europe, Middle East and Africa region saw year-on-year growths of approximately 123%, 14%, 120% and 85% respectively, all excluding the foreign exchange impact. In terms of commercialization promotion, NUMEN<sup>®</sup> Coil has shown outstanding commercial performance since being included in Japan's medical insurance and completing its first implantation in October 2023. By the end of the Reporting Period, it has entered over 80 hospitals in Japan. In France, NUMEN<sup>®</sup> Coil achieved its first commercial clinical application during the Reporting Period. In Ireland and the UK, MicroPort Neuro's direct sales model achieved fruitful results, driving local revenue growth. In the United States, starting from the first quarter of 2024, MicroPort Neuro gradually transitioned from a distributor model to a direct sales model, significantly improving operational efficiency and profitability while better aligning with local marketing practices. In terms of product access, by the end of the Reporting Period, MicroPort Neuro has successfully introduced 8 products to the international market, with a cumulative commercialization in 21 overseas countries, covering 9 of the top 10 countries in the global neurovascular surgery volume rankings.

# MANAGEMENT DISCUSSION AND ANALYSIS

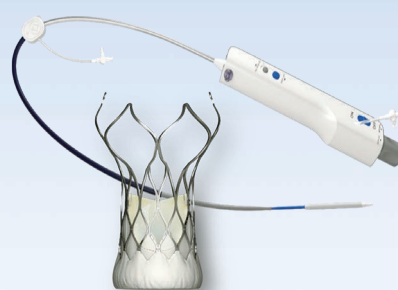
## Structural Heart Disease Business

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

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

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

- **High-quality diversified product portfolios were efficiently introduced into hospitals to continuously explore the potential of the Chinese market.** Through the continuous introduction of TAVI products in hospitals, CardioFlow Medtech expanded into 50 new hospitals in China during the Reporting Period with a cumulative coverage of over 600 hospitals. Thanks to our continuously expanding hospital coverage, the number of TAVI implantations increased by approximately 10% as compared to the corresponding period of last year, which further strengthened CardioFlow Medtech's leading position in the heart valve field. The AnchorMan<sup>®</sup> Left Atrial Appendage Closure System and its access system ("AnchorMan<sup>™</sup>") received the NMPA approval and contributed incremental revenue rapidly during the Reporting Period. As of the date of this interim report, AnchorMan<sup>®</sup> has enrolled in all provincial online bidding systems in China, which is expected to further accelerate the process of domestic substitution. In terms of clinical progress, as the first self-expanding bovine pericardial leaflet TAVI product approved in China, the eight-year long-term follow-up outcomes of the VitaFlow<sup>®</sup> series of transcatheter aortic valves showed that these products are able to maintain safety and efficacy over a long term postoperatively with good durability, fully demonstrating the strong potential and value of the VitaFlow<sup>®</sup> series of valves for clinical application and long-term prognosis of TAVI. CardioFlow Medtech's third-generation TAVI product with a newly upgraded steerable delivery system has entered the critical phase of NMPA review. In terms of mitral valve therapy, its self-developed Transcatheter Mitral Valve Replacement (TMVR) product has completed several human applications and has successfully completed the postoperative follow-ups of relevant patients for up to two years.
- **Fully leveraging the inter-segmental business synergies and collective effect of the Group expedited its overseas strategic expansion.** During the Reporting Period, overseas revenue from CardioFlow Medtech grew rapidly. As of the date of this interim report, the VitaFlow<sup>®</sup> series of TAVI products and its procedural accessory Alwide<sup>®</sup> series of products have been successfully introduced into nearly 100 core hospitals in 11 countries and regions overseas, indicating the further stable progress of their overseas commercialization. For registration, VitaFlow Liberty<sup>®</sup> has been awarded CE Mark by the European Union, making it the first transcatheter aortic valve system in China to receive such honor, and laying a solid foundation for the subsequent growth of overseas revenue on a large scale. In addition to the CE Mark, VitaFlow Liberty<sup>®</sup> has additionally received registration approvals in Hong Kong, China, Saudi Arabia, Belarus and Malaysia. The registration of VitaFlow Liberty<sup>®</sup> and Alwide<sup>®</sup> Plus in emerging markets such as Brazil, South Korea, Iran and Kazakhstan achieved phased progress. CE registrations for Alwide<sup>®</sup> Plus, AnchorMan<sup>®</sup> LAAC and AnchorMan<sup>®</sup> LAAA have entered critical stage of the approval process. The AltaValve<sup>™</sup> system, a TMVR product developed by CardioFlow Medtech and its business partners, was granted two breakthrough device designations by the FDA, which fully reflects the AltaValve<sup>™</sup> system's uniqueness and leadership in the field of mitral regurgitation interventions. With an increasingly enriched and diversified product portfolio in overseas markets and the Group's global established sales network, CardioFlow Medtech's commercialization of its products in overseas markets will efficiently and rapidly progress.

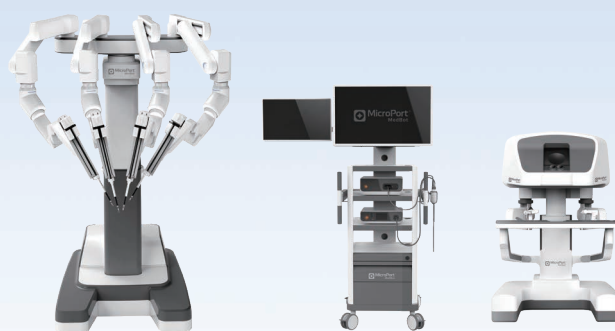




# MANAGEMENT DISCUSSION AND ANALYSIS

## Surgical Robot Business

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



**The global surgical robots market maintains rapid growth and the Chinese market will significantly expand under the policy support.**

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

# MANAGEMENT DISCUSSION AND ANALYSIS

**Domestic and overseas sales both grew rapidly, losses narrowed significantly year-on-year, and free cash net outflow declined significantly.** Leveraging the excellent clinical performance of the products and the industry-leading commercialization strength, MicroPort Medbot's flagship robots, Toumai® 4-arm laparoscopic surgical robot ("Toumai™") and SkyWalker™ Orthopedic Surgical Robot ("SkyWalker™"), were simultaneously and rapidly promoted in both the domestic and overseas markets. The Group's surgical robot business recorded a revenue of US\$10.0 million during the Reporting Period, a significant year-on-year increase of 117.0% (excluding the foreign exchange impact). Revenue from domestic and overseas business realized rapid growth of 65.3% and 293.2%, respectively. In addition to the rapid growth in revenue, MicroPort Medbot has effectively improved its control over costs, expenses and cash flow by focusing on research and development, optimizing production processes, and improving the efficiency of operational management. During the Reporting Period, MicroPort Medbot's net loss narrowed by 49.4% year-on-year, and its free net cash outflow also decreased sharply by nearly 49.7%.

- **The core product Toumai® remained a leading domestic brand, with a milestone achieved in commercialization in overseas markets.** During the Reporting Period, Toumai® completed seven commercial installations in China and recognized sales revenue. As of the date of this interim report, Toumai® completed a total of 20 commercial installations in various provinces across the country, ranking first in terms of new installations of domestic laparoscopic surgical robots. Among the hospitals where Toumai® robots have been installed, many of them are leading 3A hospitals or regional benchmark hospitals in China, which has laid a solid foundation for Toumai® to develop large-scale commercial applications. Simultaneously, thanks to the large-scale clinical application of multiple products including Toumai®, MicroPort Medbot recorded its first revenue contribution from the sales of robotic consumables and accessories, and the provision of related services during the Reporting Period. MicroPort Medbot received multiple sales orders of R-ONE® vascular interventional robot, which is deployed in the pan-vascular field through an international partnership, since the NMPA approval in December 2023. It completed the first two commercial installations in the Chinese market during the Reporting Period. In overseas markets, Toumai® successfully received the European Union's CE Mark in May 2024, being the first and only domestic laparoscopic surgical robot which received the European Union's CE Mark. Toumai® successfully completed its first two commercial installations overseas and contributed to sales revenue during the Reporting Period. To date, Toumai® has received many overseas orders from various countries and regions, which demonstrates its wide recognition and sales potential in the international markets. During the Reporting Period, SkyWalker™ completed installations and recorded the sales revenue in Europe, Australia and other countries and regions, with sales volume doubling compared with the same period of last year. To date, SkyWalker™ has received overseas sales orders of nearly 30 robots and gradually expanded its global footprint to more than 20 countries in 5 continents. As of the date of this interim report, SkyWalker™ has cumulatively completed over 1,300 total knee replacement surgeries worldwide, with its clinical application in the orthopedics department and the joint surgery department of nearly 70 hospitals at home and abroad. Among these surgeries, over 300 total knee replacement surgeries have been cumulatively performed across more than 10 medical institutions in the United States and Europe.
- **It promoted the application of 5G remote technology, led the industry in high-quality development and enhanced academic influence globally.** Up to now, MicroPort Medbot's surgical robots, including Toumai®, SkyWalker™ and R-ONE®, have all been applied along with 5G technology. Among them, Toumai® assisted doctors in completing nearly 200 remote human clinical surgeries in urology, general surgery, thoracic surgery, gynecology and pediatric surgery worldwide, with a success rate of 100%. It has covered nearly 30 cities and connected over 30 hospitals, setting more than 20 national and even global first-case records. Based on the technological advantages of various products and the practical experience in tele-surgery accumulated at home and abroad, MicroPort Medbot has established the world's largest tele-surgery network system, realizing the full coverage of the domestic tele-surgery network at multiple levels, and gradually expanding the coverage of cross-country and cross-continental tele-surgery, moving towards the middle- and high-end segments of the global value chain, and empowering the medical treatment around the world with cutting-edge technologies.

## Research and Development ("R&D")

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

# MANAGEMENT DISCUSSION AND ANALYSIS

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

## FINANCIAL REVIEW

### Overview

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

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

### Revenue

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

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

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

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## – Cardiovascular devices business

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

## – Orthopedics devices business

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

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

## – CRM business

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## – Endovascular and peripheral vascular devices business

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

## – Neurovascular devices business

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

## – Structural heart disease business

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

## – Surgical robot business

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

## – Surgical devices business

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

## – Other business

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Cost of Sales

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

## Gross Profit and Gross Profit Margin

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

## Other Net Income/Loss

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

## Research and Development Costs

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

## Distribution Costs

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

## Administrative Expenses

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

## Other Operating Costs

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

## Finance costs

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

## Income tax

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## Non-HKFRS Measure

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

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

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

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

## Capital Management

The primary goal of the Group's capital management is to maintain the Group's stability and growth, safeguard its normal operations and maximize shareholders' value.

The Group reviews and manages its capital structure on a regular basis, and makes timely adjustments to it in light of changes in economic conditions. To maintain or realign the capital structure, the Group may raise capital by way of bank loans or issuance of equity or convertible bonds.

## Liquidity and Financial Resources

As at 30 June 2024, the Group had US\$740.1 million of cash and cash equivalents on hand, as compared to US\$1,019.6 million as at 31 December 2023. Such decrease was mainly attributable to (i) the increase in the Group's structured deposits and time deposits; (ii) operating expenditure on the research and development, registration, commercialization and other activities actively carried out for the surgical robot business, the structural heart disease business and others by leveraging independent financing channels; (iii) capitalized expenditure of the Group; and (iv) cash paid to distribute dividends and pay interest. The approach of the Company's board ("the Board") of directors (the "Directors") to managing liquidity of the Group is to ensure sufficient liquidity at any time to meet its matured liabilities in order to avoid any unacceptable losses or damage to the Group's reputation.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Borrowings and Liabilities to Assets Ratio

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

## Net Current Assets

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

## Foreign Exchange Exposure

The Group is exposed to currency risk primarily from sales, purchases, borrowing and lending which give rises to receivables and payables that are denominated in a foreign currency (mainly RMB, Euro and JPY). For the six months ended 30 June 2024, the Group recorded a net exchange loss of US\$11.8 million, as compared to a net foreign exchange loss of US\$2.1 million for the six months ended 30 June 2023. The Group did not have any significant hedging arrangements to manage foreign exchange risk but has been actively monitoring and overseeing its foreign exchange risk.

## Capital Expenditure

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

## Charge on Assets

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

## HUMAN RESOURCES AND TRAINING

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

To cope with the increasing uncertainty in the external market, the Group is committed to building a flexible and resilient organizational competence system. By reviewing the key work of various business segments within the Group and checking the distribution of human resources, the Group has optimized its workflow, deepened collaboration mechanisms, and continuously expanded the scope of the Group's platform-based shared service operational functions, promoting the improvement of overall synergy. During this process, the Group has also prudently streamlined some projects and positions to achieve overall efficiency enhancement for the organization. The Group is committed to providing employees with more diverse development opportunities by building a comprehensive organizational competence system, integrating resources and empowering platforms as well as upgrading management and operation methods. The Group provides employees with sufficient room for advancement in combined directions horizontally and vertically by continuously adhering to the principle of "maturity, usage, remuneration, cultivation and care" regarding human resources, and helps talents accelerate their development and pursue the realization of self-worth through internal learning institutions within the enterprise, so as to work together to achieve its belief of "helping hundreds of millions of earthlings to have a lifespan of over 115 years old in a healthy manner".

# MANAGEMENT DISCUSSION AND ANALYSIS

## PROSPECTS

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

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

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

1. Consolidating our leading position in the medical device market in the PRC. With our strong brand recognition, extensive distribution network, and the economies of scale achieved by the deployment of multiple channels, we will further increase our market share in the PRC and continue to give full play to the advantages of being a leading enterprise in the industry and make all-round breakthroughs in the domestic high-end medical device industry, thereby maximising value for the shareholders, customers, employees and society.
2. Expediting the global expansion to realise integration of MicroPort® brand and global operations. We will continuously deepen the globalised branding and operation strategy based on localization by consistently implementing the operation model of “globalisation in operational strategy, localised implementation, deployment with diversification, and unified positioning”, thereby realising global deployment through effective integration of resources and markets around the world, which in turn will bring the products of MicroPort® to more countries or regions and benefit patients and doctors around the world.
3. Constantly improving our existing production processes, and carrying out innovation to gain high returns so as to create a diversified product portfolio. We will continuously improve the manufacturing processes of existing products to enhance their production efficiency; and pay more attention to the input-output ratio of research and development from the perspective of enterprise strategy, committing ourselves to providing more high-quality and affordable integrated medical solutions for doctors and patients while improving profitability.
4. Deepening the reform of our management system. In order to further enhance the competitiveness and risk prevention capability of the Company, we will constantly improve the system development and enhance the efficiency of internal governance by integrating resources and streamlining processes, thereby maintaining the unique entrepreneurial vitality, flexibility and efficiency of MicroPort® to the greatest extent while rapidly expanding the scale of the Company.



## OTHER INFORMATION

### INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2024, interests and short positions in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) held by the directors of the Company ("Directors") and chief executives of the Company which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

### INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

| Name of Director/<br>Chief Executive | No. of Shares | Note | Capacity         | Nature of interest | Approximate<br>percentage of<br>interest in the<br>Company |
|--------------------------------------|---------------|------|------------------|--------------------|--|
| Zhaohua Chang                        | 49,047,671    | 1    | Beneficial owner | Long position      | 2.67%  |
| Jonathan H. Chou                     | 167,590       | 2    | Beneficial owner | Long position      | 0.00%  |
| Guoen Liu                            | 161,290       | 1    | Beneficial owner | Long position      | 0.00%  |
| Chunyang Shao                        | 161,290       | 1    | Beneficial owner | Long position      | 0.00%  |

Notes:

- Dr. Zhaohua Chang, Dr. Guoen Liu and Mr. Chunyang Shao are interested in the underlying Shares of the Company by virtue of the share options granted to them under the share scheme(s) of the Company. For further details, please refer to the section headed "Share Schemes" below.
- Mr. Jonathan H. Chou is interested in (i) 161,290 underlying Shares of the Company by virtue of the share options granted to him under the share scheme(s) of the Company and (ii) 6,300 Shares of the Company. For further details, please refer to the section headed "Share Schemes" below.

### INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE ASSOCIATED CORPORATIONS

| Name of Director/<br>Chief Executive | Name of associated<br>corporation           | No. of shares/<br>registered capital | Note | Capacity         | Nature of<br>interest | Approximate<br>percentage of<br>interest in<br>the associated<br>corporation |
|--------------------------------------|---|--------------------------------------|------|------------------|-----------------------|--|
| Zhaohua Chang                        | MicroPort CardioFlow<br>Medtech Corporation | 6,000,000                            | 1    | Beneficial owner | Long position         | 0.24%  |
| Jonathan H. Chou                     | MicroPort CardioFlow<br>Medtech Corporation | 449,683                              | 1    | Beneficial owner | Long position         | 0.01%  |

Note:

- Dr. Zhaohua Chang and Mr. Jonathan H. Chou are interested in the underlying shares of the associated corporation by virtue of the share options granted to them under the share scheme of MicroPort CardioFlow Medtech Corporation.

## OTHER INFORMATION

Save as disclosed above, as at 30 June 2024, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2024, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would need to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

#### INTERESTS AND SHORT POSITIONS IN THE SHARES

| Name of Substantial Shareholder   | No. of Shares | Notes | Capacity  | Nature of interest | Percentage of total number of Shares in issue (%) |
|---|---------------|-------|---|--------------------|---|
| Otsuka Holdings Co., Ltd.   | 382,994,120   | 1     | Interest of controlled corporation                      | Long position      | 20.87   |
| Otsuka Medical Devices Co., Ltd.  | 382,994,120   | 1     | Beneficial owner  | Long position      | 20.87   |
| Maxwell Maxcare Science Foundation Limited  | 348,716,563   | 2     | Interest of controlled corporation/<br>Beneficial owner | Long position      | 19.00   |
|   | 90,000,000    |       | Interest of controlled corporation                      | Short Position     | 4.90  |
| WeTron Capital Limited  | 345,417,444   | 2     | Beneficial owner  | Long position      | 18.82   |
|   | 90,000,000    |       | Beneficial owner  | Short Position     | 4.90  |
| JPMorgan Chase & Co.  | 222,268,755   | 3     | –   | Long Position      | 12.11   |
|   | 116,146,882   |       | –   | Short Position     | 6.33  |
|   | 5,353,914     |       | –   | Lending Pool       | 0.29  |
| Hillhouse Capital Advisors, Ltd.  | 153,694,000   |       | Investment manager                                      | Long position      | 8.37  |
| Shanghai Zhangjiang (Group) Co., Ltd.   | 151,748,050   | 4     | Interest of controlled corporation                      | Long position      | 8.27  |
| Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd.                            | 151,748,050   | 4     | Interest of controlled corporation                      | Long position      | 8.27  |
| Shanghai Zhangjiang Science and Technology Investment Co.                         | 151,748,050   | 4     | Interest of controlled corporation                      | Long position      | 8.27  |
| Shanghai Zhangjiang Haocheng Venture Capital Co., Ltd.                            | 151,748,050   | 4     | Interest of controlled corporation                      | Long position      | 8.27  |
| Shanghai Zhangjiang Science and Technology Investment (Hong Kong) Company Limited | 151,748,050   | 4     | Interest of controlled corporation                      | Long position      | 8.27  |
| Shanghai (Z.J.) Holdings Limited  | 151,748,050   | 4     | Interest of controlled corporation                      | Long position      | 8.27  |
| Shanghai ZJ Hi-Tech Investment Corporation  | 151,748,050   | 4     | Interest of controlled corporation/<br>Beneficial owner | Long position      | 8.27  |
| Shanghai Zhangjiang Health Solution Holdings Limited                              | 144,705,470   | 4     | Beneficial owner  | Long position      | 7.88  |
| Gaoling Fund, L.P.  | 147,009,000   |       | Beneficial owner  | Long position      | 8.01  |
| Fischer Seth Hillel   | 93,949,174    |       | Interest of controlled corporation                      | Long position      | 5.12  |
|   | 42,397,700    |       | Interest of controlled corporation                      | Short Position     | 2.31  |
| Oasis Investments II Master Fund Ltd.   | 93,949,174    |       | Beneficial owner  | Long position      | 5.12  |
|   | 42,397,700    |       | Beneficial owner  | Short Position     | 2.31  |
| Oasis Investments II Offshore Feeder Ltd.   | 93,949,174    |       | Interest of controlled corporation                      | Long position      | 5.12  |
|   | 42,397,700    |       | Interest of controlled corporation                      | Short Position     | 2.31  |
| Oasis Management Company Ltd.   | 93,949,174    |       | Investment manager                                      | Long position      | 5.12  |
|   | 42,397,700    |       | Investment manager                                      | Short Position     | 2.31  |

## OTHER INFORMATION

### Notes:

- (1) Otsuka Holdings Co., Ltd. holds the entire issued share capital of Otsuka Medical Devices Co., Ltd., and therefore, is deemed to be interested in the same number of Shares held by Otsuka Medical Devices Co., Ltd..
- (2) Maxwell Maxcare Science Foundation Limited ("Maxwell") holds 100% interest of We'Tron Capital Limited, and therefore, is deemed to be interested in the same number of Shares and share interests held by We'Tron Capital Limited. Maxwell is also the beneficial owner of 3,299,119 Shares.
- (3) Capacity in which interests disclosed herein are held through:

| Capacity                                    | Nature of interest | Number of Shares | Approximate percentage of total number of Shares in issue (%) |
|---|--------------------|------------------|---|
| Interest of controlled corporation          | Long position      | 119,183,353      | 6.49  |
|   | Short position     | 116,146,882      | 6.33  |
| Investment manager                          | Long position      | 1,362,858        | 0.07  |
| Person having a security interest in shares | Long position      | 96,368,630       | 5.25  |
| Approved lending agent                      | Long position      | 5,353,914        | 0.29  |

Please refer to Form 2 – Corporate Substantial Shareholder Notice for the relevant event on 24 June 2024 for further details of the shareholding structure.

- (4) Shanghai Zhangjiang (Group) Co., Ltd. is wholly-owned by the State-owned Assets Supervision and Administration Commission of the Shanghai Pudong New Area People's Government. Shanghai Zhangjiang (Group) Co., Ltd. holds 100% interest in Shanghai Zhangjiang Science and Technology Investment Co., which in turn holds 100% interest in Shanghai Zhangjiang Science and Technology Investment (Hong Kong) Company Limited, which in turn holds 50% interest in Shanghai ZJ Hi-Tech Investment Corporation. Shanghai Zhangjiang (Group) Co., Ltd. also holds 50.75% interest in Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd., which in turn holds 100% interest in Shanghai Zhangjiang Haocheng Venture Capital Co., Ltd., which in turn holds 100% interest in Shanghai (Z.J.) Holdings Limited, which in turn holds 50% interest in Shanghai ZJ Hi-Tech Investment Corporation. Shanghai ZJ Hi-Tech Investment Corporation holds 100% interest in Shanghai Zhangjiang Health Solution Holdings Limited. The interest in 151,748,050 Shares relates to the same block of Shares in long position held by the following companies:

| Name of Controlled Corporation                       | No. of Shares      | Approximate Percentage of total number of Shares in issue (%) |
|--|--------------------|---|
| Shanghai Zhangjiang Health Solution Holdings Limited | 144,705,470        | 7.88  |
| Shanghai ZJ Hi-Tech Investment Corporation           | 7,042,580          | 0.38  |
| <b>Total</b>   | <b>151,748,050</b> | <b>8.27</b>   |

Save as disclosed above, as at 30 June 2024, the Directors of the Company were not aware of any persons (who were not Directors or chief executives of the Company) who had an interest or short position in the Company's Shares or underlying Shares which would need to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.



# OTHER INFORMATION

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

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

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

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group did not have any material acquisition or disposal of subsidiaries or associated companies during the six months ended 30 June 2024.

## DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the six months ended 30 June 2024, the Directors were not aware of any business or interest of the Directors or any substantial shareholders (as defined under the Listing Rules) of the Company and their respective associates (as defined under the Listing Rules) that had competed or might compete directly or indirectly with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry by the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the period of the six months ended 30 June 2024.

## SHARE SCHEMES

### Share Option Schemes

A share option scheme (the "2010 Share Option Scheme") was approved and adopted pursuant to a written resolution passed by all the Shareholders on 3 September 2010.

The purpose of the 2010 Share Option Scheme was to provide the Company with a means of incentivizing eligible participants to work towards enhancing the value of our Company and promote the long-term growth of the Company. The 2010 Share Option Scheme will link the value of the Company with the interests of participants, enabling participants and the Company to develop together and promoting the Company's corporate culture.

The Directors may, at their discretion, invite any Directors (including executive Directors, non-executive Directors and independent non-executive Directors), employees and officers of any members of the Group and any advisors, consultants, distributors, contractors, contract manufacturers, agents, customers, business partners, joint venture business partners and service providers of any members of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group to participate in the 2010 Share Option Scheme.

## OTHER INFORMATION

The Company shall be entitled to issue share options, provided that the total number of Shares which may be allotted and issued upon exercise of all outstanding share options to be granted under the 2010 Share Option Scheme of the Company shall not exceed 10% of the aggregate Shares in issue as at the date when the Shares were first listed on the Stock Exchange, which was 140,411,234 Shares. The Company may at any time refresh this 10% limit, subject to compliance with the Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the share option scheme and any other share option scheme of the Company does not exceed 30% of the Shares in issue from time to time.

Unless approved by Shareholders, the total number of Shares issued and to be issued upon exercise of the share options granted under the 2010 Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding share options) to each participant in any 12-month period shall not exceed 1% of the then issued share capital of the Company.

A share option may be accepted by a participant within 28 days from the date of the offer of the grant of such share option. The amount payable by each grantee of share option to the Company on acceptance of the offer for the grant of such share option is US\$1.00.

The 2010 Share Option Scheme does not contain any minimum period for which a share option must be held before it can be exercised. At the time of the grant of the share options, the Company will specify such minimum period. The period within which the share option must be exercised will be specified by the Company at the time of grant. Such period must expire no later than 10 years from the relevant date of grant (being the date on which the Board resolves to make an offer of share options to the relevant grantee).

The Board will determine the price per Share upon the exercise of a share option according to the terms of the 2010 Share Option Scheme, provided that it shall not be lower than the highest of: (i) the closing price of the Shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of the offer of a grant; (ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of the offer of a grant; and (iii) the nominal value of a Share on the date of grant.

As at 30 June 2024, the total number of outstanding share options that have been granted under the 2010 Share Option Scheme was 86,676,596, representing approximately 4.7% of the total issued share capital of the Company.

Owing to the expiry of the term of the 2010 Share Option Scheme, the Shareholders have resolved at the annual general meeting held on 18 June 2020 to adopt a new share option scheme (the "2020 Share Option Scheme") with largely similar terms as that of the 2010 Share Option Scheme. Upon the adoption of the 2020 Share Option Scheme on 18 June 2020, the 2010 Share Option Scheme was cancelled, no further share options should be granted under the 2010 Share Option Scheme, and the number of share options available for grant under the 2010 Share Option Scheme at the beginning and the end of the Reporting Period was nil respectively. Share options that have been granted under the 2010 Share Option Scheme prior to its cancellation shall remain valid in accordance with its terms.

The purpose of the 2020 Share Option Scheme is to enable the Company to grant share options to selected eligible participants as incentives or rewards for their contribution or potential contribution to the Group. The Directors consider that the 2020 Share Option Scheme will serve to motivate the eligible participants to contribute to the Group's development. The 2020 Share Option Scheme, which will be in the form of share options to subscribe for Shares, will enable the Group to recruit, incentivize and retain high-calibre staff, which the Directors consider that it is in line with modern commercial practice that eligible participants, which will include any directors (including executive directors, non-executive directors and independent non-executive directors), employees and officers of any members of the Group and any advisors, consultants, distributors, contractors, contract manufacturers, agents, customers, business partners, joint venture business partners and service providers of any member of the Group who have contributed or will contribute to the Group, be given incentives and align their interests and objectives with that of the Group.

The 2020 Share Option Scheme does not specify a minimum period for which a share option must be held nor a performance target which must be achieved before a share option can be exercised. However, the rules of the 2020 Share Option Scheme provide that the Board may determine, at its sole discretion, such terms and conditions on the grant of a share option. Based on 1,736,355,940 Shares in issue as at the date of the annual general meeting at which the 2020 Share Option Scheme was approved, the maximum number of Shares that may be issued upon the exercise of the share options that may be granted under the 2020 Share Option Scheme is 173,635,594 Shares, being 10% of the issued share capital of the Company as at the date of the adoption of the 2020 Share Option Scheme.

The maximum number of Shares in respect of which share options may be granted under the 2020 Share Option Scheme to any eligible participant shall not exceed 1% of the Shares in issue within any 12-month period.

## OTHER INFORMATION

Any share option offer will be deemed to have been granted and accepted by the grantee when the duplicate offer document constituting acceptance of the share option duly signed by the grantee, and a remittance in favour of the Company of US\$1.00 as consideration for the grant thereof is received by the Company within the prescribed period under the scheme.

The exercise price of the share options is determined by the Board at its absolute discretion and will be not less than the highest price of the official closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer a grant, the average official closing prices of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant and the nominal value of the shares of the Company.

The aggregate number of Shares which may be issued upon the exercise of all share options that may be granted under the 2020 Share Option Scheme and all outstanding share options granted and yet to be exercised under the other share option schemes of the Company has not exceeded 30% of the Shares in issue.

Due to the termination of the 2020 Share Scheme on 25 May 2023, details of which please refer to the section headed "2023 Share Scheme", no further share options should be granted under the 2020 Share Option Scheme. As at the beginning and the end of the Reporting Period, the number of share options available for grant under the 2020 Share Option Scheme was nil.

As at 30 June 2024, the total number of outstanding share options that have been granted under the 2020 Share Option Scheme was 69,997,116, representing approximately 3.8% of the total issued share capital of the Company.

### 2023 Share Scheme

Pursuant to the amendments to Chapter 17 of the Listing Rules in relation to share schemes of listed issuers that came into effect on 1 January 2023, the Board resolved to adopt a new share scheme (the "2023 Share Scheme") in compliance with the new Chapter 17 of the Listing Rules.

The 2023 Share Scheme was approved by the Shareholders at the annual general meeting of the Company held on 19 June 2023. Following the adoption of the 2023 Share Scheme, the 2020 Share Option Scheme was terminated. Share options granted under the 2020 Share Option Scheme prior to its termination shall remain valid in accordance with its terms.

The purpose of the 2023 Share Scheme is to provide incentive to the eligible participants in order to promote the development and success of the business of the Group. The eligible participants under the 2023 Share Scheme includes employee participants, related entity participants and service provider participants. The award that may be granted under the 2023 Share Scheme could be a share option or a share award.

The total number of Shares which may be issued in respect of all awards which may be granted at any time under the 2023 Share Scheme together with share options and awards which may be granted under any other schemes of the Company shall not exceed such number of Shares as equals 10% of the Shares in issue as at the adoption date (the "Scheme Mandate Limit").

The total number of Shares which may be issued in respect of all awards which may be granted at any time under the 2023 Share Scheme together with share options and awards which may be granted under any other share schemes for the time being of the Company to service provider participants shall not exceed such number of Shares as equals to 2% of the Shares in issue as at the adoption date (the "Service Provider Participant Sublimit").

Based on 1,833,465,053 Shares in issue as at the date of the annual general meeting at which the 2023 Share Scheme was approved, the Scheme Mandate Limit is 183,346,505 Shares, being 10% of the issued share capital of the Company as at the date of the adoption of the 2023 Share Scheme (the "Adoption Date"), representing approximately 10% of the issued share capital of the Company as at the date of this interim report, of which, the Service Provider Participant Sublimit is 36,669,301 Shares, being 2% of the issued share capital of the Company as at the Adoption Date, representing approximately 2% of the issued share capital of the Company as at the date of this interim report.

Where any grant of an award to an eligible participant would result in the Shares issued and to be issued in respect of all share options and awards granted to such eligible participant (excluding any share options and awards lapsed in accordance with the terms of the relevant schemes) in the twelve(12)-month period up to and including the date of such grant representing in aggregate exceeding 1% of the Shares in issue, such grant must be separately approved by the Shareholders in a general meeting of the Company with such eligible participant and the person's close associates (or associates if the eligible participant is a connected person) abstaining from voting.



## OTHER INFORMATION

An offer shall be deemed to have been accepted by an eligible participant concerned in respect of all the award Shares which are offered to such eligible participant when the duplicate letter comprising acceptance of the offer duly signed by the eligible participant, together with a payment in favour of the Company of HK\$1.00 or such other amount (if any) as may be determined by the Board as consideration for the grant thereof, is received by the Company. An offer shall remain open for acceptance by the eligible participant concerned (and by no other person, including the eligible participant's personal representative) for a period of twenty-one (21) days from the date of the offer.

An award must be held by the grantee for a period that is not shorter than a period commencing on offer date and ending on the day immediately prior to the first anniversary thereof before the award can be exercised save for the circumstances that: (i) grants of "make-whole" awards to new joiners to replace the share options or award shares they forfeited when leaving the previous employers; (ii) grants to an employee participant whose employment is terminated due to death or occurrence of any out of control event; (iii) grants that are made in batches during a year for administrative and compliance reasons, which include awards that should have been granted earlier if not for such administrative or compliance reasons but had to wait for subsequent batch; (iv) grants of awards with a mixed or accelerated vesting schedule such as where the awards may vest evenly over a period of twelve (12) months; or (v) grants with performance-based vesting conditions in lieu of time-based vesting criteria.

The exercise price shall, subject to any adjustment made pursuant to the terms of the 2023 Share Scheme, be determined by the Board at its absolute discretion, provided that it shall be not less than the highest of: (i) the closing price of the Shares as shown in the daily quotations sheet of the Stock Exchange on the offer date, which must be a business day; (ii) the average of the closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five (5) consecutive days on which the Shares are traded on the Stock Exchange immediately preceding the offer date; and (iii) the nominal value of the Share on the offer date.

The Board may at its discretion specify any condition in the offer letter at the grant of the relevant award which must be satisfied before an award may be exercised. Save as determined by the Board and provided in the offer of the grant of the relevant award, there is no performance target which must be achieved before an award can be exercised under the terms of the 2023 Share Scheme nor any clawback mechanism for the Company to recover or withhold any awards granted to any eligible participant.

The 2023 Share Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further share options shall be granted. Subject to the early termination, the remaining life of the Share Scheme is approximately 8 years and 9 months as of the date of this interim report.

As at the beginning of the Reporting Period, the number of the awards available for grant under the 2023 Share Scheme was 164,190,403. On 8 April 2024, the Company granted 11,648,808 share options at the exercise price of HK\$6.58 per Share under 2023 Share Scheme. As at 30 June 2024, the total number of outstanding share options that have been granted under the 2023 Share Scheme was 30,804,910, representing approximately 1.7% of the total issued share capital of the Company. As at the end of the Reporting Period, the number of the awards available for grant under the Scheme Mandate Limit and Service Provider Participant Sublimit was 152,541,595 and 34,885,287, respectively.

## OTHER INFORMATION

During the Reporting Period, an aggregate of 11,648,808 share options of the Company were granted. As at the end of the Reporting Period, the ratio of the number of Shares that may be issued in respect of share options granted under all schemes to the weighted average number of Shares for the year is approximately 10.25%. The particulars of the share options of the Company granted during the Reporting Period is as follows:

| Category of participants  | As at 1 January 2024 | Granted during the Period | Exercised during the Period | Expired during the Period | Cancelled during the Period | Lapsed during the Period | As at 30 June 2024 | Date of Grant of Share Options | Vesting Period            | Exercise Period           | Exercise Price | Closing price of the Shares immediately before the grant date of share options | Weighted average closing price of the Shares immediately before the exercise date of share options |
|---------------------------|----------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|--------------------------|--------------------|--------------------------------|---------------------------|---------------------------|----------------|--|--|
| <b>Directors (Note 1)</b> |                      |                           |                             |                           |                             |                          |                    |                                |                           |                           |                |  |  |
| Zhaohua Chang             | 13,500,000           | 0                         | 0                           | 0                         | 0                           | 0                        | 13,500,000         | 23 Jan 2017                    | 23 Jan 2017 – 23 Jan 2022 | 23 Jan 2022 – 22 Jan 2027 | HKD5.628       | HKD5.480   | -  |
|                           | 313,636              | 0                         | 0                           | 0                         | 0                           | 0                        | 313,636            | 30 Mar 2017                    | 30 Mar 2017 – 30 Mar 2022 | 30 Mar 2022 – 29 Mar 2027 | HKD5.798       | HKD5.740   |  |
|                           | 214,535              | 0                         | 0                           | 0                         | 0                           | 0                        | 214,535            | 29 Mar 2018                    | 29 Mar 2023               | 29 Mar 2023 – 28 Mar 2028 | HKD8.510       | HKD8.330   |  |
|                           | 15,594,188           | 0                         | 0                           | 0                         | 0                           | 0                        | 15,594,188         | 24 Dec 2018                    | 24 Dec 2018 – 30 Dec 2022 | 24 Dec 2020 – 23 Dec 2028 | HKD7.692       | HKD7.000   |  |
|                           | 225,752              | 0                         | 0                           | 0                         | 0                           | 0                        | 225,752            | 1 Apr 2019                     | 1 Apr 2024                | 1 Apr 2024 – 31 Mar 2029  | HKD7.448       | HKD7.380   |  |
|                           | 80,306               | 0                         | 0                           | 0                         | 0                           | 0                        | 80,306             | 31 Mar 2020                    | 31 Mar 2025               | 31 Mar 2025 – 30 Mar 2030 | HKD17.54       | HKD18.20   |  |
|                           | 615,360              | 0                         | 0                           | 0                         | 0                           | 0                        | 615,360            | 21 Jan 2022                    | 21 Feb 2022 – 21 Jan 2023 | 21 Feb 2022 – 20 Jan 2032 | HKD28.05       | HKD27.60   |  |
|                           | 47,754               | 0                         | 0                           | 0                         | 0                           | 0                        | 47,754             | 1 Apr 2022                     | 1 Apr 2027                | 1 Apr 2027 – 31 Mar 2032  | HKD18.12       | HKD17.78   |  |
|                           | 615,360              | 0                         | 0                           | 0                         | 0                           | 0                        | 615,360            | 1 Apr 2022                     | 1 May 2022 – 1 Apr 2023   | 1 May 2022 – 31 Mar 2032  | HKD18.12       | HKD17.78   |  |
|                           | 17,840,780           | 0                         | 0                           | 0                         | 0                           | 0                        | 17,840,780         | 10 Oct 2023                    | 10 Oct 2025 – 10 Oct 2027 | 10 Oct 2025 – 9 Oct 2033  | HKD11.54       | HKD11.58   |  |
| Jonathan H. Chou          | 80,645               | 0                         | 0                           | 0                         | 0                           | 0                        | 80,645             | 14 May 2021                    | 13 Jun 2021 – 13 May 2022 | 14 May 2021 – 13 May 2031 | HKD57.59       | HKD56.25   |  |
|                           | 26,881               | 0                         | 0                           | 0                         | 0                           | 0                        | 26,881             | 21 Jan 2022                    | 21 Feb 2022 – 21 Jan 2023 | 21 Feb 2022 – 20 Jan 2032 | HKD28.05       | HKD27.60   |  |
|                           | 26,881               | 0                         | 0                           | 0                         | 0                           | 0                        | 26,881             | 1 Apr 2022                     | 1 May 2022 – 1 Apr 2023   | 1 May 2022 – 31 Mar 2032  | HKD18.12       | HKD17.78   |  |
|                           | 26,883               | 0                         | 0                           | 0                         | 0                           | 0                        | 26,883             | 16 May 2022                    | 16 Jun 2022 – 16 May 2023 | 16 Jun 2022 – 15 May 2032 | HKD14.26       | HKD14.18   |  |
| Guoen Liu                 | 80,645               | 0                         | 0                           | 0                         | 0                           | 0                        | 80,645             | 14 May 2021                    | 13 Jun 2021 – 13 May 2022 | 14 May 2021 – 13 May 2031 | HKD57.59       | HKD56.25   |  |
|                           | 26,881               | 0                         | 0                           | 0                         | 0                           | 0                        | 26,881             | 21 Jan 2022                    | 21 Feb 2022 – 21 Jan 2023 | 21 Feb 2022 – 20 Jan 2032 | HKD28.05       | HKD27.60   |  |
|                           | 26,881               | 0                         | 0                           | 0                         | 0                           | 0                        | 26,881             | 1 Apr 2022                     | 1 May 2022 – 1 Apr 2023   | 1 May 2022 – 31 Mar 2032  | HKD18.12       | HKD17.78   |  |
|                           | 26,883               | 0                         | 0                           | 0                         | 0                           | 0                        | 26,883             | 16 May 2022                    | 16 Jun 2022 – 16 May 2023 | 16 Jun 2022 – 15 May 2032 | HKD14.26       | HKD14.18   |  |
| Chunyang Shao             | 80,645               | 0                         | 0                           | 0                         | 0                           | 0                        | 80,645             | 14 May 2021                    | 13 Jun 2021 – 13 May 2022 | 14 May 2021 – 13 May 2031 | HKD57.59       | HKD56.25   |  |
|                           | 26,881               | 0                         | 0                           | 0                         | 0                           | 0                        | 26,881             | 21 Jan 2022                    | 21 Feb 2022 – 21 Jan 2023 | 21 Feb 2022 – 20 Jan 2032 | HKD28.05       | HKD27.60   |  |
|                           | 26,881               | 0                         | 0                           | 0                         | 0                           | 0                        | 26,881             | 1 Apr 2022                     | 1 May 2022 – 1 Apr 2023   | 1 May 2022 – 31 Mar 2032  | HKD18.12       | HKD17.78   |  |
|                           | 26,883               | 0                         | 0                           | 0                         | 0                           | 0                        | 26,883             | 16 May 2022                    | 16 Jun 2022 – 16 May 2023 | 16 Jun 2022 – 15 May 2032 | HKD14.26       | HKD14.18   |  |
| <b>In Aggregate</b>       | <b>49,531,541</b>    | <b>0</b>                  | <b>0</b>                    | <b>0</b>                  | <b>0</b>                    | <b>0</b>                 | <b>49,531,541</b>  |                                |                           |                           |                |  |  |

# OTHER INFORMATION

| Category of participants                     | As at 1 January 2024 | Granted during the Period | Exercised during the Period | Expired during the Period | Cancelled during the Period | Lapsed during the Period | As at 30 June 2024 | Date of Grant of Share Options | Vesting Period            | Exercise Period           | Exercise Price | Closing price of the Shares immediately before the grant date of share options | Weighted average closing price of the Shares immediately before the exercise date of share options |
|--|----------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|--------------------------|--------------------|--------------------------------|---------------------------|---------------------------|----------------|--|--|
| <b>Business associates/Service providers</b> |                      |                           |                             |                           |                             |                          |                    |                                |                           |                           |                |  |  |
| Maxwell Maxcare Science Foundation Limited   | 11,575,000           | 0                         | 0                           | 0                         | 0                           | 0                        | 11,575,000         | 20 Jan 2015                    | 20 Jan 2015 – 20 Jan 2021 | 20 Jan 2016 – 19 Jan 2025 | HKD3.210       | HKD3.140   | -  |
|  | 14,100,000           | 0                         | 0                           | 0                         | 0                           | 0                        | 14,100,000         | 30 Mar 2016                    | 30 Mar 2016 – 30 Mar 2021 | 30 Mar 2017 – 29 Mar 2026 | HKD3.482       | HKD3.340   |  |
|  | 36,940               | 0                         | 0                           | 0                         | 0                           | 0                        | 36,940             | 31 Mar 2021                    | 31 Mar 2026               | 31 Mar 2026 – 30 Mar 2031 | HKD43.75       | HKD41.90   |  |
|  | 16,876,788           | 0                         | 0                           | 0                         | 0                           | 0                        | 16,876,788         | 14 May 2021                    | 13 Jun 2021 – 13 May 2022 | 14 May 2021 – 13 May 2031 | HKD57.59       | HKD56.25   |  |
|  | 15,683,008           | 0                         | 0                           | 0                         | 0                           | 0                        | 15,683,008         | 16 May 2022                    | 16 Jun 2022 – 16 May 2023 | 16 Jun 2022 – 15 May 2033 | HKD14.26       | HKD14.18   |  |
| Service Provider A                           | 115,322              | 0                         | 0                           | 0                         | 0                           | 0                        | 115,322            | 12 Sep 2023                    | 12 Sep 2028               | 12 Sep 2028 – 11 Sep 2033 | HKD12.88       | HKD12.98   |  |
|  | 1,000,000            | 0                         | 0                           | 0                         | 0                           | 0                        | 1,000,000          | 12 Sep 2023                    | 12 Sep 2024 – 12 Sep 2028 | 12 Sep 2024 – 11 Sep 2033 | HKD12.88       | HKD12.98   |  |
|  | 0                    | 168,692<br>(Note 2)       | 0                           | 0                         | 0                           | 0                        | 168,692            | 8 Apr 2024                     | 8 Apr 2029                | 8 Apr 2029 – 7 Apr 2034   | HKD6.58        | HKD6.770   |  |
| Service Provider B                           | 0                    | 500,000<br>(Note 2)       | 0                           | 0                         | 0                           | 0                        | 500,000            | 8 Apr 2024                     | 8 Apr 2025 – 8 Apr 2029   | 8 Apr 2025 – 7 Apr 2034   | HKD6.58        | HKD6.770   |  |
| <b>In Aggregate</b>                          | <b>59,387,058</b>    | <b>668,692</b>            | <b>0</b>                    | <b>0</b>                  | <b>0</b>                    | <b>0</b>                 | <b>60,055,750</b>  |                                |                           |                           |                |  |  |
| <b>Employees (Note 1)</b>                    |                      |                           |                             |                           |                             |                          |                    |                                |                           |                           |                |  |  |
|  | 630,000              | 0                         | 0                           | 0                         | 0                           | 0                        | 630,000            | 20 Jan 2015                    | 20 Jan 2015 – 20 Jan 2019 | 20 Jan 2016 – 19 Jan 2025 | HKD3.210       | HKD3.140   | HKD5.93  |
|  | 5,822,042            | 0                         | 330,000                     | 0                         | 0                           | 0                        | 5,492,042          | 30 Mar 2016                    | 30 Mar 2016 – 30 Mar 2021 | 30 Mar 2017 – 29 Mar 2026 | HKD3.482       | HKD3.340   |  |
|  | 5,860,000            | 0                         | 0                           | 0                         | 0                           | 0                        | 5,860,000          | 23 Jan 2017                    | 23 Jan 2022               | 23 Jan 2022 – 22 Jan 2027 | HKD5.628       | HKD5.480   |  |
|  | 1,577,451            | 0                         | 0                           | 0                         | 0                           | 0                        | 1,577,451          | 30 Mar 2017                    | 30 Mar 2022               | 30 Mar 2022 – 29 Mar 2027 | HKD5.798       | HKD5.740   |  |
|  | 1,644,877            | 0                         | 0                           | 0                         | 0                           | 0                        | 1,644,877          | 29 Mar 2018                    | 29 Mar 2023               | 29 Mar 2023 – 28 Mar 2028 | HKD8.510       | HKD8.330   |  |
|  | 9,477,915            | 0                         | 12,779                      | 0                         | 0                           | 0                        | 9,465,136          | 24 Dec 2018                    | 24 Dec 2018 – 30 Dec 2022 | 24 Dec 2020 – 23 Dec 2028 | HKD7.692       | HKD7.000   |  |
|  | 1,183,982            | 0                         | 0                           | 49,371                    | 0                           | 0                        | 1,134,611          | 23 Jan 2019                    | 23 Jan 2019 – 31 Jan 2023 | 23 Jan 2021 – 22 Jan 2029 | HKD7.730       | HKD7.560   |  |
|  | 200,000              | 0                         | 0                           | 0                         | 0                           | 0                        | 200,000            | 23 Jan 2019                    | 23 Jan 2019 – 23 Jan 2024 | 23 Jan 2020 – 22 Jan 2029 | HKD7.730       | HKD7.560   |  |
|  | 312,500              | 0                         | 0                           | 0                         | 0                           | 0                        | 312,500            | 23 Jan 2019                    | 23 Jan 2019 – 23 Jan 2020 | 23 Feb 2019 – 22 Jan 2029 | HKD7.730       | HKD7.560   |  |
|  | 3,163,922            | 0                         | 0                           | 0                         | 0                           | 0                        | 3,163,922          | 1 Apr 2019                     | 1 Apr 2024                | 1 Apr 2024 – 31 Mar 2029  | HKD7.448       | HKD7.380   |  |
|  | 500,000              | 0                         | 0                           | 0                         | 0                           | 0                        | 500,000            | 30 Aug 2019                    | 30 Aug 2019 – 30 Aug 2024 | 30 Aug 2020 – 29 Aug 2029 | HKD6.95        | HKD6.880   |  |
|  | 1,052,412            | 0                         | 0                           | 0                         | 59,695                      | 0                        | 992,717            | 31 Mar 2020                    | 31 Mar 2025               | 31 Mar 2025 – 30 Mar 2030 | HKD17.54       | HKD18.20   |  |
|  | 99,923               | 0                         | 0                           | 0                         | 0                           | 0                        | 99,923             | 31 Mar 2020                    | 31 Mar 2022 – 31 Mar 2024 | 31 Mar 2022 – 30 Mar 2030 | HKD17.54       | HKD18.20   |  |
|  | 600,000              | 0                         | 0                           | 0                         | 0                           | 0                        | 600,000            | 28 Aug 2020                    | 28 Aug 2021 – 28 Aug 2025 | 28 Aug 2021 – 27 Aug 2030 | HKD34.70       | HKD35.30   |  |
|  | 850,000              | 0                         | 0                           | 0                         | 0                           | 0                        | 850,000            | 28 Dec 2020                    | 28 Dec 2021 – 28 Dec 2025 | 28 Dec 2021 – 27 Dec 2030 | HKD42.20       | HKD41.00   |  |
|  | 552,754              | 0                         | 0                           | 0                         | 28,966                      | 0                        | 523,788            | 31 Mar 2021                    | 31 Mar 2026               | 31 Mar 2026 – 30 Mar 2031 | HKD43.75       | HKD41.90   |  |
|  | 680,423              | 0                         | 0                           | 67,536                    | 28,417                      | 0                        | 584,470            | 31 Mar 2021                    | 31 Mar 2023 – 31 Mar 2025 | 31 Mar 2023 – 30 Mar 2031 | HKD43.75       | HKD41.90   |  |
|  | 4,900,000            | 0                         | 0                           | 0                         | 800,000                     | 0                        | 4,100,000          | 31 Aug 2021                    | 31 Aug 2028               | 31 Aug 2028 – 30 Aug 2031 | HKD48.15       | HKD48.35   |  |
|  | 580,000              | 0                         | 0                           | 0                         | 0                           | 0                        | 580,000            | 2 Nov 2021                     | 2 Nov 2028                | 2 Nov 2028 – 1 Nov 2031   | HKD36.79       | HKD34.85   |  |
|  | 2,847,677            | 0                         | 0                           | 281,765                   | 0                           | 0                        | 2,565,912          | 21 Jan 2022                    | 21 Feb 2022 – 21 Jan 2023 | 21 Feb 2022 – 20 Jan 2032 | HKD28.05       | HKD27.60   |  |
|  | 2,749,648            | 0                         | 0                           | 281,765                   | 0                           | 0                        | 2,467,883          | 1 Apr 2022                     | 1 May 2022 – 1 Apr 2023   | 1 May 2022 – 31 Mar 2032  | HKD18.12       | HKD17.78   |  |
|  | 4,299,105            | 0                         | 0                           | 0                         | 402,624                     | 0                        | 3,896,481          | 1 Apr 2022                     | 1 Apr 2024 – 1 Apr 2026   | 1 Apr 2024 – 31 Mar 2032  | HKD18.12       | HKD17.78   |  |



## OTHER INFORMATION

| Category of participants | As at 1 January 2024 | Granted during the Period | Exercised during the Period | Expired during the Period | Cancelled during the Period | Lapsed during the Period | Date of Grant of Share Options | As at 30 June 2024 | Vesting Period                | Exercise Period               | Exercise Price | Closing price of the Shares immediately before the grant date of share options | Weighted average closing price of the Shares immediately before the exercise date of share options |
|--------------------------|----------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|--------------------------|--------------------------------|--------------------|-------------------------------|-------------------------------|----------------|--|--|
|                          |                      |                           |                             |                           |                             |                          |                                |                    |                               |                               |                |  |  |
|                          | 1,091,904            | 0                         | 0                           | 0                         | 40,845                      | 0                        | 1,051,059                      | 1 Apr 2022         | 1 Apr 2027                    | 1 Apr 2027 – 31 Mar 2032      | HKD18.12       | HKD17.78   |  |
|                          | 2,669,972            | 0                         | 0                           | 266,520                   | 0                           | 0                        | 2,403,452                      | 16 May 2022        | 16 Jun 2022 – 16 May 2023     | 16 Jun 2022 – 15 May 2032     | HKD14.26       | HKD14.18   |  |
|                          | 300,000              | 0                         | 0                           | 0                         | 0                           | 0                        | 300,000                        | 23 Jun 2022        | 23 Jun 2023 – 23 Jun 2027     | 23 Jun 2023 – 22 Jun 2032     | HKD19.92       | HKD19.68   |  |
|                          | 2,549,316            | 0                         | 0                           | 0                         | 60,360                      | 0                        | 2,488,956                      | 31 Mar 2023        | 31 Mar 2028                   | 31 March 2028 – 30 March 2033 | HKD20.01       | HKD19.58   |  |
|                          | 2,251,698            | 0                         | 0                           | 0                         | 225,663                     | 0                        | 2,026,035                      | 31 Mar 2023        | 31 Mar 2025 – 31 March 2027   | 31 March 2025 – 30 March 2033 | HKD20.01       | HKD19.58   |  |
|                          | 12,000,000           | 0                         | 0                           | 0                         | 800,000                     | 0                        | 11,200,000                     | 31 Mar 2023        | 31 March 2024 – 31 March 2028 | 31 March 2024 – 30 March 2033 | HKD20.01       | HKD19.58   |  |
|                          | 200,000              | 0                         | 0                           | 0                         | 0                           | 0                        | 200,000                        | 12 Sep 2023        | 12 Sep 2024 – 12 Sep 2028     | 12 Sep 2024 – 11 Sep 2033     | HKD12.88       | HKD12.98   |  |
|                          | 0                    | 4,098,320<br>(Note 3)     | 0                           | 0                         | 0                           | 0                        | 4,098,320                      | 8 Apr 2024         | 8 Apr 2029                    | 8 Apr 2029 – 7 Apr 2034       | HKD6.58        | HKD6.77  |  |
|                          | 0                    | 5,949,016<br>(Note 3)     | 0                           | 0                         | 0                           | 0                        | 5,949,016                      | 8 Apr 2024         | 8 Apr 2025                    | 8 Apr 2025 – 7 Apr 2034       | HKD6.58        | HKD6.77  |  |
|                          | 0                    | 932,780<br>(Note 3)       | 0                           | 0                         | 0                           | 0                        | 932,780                        | 8 Apr 2024         | 8 Apr 2026 – 8 Apr 2028       | 8 Apr 2026 – 7 Apr 2034       | HKD6.58        | HKD6.77  |  |
| <b>In Aggregate</b>      | <b>70,647,521</b>    | <b>10,980,116</b>         | <b>342,779</b>              | <b>946,957</b>            | <b>2,446,570</b>            | <b>0</b>                 | <b>77,891,331</b>              |                    |                               |                               |                |  |  |
| <b>Total</b>             | <b>179,566,120</b>   | <b>11,648,808</b>         | <b>342,779</b>              | <b>946,957</b>            | <b>2,446,570</b>            | <b>0</b>                 | <b>187,478,622</b>             |                    |                               |                               |                |  |  |

Note 1: As Dr. Qiyi Luo and Mr. Bo Peng retired as non-executive Directors on 22 May 2024, for illustration purpose, the share options held by them have been reclassified into the category of employees at the beginning of 2024.

Note 2: Fair value of such share options as at the date of grant is approximately US\$0.07 million. These share options granted are not subject to any other exercising conditions nor any performance targets.

Note 3: Fair value of such share options as at the date of grant is approximately US\$4.24 million. These share options granted are not subject to any other exercising conditions nor any performance targets.

In relation to the related accounting policy, please refer to note 1(w)(iii) to the consolidated financial statements in the 2023 annual report of the Company. The estimate of the fair value of the share options granted is measured based on a binomial tree model. The following inputs were used to calculate the fair values of the share options granted:

| Share options granted on 8 April 2024 |          |
|---------------------------------------|----------|
| Share price                           | HKD6.58  |
| Expected volatility                   | 56.0%    |
| Share option life                     | 10 years |
| Exercise multiple                     | 1.4      |
| Expected dividend yield               | 0.0%     |
| Average risk-free interest rate       | 3.87%    |

The subjective input assumptions used in calculating the fair value of share options were based on the Director's best estimates. Changes in the subjective input assumptions could affect the fair value estimate.

### Share Award Scheme

The Company has adopted a share award scheme (the "Share Award Scheme") in 2011. The purposes of the Share Award Scheme are to provide incentives to attract and retain employees, consultants and advisers whose contributions will be beneficial to the growth and development of the Group. The eligible participants under the Share Award Scheme includes Directors, employees, consultants and advisors of any member of the Group. The Share Award Scheme has an initial term of ten years. On 27 August 2020, the Board resolved to extend the term of the Share Award Scheme for a further ten years from the date of resolution of the Board (i.e. 26 August 2030), so the remaining life of the Share Award Scheme is approximately 5 years and 11 months as at the date of this interim report.

## OTHER INFORMATION

On 30 August 2023, the Board resolved to amend the rules of the Share Award Scheme to remove the subscription of new shares of the Company by the Share Award Scheme and prohibit the trustee from subscribing for new shares of the Company for the purpose of the Share Award Scheme. Upon such amendments, the Share Award Scheme became a scheme for existing shares of the Company under Chapter 17 of the Listing Rules, and no Shares will be available for issue under the Share Award Scheme. Details of the Share Award Scheme were set out in the announcements of the Company dated 15 September 2011, 28 August 2020 and 30 August 2023.

The maximum number of shares which could be granted under the Share Award Scheme is up to 10% of the issued share capital of the Company from time to time. The maximum number of shares that may be awarded to a selected participant under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

A selected participant is not required to make any payment to accept awarded Shares and there is no purchase price of the Shares awarded under the Share Award Scheme. Awarded Shares to a selected participant will be subject to vesting and the trustee will transfer the vested awarded Shares to the selected participant upon all the vesting conditions have been satisfied. The vesting date shall be on any business day in the end of March of any year, but in any event not later than 12 months after the date of final approval by the Board of the amount for the purchase of Shares pursuant to the Share Award Scheme.

During the Reporting Period, the Company resolved to award an aggregate of 3,030,738 Shares to 90 selected participants through secondary Shares purchased by the trustee in the open market. The number of Shares held by the trustee was 4,967,145, representing 0.27% of the total issued share capital of the Company as at 30 June 2024 and as at the date of this interim report.

Movement in the number of awarded Shares during the Reporting Period is as follows:

| Category of participants | Unvested awarded Shares as at 1 January 2024 | Granted during the Reporting Period (Note 3) | Vested during the Reporting Period | Expired during the Reporting Period | Lapsed during the Reporting Period | Unvested awarded Shares as at 30 June 2024 | Date of Grant of awarded Shares | Vesting Period            | Purchase price | Closing price of the Shares immediately before the date of grant of awarded Shares | Weighted average closing price of the Shares immediately before the vested date of awarded Shares |
|--------------------------|--|--|------------------------------------|-------------------------------------|------------------------------------|--|---------------------------------|---------------------------|----------------|--|---|
|                          |  |  |                                    |                                     |                                    |  |                                 |                           |                |  | HKD6.76   |
| Employees                | 70,353                                       | -  | 57,439                             | -                                   | 12,914                             | -  | 31 Mar 2020                     | 30 Mar 2021 – 30 Mar 2024 | -              | HKD18.2  |   |
|                          | 128,102                                      | -  | 56,338                             | -                                   | 7,715                              | 64,049                                     | 31 Mar 2021                     | 31 Mar 2022 – 31 Mar 2025 | -              | HKD41.9  |   |
|                          | -  | 3,030,738                                    | 3,030,738                          | -                                   | -                                  | -  | 8 Apr 2024                      | 8 Apr 2024                | -              | HKD6.77  |   |
| <b>Total</b>             | <b>198,455</b>                               | <b>3,030,738</b>                             | <b>3,144,515</b>                   | <b>-</b>                            | <b>20,629</b>                      | <b>64,049</b>                              |                                 |                           |                |  |   |

### Notes:

- 1 Fair value of the awards as at the date of grant is approximately US\$2.6 million. These awarded Shares granted are not subject to any other exercising conditions nor any performance targets.
- 2 No cancellation provision in relation to the unvested awarded Shares is available pursuant to the terms of the Share Award Scheme.

# OTHER INFORMATION

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company strives to maintain a high standard of corporate governance to safeguard the interests of its shareholders and to enhance corporate value and accountability.

Throughout the six months ended 30 June 2024, the Company had complied with all the applicable code provisions (the “Code Provisions”) as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix C1 to the Listing Rules with the exception as addressed below:

Pursuant to Code Provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. The roles of chairman and chief executive officer of the Company are held by Dr. Zhaohua Chang (“Dr. Chang”). Dr. Chang has assumed the responsibility of the executive Director and the chairman of the Board and is responsible for managing the Board and the Group’s business. As the Board considers that Dr. Chang has in-depth knowledge of the Group’s business and can make appropriate decisions promptly and efficiently, he also assumes the position of the chief executive officer of the Company. Nevertheless, the Board will continue to review the efficacy of the Group’s corporate governance structure to assess whether the separation of the positions of chairman and chief executive officer of the Company is necessary. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend to the Shareholders for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

## INDEPENDENT REVIEW OF AUDITOR

The interim financial report for the six months ended 30 June 2024 is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the Hong Kong Institute of Certified Public Accountants.

## AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Company has established the Audit Committee with written terms of reference in compliance with the CG Code. As at the date of this report, the Audit Committee comprises three members: Mr. Jonathan H. Chou (Chairman), Mr. Norihiro Ashida and Mr. Chunyang Shao.

The Audit Committee has reviewed and discussed the interim results and interim report for the six months ended 30 June 2024.

## CHANGES IN DIRECTORS’ INFORMATION

Changes in the Directors’ information required to be disclosed pursuant to R13.51B(1) of the Listing Rules are set out below:

| Name of Director     | Details of change  |
|----------------------|--|
| Mr. Norihiro Ashida  | Re-elected by rotation as non-executive Director and entered into a letter of appointment dated 22 May 2024 with the Company<br><br>Appointed as audit and supervisory board member of Cuolips Co. Ltd. with effect from 1 July 2024 |
| Ms. Weiqin Sun       | Re-elected by rotation as non-executive Director and entered into a letter of appointment dated 22 May 2024 with the Company   |
| Mr. Jonathan H. Chou | Re-elected by rotation as independent non-executive Director and entered into a letter of appointment dated 22 May 2024 with the Company<br><br>Ceased to be the CFO of UTAC Holding Ltd. in February 2024                           |



# OTHER INFORMATION

| Name of Director  | Details of change   |
|-------------------|---|
| Dr. Guoen Liu     | Re-elected by rotation as independent non-executive Director and entered into a letter of appointment dated 22 May 2024 with the Company        |
| Mr. Chunyang Shao | Appointed as independent director of LakeShore Biopharma Co., Ltd. (a company listed on NASDAQ (stock code: LSB)) with effect from 14 June 2024 |
| Dr. Qiyi Luo      | Retired as non-executive Director on 22 May 2024  |
| Mr. Bo Peng       | Retired as non-executive Director on 22 May 2024  |

Upon specific enquiry by the Company and confirmations from the Directors, save as otherwise set out in this interim report, there are no other changes in the directors' information required to be disclosed pursuant to R13.51B(1) of the Listing Rules since the Company's last published annual report up to the publication date of this interim report.

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Except for the non-adjusting events after the Reporting Period as disclosed in note 19 to the consolidated financial statements, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2024 and up to the date of this interim report.

## CONVERTIBLE BONDS

### 2026 CONVERTIBLE BONDS

In June 2021, the Company issued zero coupon convertible bonds due 2026 with a principal amount of US\$700 million (the "2026 Convertible Bonds"), which were listed on the Stock Exchange (Stock Code: 40720). The 2026 Convertible Bonds may be convertible into shares of the Company ("Shares") at the initial conversion price of HK\$92.8163 per Share. The net proceeds from the issue of the 2026 Convertible Bonds in the amount of approximately US\$689.5 million were intended to be applied for research and development investment, certain capital expenditure and for working capital purposes. As at 1 January 2023, US\$84.4 million of such proceeds remained unutilised. During the year ended 31 December 2023, US\$27.6 million was used for certain capital expenditure and US\$56.8 million was used for research and development and working capital. All such proceeds were therefore fully utilized for the purposes as intended.

All of the 2026 Convertible Bonds have been redeemed and cancelled as of 12 June 2024, and there are no outstanding 2026 Convertible Bonds in issue as of the end of the Reporting Period. Accordingly, the withdrawal of listing of the 2026 Convertible Bonds has been applied and such withdrawal of listing has been effective upon the close of business on 20 June 2024.

### 2028 CONVERTIBLE BONDS

On 5 December 2023, the Company and J.P. Morgan Securities plc, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Limited and Merrill Lynch (Asia Pacific) Limited (the "Managers") entered into a subscription agreement (the "Subscription Agreement") pursuant to which the Company agreed to issue 5.75 per cent. convertible bonds due 2028 (the "2028 Convertible Bonds") with an aggregate principal amount of US\$220 million. The Bonds may be convertible into Shares at the initial conversion price of HK\$12.7790 per Share. Assuming full conversion of the 2028 Convertible Bonds, the 2028 Convertible Bonds will be convertible into 134,537,601 Shares ("2028 Conversion Shares"), representing approximately 7.3% of the issued share capital of the Company as at the date of Subscription Agreement and approximately 6.8% of the issued share capital of the Company as enlarged by the allotment and issue of the 2028 Conversion Shares. The 2028 Conversion Shares have a nominal value of approximately US\$1,345.38 and a market value of approximately HK\$1,555.25 million based on the closing price of the Shares of HK\$11.56 on 5 December 2023. The net issue price of the Conversion Shares is approximately HK\$12.58 per Share. The net proceeds from the issue of the 2028 Convertible Bonds in the amount of approximately US\$216.6 million were mostly intended to be applied for refinancing the Company's medium and long term offshore debts. The issue of the 2028 Convertible Bonds has been completed and the 2028 Convertible Bonds are listed on the Stock Exchange (Stock Code: 40168). Such proceeds were fully utilized for the intended purpose in 2023.

## OTHER INFORMATION

### CONVERTIBLE LOAN DUE 2029

References are made to the connected transaction announcement dated 5 April 2024, the supplemental circular of annual general meeting dated 6 May 2024 (the “Circular”) and the poll results announcement of annual general meeting dated 22 May 2024 of the Company, as well as the announcement of the Company dated 28 May 2024. Unless the content otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the Circular.

On 5 April 2024, the Company entered into a convertible facility agreement (the “Convertible Facility Agreement”) with the HFTY I Holdings Pte. Ltd., HFTY II Holdings Pte. Ltd., HFTY III Holdings Pte. Ltd. and Jumbo Glorious Limited (the “Original Lenders”) pursuant to which the Original Lenders agreed to make available to the Company a US Dollars convertible term loan facility in an aggregate principal amount of US\$150 million (the “Initial Total Commitments”) at an interest rate of 5.75% per annum, with an accordion option (the “Accordion Option”) to increase the total commitments by an aggregate principal amount of up to US\$50 million (the total commitments will be US\$200 million (the “Maximum Increased Total Commitments”) if the accordion option is exercised in full). Assuming that convertible loans in an aggregate principal amount equal to Initial Total Commitments of US\$150 million (translated into Hong Kong dollars at the Fixed Exchange Rate) would be converted into Conversion Shares in full at the initial Conversion Price of HK\$7.46 per Share, such convertible loans are convertible into approximately 157,409,517 Conversion Shares, which represent approximately 8.58% of the issued share capital of the Company as at the date of the Convertible Facility Agreement and approximately 7.90% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares. Assuming that the Accordion Option is exercised in full, convertible loans in an aggregate principal amount equal to the Maximum Increased Total Commitments (translated into Hong Kong dollars at the Fixed Exchange Rate) would be converted into Conversion Shares in full at the initial Conversion Price of HK\$7.46 per Share, such convertible loans are convertible into approximately 209,879,356 Conversion Shares, which represent approximately 11.44% of the issued share capital of the Company as at date of the Convertible Facility Agreement and approximately 10.27% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares. Such Conversion Shares have a nominal value of approximately US\$1,574.09517 and a market value of approximately HK\$1,065.66 million (assuming no Accordion Option is exercised) or a nominal value of US\$2,098.79356 and a market value of approximately HK\$1,420.88 million (assuming the Accordion Option is exercised in full). The closing price of the Shares on the date of the Convertible Facility Agreement was HK\$6.77 per Share. The net proceeds of the convertible facility (after deducting the fees and expenses in relation to the obtaining of the convertible facility) are estimated to be approximately US\$145.08 million (assuming no Accordion Option is exercised) or approximately US\$195.08 million (assuming the Accordion Option is exercised in full). On such basis, the net price received by the Company for each Conversion Share is approximately HK\$7.2151 (assuming no Accordion Option is exercised) or HK\$7.2763 (assuming the Accordion Option is exercised in full). The Company intends to use the net proceeds of the convertible facility to repay the outstanding amounts under the 2026 Convertible Bonds, pay all fees, costs and expenses under or in connection with the finance documents, and (if any proceeds of the convertible facility are available after payment of the above) fund the general corporate purposes of the Group.

On 28 May 2024, all the conditions precedent under the Convertible Facility Agreement have either been satisfied or waived by the Lenders and the drawdown of the convertible loan in an aggregate principal amount equal to the Initial Total Commitments has been completed on 28 May 2024 (the “Drawdown”). On 27 June 2024, the Accordion Option was partially exercised and the drawdown of the convertible loan in an aggregate principal amount of US\$20 million has been completed. As of 30 June 2024, the aggregate principal amount of US\$170 million has been drawn down under the Convertible Facility Agreement. As at 30 June 2024, such proceeds were fully utilized for the intended purpose.

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

Shanghai, the PRC  
30 August 2024

# INDEPENDENT AUDITOR'S REPORT



**Review report to the board of directors of MicroPort Scientific Corporation**  
*(Incorporated in the Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the interim financial report set out on pages 40 to 80 which comprises the consolidated statement of financial position of MicroPort Scientific Corporation (the "Company") as of 30 June 2024 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review 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. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2024 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.



# INDEPENDENT AUDITOR'S REPORT

## MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 1 to the interim financial information which indicates as at 30 June 2024, the Group had bank borrowings of US\$317,891,000 due within 1 year and share repurchase obligations (included in non-current other payables) issued by a subsidiary with a carrying value of US\$227,427,000. Such share repurchase obligations represent the redemption rights included in the terms of the preferred shares issued by that subsidiary. If that subsidiary could not complete a qualified public offering by July 2025, the holders of the preferred shares would have the right to request that subsidiary to redeem their preferred shares in cash. For the six months ended 30 June 2024, the Group incurred a net loss of US\$106,674,000 and a net operating cash outflow of US\$33,454,000. In addition, part of the Group's non-current bank borrowings and convertible bonds totalling US\$726,243,000 are subject to the fulfilment of covenants relating to certain of the Group's financial performance and ratios. These events or conditions, along with other matters set forth in note 1, indicate that the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our review conclusion is not modified in respect of this matter.

### **KPMG**

Certified Public Accountants

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

30 August 2024

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

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

The notes on pages 48 to 80 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 15(a).

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

|   | Six months ended 30 June |           |
|---|--------------------------|-----------|
|   | 2024                     | 2023      |
|   | US\$'000                 | US\$'000  |
| <b>Loss for the period</b>  | <b>(106,674)</b>         | (219,921) |
| <b>Other comprehensive income for the period, net of tax</b>                |                          |           |
| Items that will not be reclassified to profit or loss:                      |                          |           |
| Remeasurement of net defined benefit liabilities                            | 494                      | 284       |
| Items that may be reclassified subsequently to profit or loss:              |                          |           |
| Exchange differences on translation of financial statements, net of nil tax | (11,624)                 | (46,882)  |
| Share of other comprehensive income of equity-accounted investees           | 16                       | (426)     |
| <b>Other comprehensive income for the period</b>                            | <b>(11,114)</b>          | (47,024)  |
| <b>Total comprehensive income for the period</b>                            | <b>(117,788)</b>         | (266,945) |
| <b>Attributable to:</b>   |                          |           |
| Equity shareholders of the Company  | (105,032)                | (195,553) |
| Non-controlling interests   | (12,756)                 | (71,392)  |
| <b>Total comprehensive income for the period</b>                            | <b>(117,788)</b>         | (266,945) |

The notes on pages 48 to 80 form part of this interim financial report.



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

|   | Note | At 30 June 2024 |                  | At 31 December 2023 |           |
|---|------|-----------------|------------------|---------------------|-----------|
|   |      | US\$'000        | US\$'000         | US\$'000            | US\$'000  |
|   |      |                 |                  | (restated)          |           |
| <b>Non-current assets</b>   |      |                 |                  |                     |           |
| Investment properties   |      |                 | 6,087            |                     | 6,256     |
| Property, plant and equipment   | 8    |                 | 978,657          |                     | 1,004,573 |
|   |      |                 | <b>984,744</b>   |                     | 1,010,829 |
| Intangible assets   | 8    |                 | 236,699          |                     | 234,435   |
| Goodwill  |      |                 | 147,271          |                     | 149,393   |
| Equity-accounted investees  |      |                 | 375,085          |                     | 372,637   |
| Financial assets measured at fair value through profit or loss ("FVPL") |      |                 | 8,479            |                     | 10,003    |
| Derivative financial instruments  |      |                 | –                |                     | 3,574     |
| Deferred tax assets   |      |                 | 30,366           |                     | 31,382    |
| Other non-current assets  | 9    |                 | 109,022          |                     | 109,705   |
|   |      |                 | <b>1,891,666</b> |                     | 1,921,958 |
| <b>Current assets</b>   |      |                 |                  |                     |           |
| Financial assets measured at FVPL                                       |      |                 | 196,122          |                     | 40,028    |
| Inventories   |      |                 | 407,912          |                     | 414,868   |
| Trade and other receivables   | 10   |                 | 390,504          |                     | 310,648   |
| Pledged deposits and time deposits                                      |      |                 | 170,948          |                     | 225,352   |
| Cash and cash equivalents   | 14   |                 | 740,097          |                     | 1,019,551 |
|   |      |                 | <b>1,905,583</b> |                     | 2,010,447 |
| <b>Current liabilities</b>  |      |                 |                  |                     |           |
| Trade and other payables  | 11   |                 | 411,693          |                     | 448,342   |
| Contract liabilities  |      |                 | 18,464           |                     | 18,770    |
| Interest-bearing borrowings   | 12   |                 | 317,891          |                     | 295,438   |
| Convertible bonds   | 13   |                 | 103,154          |                     | 549,470   |
| Lease liabilities   |      |                 | 47,470           |                     | 46,915    |
| Income tax payable  |      |                 | 11,648           |                     | 4,985     |
|   |      |                 | <b>910,320</b>   |                     | 1,363,920 |
| <b>Net current assets</b>   |      |                 | <b>995,263</b>   |                     | 646,527   |
| <b>Total assets less current liabilities</b>                            |      |                 | <b>2,886,929</b> |                     | 2,568,485 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

|  | Note | At 30 June 2024 |                  | At 31 December 2023 |                  |
|--|------|-----------------|------------------|---------------------|------------------|
|  |      | US\$'000        | US\$'000         | US\$'000            | US\$'000         |
| <b>Non-current liabilities</b>   |      |                 |                  |                     |                  |
| Interest-bearing borrowings  | 12   | 801,523         |                  | 508,330             |                  |
| Lease liabilities  |      | 74,107          |                  | 85,327              |                  |
| Deferred income  |      | 50,110          |                  | 42,344              |                  |
| Contract liabilities   |      | 26,733          |                  | 27,669              |                  |
| Convertible bonds  | 13   | 341,841         |                  | 213,267             |                  |
| Other payables   | 11   | 275,202         |                  | 262,865             |                  |
| Derivative financial instruments                                       | 13   | 5,117           |                  | –                   |                  |
| Deferred tax liabilities   |      | 24,343          |                  | 25,686              |                  |
|  |      |                 | <b>1,598,976</b> |                     | <b>1,165,488</b> |
| <b>NET ASSETS</b>  |      |                 | <b>1,287,953</b> |                     | <b>1,402,997</b> |
| <b>CAPITAL AND RESERVE</b>   | 15   |                 |                  |                     |                  |
| Share capital  |      |                 | 18               |                     | 18               |
| Reserves   |      |                 | 699,795          |                     | 757,801          |
| <b>Total equity attributable to equity shareholders of the Company</b> |      |                 | <b>699,813</b>   |                     | <b>757,819</b>   |
| Non-controlling interests  |      |                 | 588,140          |                     | 645,178          |
| <b>TOTAL EQUITY</b>  |      |                 | <b>1,287,953</b> |                     | <b>1,402,997</b> |

Approved and authorised for issue by the board of directors on 30 August 2024.

**Zhaohua Chang**  
Chairman

**Jonathan H. Chou**  
Director

The notes on pages 48 to 80 form part of this interim financial report.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2024 (unaudited)

(Expressed in United States dollars)

| Note  | Attributable to equity shareholders of the Company |               |                  |                 |                           |                  |           | Non-controlling interests | Total equity |
|---|--|---------------|------------------|-----------------|---------------------------|------------------|-----------|---------------------------|--------------|
|   | Share capital                                      | Share premium | Exchange reserve | Capital reserve | Statutory general reserve | Accumulated loss | Total     |                           |              |
|   | US\$'000   | US\$'000      | US\$'000         | US\$'000        | US\$'000                  | US\$'000         | US\$'000  |                           |              |
| <b>Balance at 1 January 2023</b>                                    | 18   | 670,700       | (84,032)         | 1,315,368       | 132,353                   | (899,377)        | 1,135,030 | 657,638                   | 1,792,668    |
| <b>Changes in equity for the six months ended 30 June 2023:</b>     |  |               |                  |                 |                           |                  |           |                           |              |
| Loss for the period   | -  | -             | -                | -               | -                         | (162,618)        | (162,618) | (57,303)                  | (219,921)    |
| Other comprehensive income  | -  | -             | (32,693)         | (242)           | -                         | -                | (32,935)  | (14,089)                  | (47,024)     |
| <b>Total comprehensive income</b>                                   | -  | -             | (32,693)         | (242)           | -                         | (162,618)        | (195,553) | (71,392)                  | (266,945)    |
| Net contributions from non-controlling shareholders of subsidiaries | -  | -             | -                | 374             | -                         | -                | 374       | 125                       | 499          |
| Capital reduction of non-controlling shareholders of a subsidiary   | -  | -             | -                | -               | -                         | -                | -         | (287)                     | (287)        |
| Disposal of a subsidiary  | -  | -             | -                | -               | -                         | -                | -         | (427)                     | (427)        |
| Acquisition of non-controlling interests                            | -  | -             | -                | (972)           | -                         | -                | (972)     | (305)                     | (1,277)      |
| Repurchase of convertible bonds issued by the Company               | -  | -             | -                | (575)           | -                         | -                | (575)     | -                         | (575)        |
| Equity-settled share-based transactions                             | -  | -             | -                | 12,998          | -                         | -                | 12,998    | 7,266                     | 20,264       |
| Shares issued under share option scheme of the Company              | -  | 5,917         | -                | (1,340)         | -                         | -                | 4,577     | -                         | 4,577        |
| Shares issued under share option scheme of a subsidiary             | -  | -             | -                | 2               | -                         | -                | 2         | 271                       | 273          |
| Repurchase of shares under share award scheme                       | -  | -             | -                | (636)           | -                         | -                | (636)     | (556)                     | (1,192)      |
| Shares granted under share award scheme                             | 15(c)(iii)   | -             | -                | 4,951           | -                         | -                | 4,951     | 671                       | 5,622        |
| Lapse of share options  | -  | -             | -                | (396)           | -                         | 396              | -         | -                         | -            |
| Dividends to holders of non-controlling interests                   | -  | -             | -                | -               | -                         | -                | -         | (12,544)                  | (12,544)     |
| <b>Balance at 30 June 2023</b>                                      | 18   | 676,617       | (116,725)        | 1,329,532       | 132,353                   | (1,061,599)      | 960,196   | 580,460                   | 1,540,656    |



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2024 (unaudited)

(Expressed in United States dollars)

| Attributable to equity shareholders of the Company                   |               |               |                  |                 |                           |                  |           |                           |              |
|--|---------------|---------------|------------------|-----------------|---------------------------|------------------|-----------|---------------------------|--------------|
| Note   | Share capital | Share premium | Exchange reserve | Capital reserve | Statutory general reserve | Accumulated loss | Total     | Non-controlling interests | Total equity |
|  | US\$'000      | US\$'000      | US\$'000         | US\$'000        | US\$'000                  | US\$'000         | US\$'000  | US\$'000                  | US\$'000     |
| <b>Balance at 1 January 2024</b>                                     | 18            | 677,626       | (94,656)         | 1,418,774       | 136,956                   | (1,380,899)      | 757,819   | 645,178                   | 1,402,997    |
| <b>Changes in equity for the six months ended 30 June 2024:</b>      |               |               |                  |                 |                           |                  |           |                           |              |
| Loss for the period  | -             | -             | -                | -               | -                         | (96,830)         | (96,830)  | (9,844)                   | (106,674)    |
| Other comprehensive income   | -             | -             | (8,582)          | 380             | -                         | -                | (8,202)   | (2,912)                   | (11,114)     |
| <b>Total comprehensive income</b>                                    | -             | -             | (8,582)          | 380             | -                         | (96,830)         | (105,032) | (12,756)                  | (117,788)    |
| Net contributions from non-controlling shareholders of subsidiaries  | -             | -             | -                | 2,655           | -                         | -                | 2,655     | 4,880                     | 7,535        |
| Disposal of subsidiaries   | -             | -             | -                | -               | -                         | -                | -         | (674)                     | (674)        |
| Acquisition of non-controlling interests                             | -             | -             | -                | (9,202)         | -                         | -                | (9,202)   | (12,415)                  | (21,617)     |
| Disposal of interest in a subsidiary to non-controlling shareholders | -             | -             | -                | 7,562           | -                         | -                | 7,562     | (7,562)                   | -            |
| Equity-settled share-based transactions                              | -             | -             | -                | 10,035          | -                         | -                | 10,035    | 3,393                     | 13,428       |
| Shares issued under share option scheme of the Company               | -             | 212           | -                | (53)            | -                         | -                | 159       | -                         | 159          |
| Repurchase of shares under share award scheme                        | -             | -             | -                | (3,603)         | -                         | -                | (3,603)   | (7,110)                   | (10,713)     |
| Shares granted under share award scheme                              | 15(c)(iii)    | -             | -                | 3,056           | -                         | -                | 3,056     | 586                       | 3,642        |
| Lapse of share options   | -             | -             | -                | (891)           | -                         | 891              | -         | -                         | -            |
| Issuance of convertible bonds  | 13(b)         | -             | -                | 37,271          | -                         | -                | 37,271    | -                         | 37,271       |
| Dividends to holders of non-controlling interests                    | -             | -             | -                | -               | -                         | -                | -         | (24,898)                  | (24,898)     |
| Others   | -             | -             | -                | (907)           | -                         | -                | (907)     | (482)                     | (1,389)      |
| <b>Balance at 30 June 2024</b>                                       | 18            | 677,838       | (103,238)        | 1,465,077       | 136,956                   | (1,476,838)      | 699,813   | 588,140                   | 1,287,953    |

The notes on pages 48 to 80 form part of this interim financial report.

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

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

|   | Six months ended 30 June |                  |
|---|--------------------------|------------------|
|   | 2024<br>US\$'000         | 2023<br>US\$'000 |
| <b>Operating activities</b>   |                          |                  |
| Cash used in operations   | (22,254)                 | (131,467)        |
| Income tax paid   | (21,781)                 | (36,107)         |
| Income tax refund received  | 10,581                   | 3,787            |
| <b>Net cash used in operating activities</b>  | <b>(33,454)</b>          | <b>(163,787)</b> |
| <b>Investing activities</b>   |                          |                  |
| Payments for purchase of property, plant and equipment and intangible assets                | (70,158)                 | (102,047)        |
| Settlements of consideration in connection with previous year's acquisition of a subsidiary | -                        | (6,540)          |
| Payments for the investments in equity-accounted investees                                  | (5,929)                  | -                |
| Payments for the investments in financial assets at FVPL                                    | (558,304)                | (153,104)        |
| Redemption of financial assets at FVPL  | 405,128                  | 151,697          |
| Decrease/(Increase) in pledged deposits and time deposits                                   | 54,404                   | (163,149)        |
| Loans to equity-accounted investees   | (6,109)                  | (6,771)          |
| Loans repaid by equity-accounted investees  | 3,195                    | 4,070            |
| Other cash flows arising from investing activities  | 5,680                    | 3,971            |
| <b>Net cash used in investing activities</b>  | <b>(172,093)</b>         | <b>(271,873)</b> |

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

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

|  | Note | Six months ended 30 June |                  |
|--|------|--------------------------|------------------|
|  |      | 2024<br>US\$'000         | 2023<br>US\$'000 |
| <b>Financing activities</b>  |      |                          |                  |
| Capital element of lease rentals paid  |      | (16,336)                 | (22,847)         |
| Interest element of lease rentals paid   |      | (3,298)                  | (4,493)          |
| Payments for purchase of non-controlling interests                             |      | (20,034)                 | (1,277)          |
| Payment for repurchase of convertible bonds                                    | 13   | (461,609)                | (31,869)         |
| Repayments of interest-bearing borrowings                                      |      | (173,272)                | (83,562)         |
| Proceeds from interest-bearing borrowings, net of transaction costs            |      | 487,030                  | 255,546          |
| Proceeds from issuance of convertible bonds, net of transaction costs          | 13   | 169,613                  | –                |
| Capital contributions from non-controlling interests, net of transaction costs |      | 7,535                    | 8,526            |
| Payment for repurchase of shares under share award schemes                     |      | (10,713)                 | (1,192)          |
| Interest paid for convertible bonds  |      | (11,115)                 | (4,225)          |
| Interest paid for interest-bearing borrowings                                  |      | (14,437)                 | (11,864)         |
| Payment of dividends to non-controlling interests                              |      | (21,069)                 | (12,544)         |
| Other cash flows arising from financing activities                             |      | 512                      | 4,942            |
| <b>Net cash (used in)/generated from financing activities</b>                  |      | <b>(67,193)</b>          | 95,141           |
| <b>Net decrease in cash and cash equivalents</b>                               |      | <b>(272,740)</b>         | (340,519)        |
| <b>Cash and cash equivalents at 1 January</b>                                  |      | <b>1,019,551</b>         | 1,203,007        |
| <b>Effect of foreign exchange rate changes</b>                                 |      | <b>(6,714)</b>           | (19,058)         |
| <b>Cash and cash equivalents at 30 June</b>                                    |      | <b>740,097</b>           | 843,430          |

The notes on pages 48 to 80 form part of this interim financial report.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

## 1 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It has been reviewed by the audit committee of the Company and was authorised for issue on 30 August 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of MicroPort Scientific Corporation (the "Company") and its subsidiaries (together, the "Group") since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the board of directors of the Company is included on pages 38 to 39.

The financial information relating to the financial year ended 31 December 2023 that is included in the interim financial report as comparative information does not constitute the Company's annual consolidated financial statements for that financial year but is derived from those financial statements. The Company's annual consolidated financial statements for the year ended 31 December 2023 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 March 2024.

### Material uncertainty related to going concern

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

As at 30 June 2024, the Group had bank borrowings of US\$317,891,000 due within 1 year and share repurchase obligations (included in non-current other payables) with a carrying value of US\$227,427,000 (see note 11). Such share repurchase obligations represent the redemption rights included in the terms of the preferred shares issued by MicroPort Cardiac Rhythm Management Limited ("CRM Cayman"). If CRM Cayman does not complete a qualified public offering by July 2025, the holders of the preferred shares would have the right to request CRM Cayman to redeem their preferred shares at an amount equal to the original purchase price plus per annum interest of 8% in cash. For the six months ended 30 June 2024, the Group incurred a net loss of US\$106,674,000 and a net operating cash outflow of US\$33,454,000.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

*(Expressed in United States dollars unless otherwise indicated)*

## 1 BASIS OF PREPARATION (CONTINUED)

### Material uncertainty related to going concern (continued)

In addition, part of the Group's non-current bank borrowings and convertible bonds totalling US\$726,243,000 (see notes 12 and 13) are subject to the fulfilment of covenants relating to certain of the Group's financial performance and ratios. If the Group were to breach the covenants, these bank borrowings or convertible bonds would be immediately repayable if requested by the lenders of these bank borrowings and the holders of the convertible bonds in accordance with the underlying facilities agreements. The occurrence of such circumstance may trigger the cross-default provisions of other borrowings available to the Group and, as a possible consequence, these other borrowings may also be declared to be immediately due and payable.

Given the above, the liquidity of the Group is primarily dependent on (i) its ability to renew or refinance existing borrowings and to utilise its cash and cash equivalents available to the Group (see note 14) for repayment of its borrowings; and (ii) whether the above-mentioned financial covenants could be achieved. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

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

- (1) The Group has planned or implemented various strategies to improve the liquidity of the Group including to maintain more stringent cost control measure, substantially reduce the budget for research and development costs, defer the plan for discretionary capital expenditure;
- (2) The Group has plans to realise additional cash from disposal of certain properties or other assets;
- (3) The Group is in discussions with potential investors to make direct investment or to purchase certain equity interests in subsidiaries/equity-accounted investees of the Group; and
- (4) The Group are in discussions with banks for the renewal of existing borrowings and obtaining new banking facilities.

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

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

## 2 CHANGES IN ACCOUNTING POLICIES

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

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

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

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

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

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

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

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

- Reclassifying the CRM Convertible Bonds (defined in note 13(a)) measured at fair value through profit or loss from non-current to current, as the conversion rights of the CRM Convertible Bonds do not meet the definition of an equity instrument and the holders have the right to convert any portion of the CRM Convertible Bonds into shares of CRM Cayman at any time on or after the issue date.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

## 2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### Amendments to HKAS 1, Presentation of financial statements (“2020 and 2022 amendments”, or collectively the “HKAS 1 amendments”) (continued)

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

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

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

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

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

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

## 2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

## 3 REVENUE AND SEGMENT REPORTING

The Group manages its business by divisions, which are organised by a mixture of both lines of business (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified a number of reportable segments. No operating segments have been aggregated to form the following reportable segments.

### (a) Disaggregation of revenue

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

#### Revenue from contracts with customers within the scope of HKFRS 15

Disaggregated by major products or service lines

- Sales of medical devices
- Others

#### Revenue from other sources

| Six months ended 30 June |          |
|--------------------------|----------|
| 2024                     | 2023     |
| US\$'000                 | US\$'000 |
|                          |          |
| <b>549,546</b>           | 472,745  |
| <b>6,611</b>             | 6,328    |
| <b>556,157</b>           | 479,073  |
| <b>2,545</b>             | 3,532    |
| <b>558,702</b>           | 482,605  |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

## 3 REVENUE AND SEGMENT REPORTING (CONTINUED)

### (a) Disaggregation of revenue (continued)

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

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

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



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

## 3 REVENUE AND SEGMENT REPORTING (CONTINUED)

### (b) Information about profit or loss, assets and liabilities

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below:

|   | Six months ended 30 June 2024               |  |  |   |  |   |                                     |                                       |                                 |                   |
|---|---|--|--|---|--|---|-------------------------------------|---------------------------------------|---------------------------------|-------------------|
|   | Cardiovascular devices business<br>US\$'000 | Orthopedics devices business<br>US\$'000 | Cardiac rhythm management business<br>US\$'000 | Endovascular and peripheral vascular devices business<br>US\$'000 | Neurovascular devices business<br>US\$'000 | Structural heart disease business<br>US\$'000 | Surgical robot business<br>US\$'000 | Surgical devices business<br>US\$'000 | Others <sup>†</sup><br>US\$'000 | Total<br>US\$'000 |
| <b>Disaggregated by timing of revenue recognition</b> |   |  |  |   |  |   |                                     |                                       |                                 |                   |
| Point in time   | 92,557                                      | 125,882                                  | 108,631  | 110,376   | 57,127                                     | 31,106  | 9,820                               | 4,303                                 | 11,499                          | 551,301           |
| Over time   | 722   | 402                                      | 4,723  | -   | -  | -   | 133                                 | -                                     | 1,421                           | 7,401             |
| <b>Revenue from external customers</b>                | 93,279                                      | 126,284                                  | 113,354  | 110,376   | 57,127                                     | 31,106  | 9,953                               | 4,303                                 | 12,920                          | 558,702           |
| Inter-segment revenue                                 | 4,728                                       | 523                                      | 7  | 332   | 275  | 278   | 4,007                               | 268                                   | 800                             | 11,218            |
| <b>Reportable segment revenue</b>                     | 98,007                                      | 126,807                                  | 113,361  | 110,708   | 57,402                                     | 31,384  | 13,960                              | 4,571                                 | 13,720                          | 569,920           |
| <b>Reportable segment net profit/(loss)</b>           | 3,388                                       | (16,573)                                 | (41,149)                                       | 56,123  | 19,694                                     | (7,675)                                       | (39,394)                            | (18,191)                              | (22,587)                        | (66,364)          |
|   | At 30 June 2024                             |  |  |   |  |   |                                     |                                       |                                 |                   |
|   | Cardiovascular devices business<br>US\$'000 | Orthopedics devices business<br>US\$'000 | Cardiac rhythm management business<br>US\$'000 | Endovascular and peripheral vascular devices business<br>US\$'000 | Neurovascular devices business<br>US\$'000 | Structural heart disease business<br>US\$'000 | Surgical robot business<br>US\$'000 | Surgical devices business<br>US\$'000 | Others <sup>†</sup><br>US\$'000 | Total<br>US\$'000 |
| <b>Reportable segment assets</b>                      | 584,689                                     | 529,679                                  | 361,326  | 634,735   | 291,845                                    | 350,426                                       | 157,558                             | 85,920                                | 543,139                         | 3,539,317         |
| <b>Reportable segment liabilities</b>                 | 319,118                                     | 413,144                                  | 481,758  | 64,394  | 46,845                                     | 36,270  | 119,642                             | 104,493                               | 165,802                         | 1,751,466         |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

## 3 REVENUE AND SEGMENT REPORTING (CONTINUED)

### (b) Information about profit or loss, assets and liabilities (continued)

|   | Six months ended 30 June 2023 (Re-presented) (Note) |  |  |   |  |   |   |   |                                 |                   |
|---|---|--|--|---|--|---|---|---|---------------------------------|-------------------|
|   | Cardiovascular<br>devices<br>business<br>US\$'000   | Orthopedics<br>devices<br>business<br>US\$'000 | Cardiac rhythm<br>management<br>business<br>US\$'000 | Endovascular<br>and peripheral<br>vascular<br>devices<br>business<br>US\$'000 | Neurovascular<br>devices<br>business<br>US\$'000 | Structural<br>heart disease<br>business<br>US\$'000 | Surgical<br>robot<br>business<br>US\$'000 | Surgical<br>devices<br>business<br>US\$'000 | Others <sup>#</sup><br>US\$'000 | Total<br>US\$'000 |
| <b>Disaggregated by timing of revenue recognition</b> |   |  |  |   |  |   |   |   |                                 |                   |
| Point in time   | 81,107  | 115,293  | 103,303  | 88,985  | 42,614   | 25,035  | 4,895                                     | 3,121                                       | 8,392                           | 472,745           |
| Over time   | 1,465   | 568  | 4,969  | -   | -  | -   | -   | -   | 2,858                           | 9,860             |
| <b>Revenue from external customers</b>                | 82,572  | 115,861  | 108,272  | 88,985  | 42,614   | 25,035  | 4,895                                     | 3,121                                       | 11,250                          | 482,605           |
| Inter-segment revenue                                 | 7,230   | 496  | 98   | 183   | 145  | 228   | 1,888                                     | 361   | -                               | 10,629            |
| <b>Reportable segment revenue</b>                     | 89,802  | 116,357  | 108,370  | 89,168  | 42,759   | 25,263  | 6,783                                     | 3,482                                       | 11,250                          | 493,234           |
| <b>Reportable segment net profit/(loss)</b>           | 893   | (26,503)                                       | (48,927)   | 39,512  | 8,376  | (25,264)  | (77,848)                                  | (9,446)                                     | (32,629)                        | (171,836)         |
|   | At 31 December 2023 (Re-presented) (Note)           |  |  |   |  |   |   |   |                                 |                   |
|   | Cardiovascular<br>devices<br>business<br>US\$'000   | Orthopedics<br>devices<br>business<br>US\$'000 | Cardiac rhythm<br>management<br>business<br>US\$'000 | Endovascular<br>and peripheral<br>vascular<br>devices<br>business<br>US\$'000 | Neurovascular<br>devices<br>business<br>US\$'000 | Structural<br>heart disease<br>business<br>US\$'000 | Surgical<br>robot<br>business<br>US\$'000 | Surgical<br>devices<br>business<br>US\$'000 | Others <sup>#</sup><br>US\$'000 | Total<br>US\$'000 |
| <b>Reportable segment assets</b>                      | 600,417   | 528,697  | 394,871  | 599,250   | 276,821  | 383,485   | 201,498                                   | 98,459                                      | 510,891                         | 3,594,389         |
| <b>Reportable segment liabilities</b>                 | 291,037   | 431,171  | 461,700  | 53,413  | 45,114   | 42,271  | 129,499                                   | 117,093                                     | 158,330                         | 1,729,628         |

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

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

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

## 3 REVENUE AND SEGMENT REPORTING (CONTINUED)

### (c) Reconciliations of reportable segment profit or loss

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

## 4 OTHER NET INCOME

|   | Six months ended 30 June |                  |
|---|--------------------------|------------------|
|   | 2024<br>US\$'000         | 2023<br>US\$'000 |
| Government grants   | 9,163                    | 10,842           |
| Interest income on financial assets carried at amortised cost             | 11,705                   | 15,871           |
| Net loss on disposal of property, plant and equipment (note 8)            | (1,075)                  | (5,492)          |
| Net foreign exchange loss   | (11,801)                 | (2,077)          |
| Net realised and unrealised loss on financial instruments carried at FVPL | (12,458)                 | (6,086)          |
| Gain on repurchase of convertible bonds                                   | -                        | 2,948            |
| Others  | 4,398                    | 1,033            |
|   | (68)                     | 17,039           |

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



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

## 5 LOSS BEFORE TAXATION

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

### (a) Finance costs

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

### (b) Other operating costs

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

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

## 5 LOSS BEFORE TAXATION (CONTINUED)

### (c) Other items

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

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

## 6 INCOME TAX

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

|  | Six months ended 30 June |                  |
|--|--------------------------|------------------|
|  | 2024<br>US\$'000         | 2023<br>US\$'000 |
| Current tax – the PRC corporate income tax (“CIT”) | 18,957                   | 10,192           |
| Current tax – other jurisdictions                  | 1,854                    | 3,723            |
| Deferred taxation                                  | (581)                    | (169)            |
|  | <b>20,230</b>            | 13,746           |

Pursuant to the CIT Law of the PRC, during the six months ended 30 June 2024, all of the Company's PRC subsidiaries are liable to PRC CIT at a rate of 25% except for those subsidiaries entitled to a preferential income tax rate of 15% as they are certified as “High and New Technology Enterprise” (“HNTE”). According to Guoshuihan 2009 No. 203, if an entity is certified as an HNTE, it is entitled to a preferential income tax rate of 15% during the certified period.

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

### (b) Pillar Two income tax

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

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



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

## 7 LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of US\$96,830,000 for the six months ended 30 June 2024 (six months ended 30 June 2023: US\$162,618,000) and the weighted average of 1,829,494,000 ordinary shares in issue during the six months ended 30 June 2024 (six months ended 30 June 2023: 1,819,936,000 ordinary shares).

### (b) Diluted loss per share

The calculation of diluted loss per share is based on the loss attributable to ordinary equity shareholders of the Company of US\$103,083,000 for the six months ended 30 June 2024 (six months ended 30 June 2023: US\$171,898,000) and the weighted average number of ordinary shares of 1,829,494,000 shares for the six months ended 30 June 2024 (six months ended 30 June 2023: 1,819,936,000 ordinary shares) after adjusting the effects of dilutive potential issuable ordinary shares under a put option granted to Sino Rhythm Limited ("SRL") that may be settled in ordinary shares of the Company.

## 8 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the six months ended 30 June 2024, the Group entered into lease agreements for use of manufacturing facilities, warehouses and office buildings, and therefore recognised the additions to right-of-use assets of US\$8,642,000 (six months ended 30 June 2023: US\$9,240,000).

During the six months ended 30 June 2024, the Group acquired items of property, plant and equipment with a cost of US\$27,926,000 (six months ended 30 June 2023: US\$42,970,000), incurred construction costs for buildings of US\$22,990,000 (six months ended 30 June 2023: US\$48,559,000) and capitalised development costs of US\$13,522,000 (six months ended 30 June 2023: US\$11,796,000).

Items of property, plant and equipment with a net book value of US\$4,551,000 were disposed of or written off during the six months ended 30 June 2024 (six months ended 30 June 2023: US\$11,937,000), resulting in losses of US\$1,075,000 (six months ended 30 June 2023: losses of US\$5,492,000).

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

## 9 OTHER NON-CURRENT ASSETS

|                                   | At 30 June<br>2024<br>US\$'000 | At 31 December<br>2023<br>US\$'000 |
|-----------------------------------|--------------------------------|------------------------------------|
| Lease and security deposits (i)   | 42,369                         | 46,319                             |
| Income tax recoverable (ii)       | 10,622                         | 13,045                             |
| Lease receivables                 | 10,611                         | 11,506                             |
| Valued-added tax recoverable      | 8,644                          | 6,450                              |
| Prepayment for non-current assets | 29,575                         | 27,674                             |
| Others                            | 7,201                          | 4,711                              |
|                                   | <b>109,022</b>                 | 109,705                            |

### Notes:

- i Lease and security deposits are typically paid for leased properties, which are refundable after the expiry of the lease.
- ii Income tax recoverable primarily represents a tax credit totalling US\$11,720,000 (31 December 2023: US\$17,609,000) from French government, which is an incentive tax program to support the research and development projects of a subsidiary in France ("France CIR"). The French CIR is deductible from the following 3 years' income tax or is receivable from the France government after 3 years if there are no sufficient profits available to deduct such research and development costs. As at 30 June 2024, the France CIR are classified as current and non-current receivables amounting US\$1,098,000 (31 December 2023: US\$4,564,000) and US\$10,622,000 (31 December 2023: US\$13,045,000), respectively.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

## 10 TRADE AND OTHER RECEIVABLES

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

|  | <b>At 30 June<br/>2024<br/>US\$'000</b> | At 31 December<br>2023<br>US\$'000 |
|--|---|------------------------------------|
| Within 1 month   | <b>156,879</b>                          | 92,500                             |
| 1 to 3 months  | <b>74,259</b>                           | 64,396                             |
| 3 to 12 months   | <b>31,978</b>                           | 26,025                             |
| More than 12 months  | <b>5,614</b>                            | 3,527                              |
| <br>   |   |                                    |
| Trade debtors, net of loss allowance   | <b>268,730</b>                          | 186,448                            |
| <br>   |   |                                    |
| Amounts due from a related party in relation to transfer of non-current assets | <b>10,606</b>                           | 10,672                             |
| Consideration receivable in relation to disposal of subsidiaries               | <b>9,588</b>                            | –                                  |
| Income tax recoverable (note 9)  | <b>1,098</b>                            | 4,564                              |
| Deposits, prepayments and other receivables                                    | <b>100,482</b>                          | 108,964                            |
|  | <b>390,504</b>                          | 310,648                            |

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



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

## 11 TRADE AND OTHER PAYABLES

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

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

Note:

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

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

## 11 TRADE AND OTHER PAYABLES (CONTINUED)

Note: (continued)

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

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

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

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

## 12 INTEREST-BEARING BORROWINGS

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

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

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

## 12 INTEREST-BEARING BORROWINGS (CONTINUED)

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

|             | At 30 June<br>2024<br>US\$'000 | At 31 December<br>2023<br>US\$'000 |
|-------------|--------------------------------|------------------------------------|
| Bank loans  |                                |                                    |
| – secured   | 607,681                        | 288,883                            |
| – unsecured | 511,733                        | 514,885                            |
|             | <b>1,119,414</b>               | <b>803,768</b>                     |

In May 2024, the Company entered into a facility agreement with several banks in the PRC in an aggregate facility amount of US\$300 million for the repayment of the 2026 Convertible Bonds (defined in note 13(b)). The facility is secured by the shares of a subsidiary and two properties located in Shanghai. The Company drew down bank loans with a principal amount of US\$300 million under the facility agreement which bear an interest of LPR+0.05% per annum and are repayable in six installments within 3 years. The facility is subject to the fulfillment of certain financial covenants, including the financial targets required in the 2029 Convertible Loans (defined in note 13(b)). If the Group were to breach the covenants, these borrowings would become payable on demand.

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

Apart from the aforesaid banking facility of US\$300 million, part of the Group's other banking facilities are also subject to the fulfilment of covenants relating to certain financial targets or ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 June 2024, none of the covenants relating to drawn down facilities had been breached.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

## 13 CONVERTIBLE BONDS

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

### (a) Convertible bonds issued by CRM Cayman (the “CRM Convertible Bonds”)

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

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

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

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

*(Expressed in United States dollars unless otherwise indicated)*

## 13 CONVERTIBLE BONDS (CONTINUED)

### (b) Convertible bonds/loans issued by the Company

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

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

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

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

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

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

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

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

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

*(Expressed in United States dollars unless otherwise indicated)*

## 13 CONVERTIBLE BONDS (CONTINUED)

### (b) Convertible bonds/loans issued by the Company (continued)

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

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

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

In May 2024, the Company also completed the drawdown of bank loans in a principal amount of US\$300 million under a facility agreement with several banks in the PRC (see note 12) in connection with the repayment of the 2026 Convertible Bonds.

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

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

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

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

## 13 CONVERTIBLE BONDS (CONTINUED)

### (b) Convertible bonds/loans issued by the Company (continued)

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

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

No conversion of the convertible bonds/loans issued by the Company had occurred up to 30 June 2024.

### (c) Convertible bonds issued by a subsidiary

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

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



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

## 14 CASH AND CASH EQUIVALENTS

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

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

## 15 CAPITAL, RESERVES AND DIVIDENDS

### (a) Dividends

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

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

### (b) Purchase of own shares

During the six months ended 30 June 2024, the Company purchased its own ordinary shares (for the six months ended 30 June 2023: nil) through the designated trustees under the share award scheme (note 15(c)(iii)).

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

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.

At 30 June 2024, the trustee under a long-term benefit plan held 172,000 ordinary shares of the Company (31 December 2023: 172,000 ordinary shares). These shares are treated as plan assets and carried at fair value with reference to the share price of ordinary shares of the Company, which are presented as a deduction of non-current defined benefit obligation.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

## 15 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

### (c) Equity-settled share-based payment transactions

#### (i) Share scheme adopted by the Company

The Company has adopted a share scheme, pursuant to which, the board of directors may authorise, at their discretion, the issuance of share options to the executives, employees, external consultants or business associates of the Group. Each share option gives the holder the right to subscribe for one ordinary share of the Company.

The movements in the number and weighted average exercise prices of share options are as follow:

|                             | 2024                                 |                         | 2023                                 |                         |
|-----------------------------|--------------------------------------|-------------------------|--------------------------------------|-------------------------|
|                             | Weighted average exercise price HK\$ | Number of share options | Weighted average exercise price HK\$ | Number of share options |
| Outstanding at 1 January    | 16.42                                | 179,566,120             | 16.46                                | 155,687,600             |
| Granted during the period   | 6.59                                 | 11,648,808              | 20.01                                | 18,027,634              |
| Exercised during the period | 3.64                                 | (342,779)               | 6.03                                 | (5,948,030)             |
| Forfeited during the period | 29.41                                | (2,446,570)             | 24.06                                | (1,141,603)             |
| Cancelled during the period | 21.31                                | (946,957)               | 9.96                                 | (1,216,496)             |
| Outstanding at 30 June      | 15.15                                | 187,478,622             | 17.12                                | 165,409,105             |

The amount payable by each grantee on acceptance of the offer for the share option granted is US\$1.00. The share options granted during the six months ended 30 June 2024 are exercisable upon vesting and then expire in a period from April 2035 to April 2039.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

## 15 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

### (c) Equity-settled share-based payment transactions (continued)

#### (ii) Share schemes adopted by subsidiaries

Several subsidiaries of the Group have adopted their respective share schemes (the "Subsidiary Share Scheme"), pursuant to which, the board of directors of each subsidiary may authorise, at their discretion, the issuance of share options to the eligible person as defined in each Subsidiary Share Scheme. Each share option gives the holder the right to subscribe for one ordinary share or one registered capital unit of the respective subsidiary.

During the six months ended 30 June 2024, the number and weighted average exercise prices of share options granted under the Subsidiary Share Scheme are as follow:

| Name of subsidiary   | Month/<br>year | Number of<br>share options<br>granted | Weighted<br>average<br>exercise price | Vesting<br>period             | Contractual<br>life |
|--|----------------|---------------------------------------|---------------------------------------|-------------------------------|---------------------|
| MicroPort CardioFlow Medtech Corporation ("MicroPort CardioFlow")                          | April 2024     | 14,323,805                            | HK\$0.90                              | From April 2024 to April 2028 | 10 years            |
| MicroPort NeuroScientific Corporation ("MicroPort Neuro")                                  | March 2024     | 2,191,000                             | HK\$8.496                             | From April 2026 to April 2028 | 10 years            |
| Suzhou MicroPort Orthopedics Scientific (Group) Co., Ltd. ("Suzhou MicroPort Orthopedics") | April 2024     | 765,109                               | HK\$1.58                              | From April 2024 to April 2029 | 10 years            |

#### (iii) Share award scheme

Pursuant to the share award scheme (as amended) of the Company, which was adopted and approved by the Board in 2021, the Company may purchase its own shares and grant such shares to certain employees of the Group at nil consideration. For the six months ended 30 June 2024, the Company granted 3,030,738 shares (six months ended 30 June 2023: 1,803,541) with a fair value of US\$2,435,000 (six months ended 30 June 2023: US\$4,241,000) to the Group's executives and employees.

MicroPort CardioFlow has adopted its share award scheme and may purchase its own shares and grant such shares to certain directors, employees, consultants and advisors. For the six months ended 30 June 2024, MicroPort CardioFlow granted 3,254,407 shares (six months ended 30 June 2023: 1,386,223 shares) with a fair value of US\$373,000 (six months ended 30 June 2023: US\$427,000) to the executives and employees of MicroPort CardioFlow.

MicroPort Neuro has also adopted its share award scheme and may purchase its own shares and grant such shares to certain employees of the eligible person. For the six months ended 30 June 2024, MicroPort Neuro granted 780,000 shares (six months ended 30 June 2023: 516,717) with a fair value of US\$834,000 (six months ended 30 June 2023: US\$954,000) to the executives and employees of MicroPort Neuro.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

## 15 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

### (c) Equity-settled share-based payment transactions (continued)

#### (iv) Bonus distribution plan

On 30 March 2020, the board of the Company approved a bonus distribution plan, pursuant to which, the Company may purchase the shares of the designated subsidiaries and grant such shares to the executive and the employee of the Group at nil consideration.

During the six months ended 30 June 2024, 3,620,000 ordinary shares of MicroPort CardioFlow (six months ended 30 June 2023: 400,000), nil ordinary shares of Shanghai MicroPort MedBot (Group) Co., Ltd. ("MicroPort MedBot") (six months ended 30 June 2023: nil) and 320,000 ordinary shares of MicroPort Neuro (six months ended 30 June 2023: 652,000) were purchased with aggregated consideration of US\$790,000 (six months ended 30 June 2023: US\$1,277,000) in cash.

During the six months ended 30 June 2024, 3,547,301 ordinary shares of MicroPort CardioFlow (six months ended 30 June 2023: 2,356,875), 118,489 ordinary shares of MicroPort MedBot (six months ended 30 June 2023: 53,239) and 468,079 ordinary shares of MicroPort Neuro (six months ended 30 June 2023: 499,520) were granted with a fair value of US\$1,083,000 (six months ended 30 June 2023: US\$1,816,000).

#### (v) Employee share purchase plan ("ESPP")

The Group adopted several ESPPs, pursuant to which, the partnership firms, whose limited partners consisted of employees of the Group, invested in the Group's subsidiaries and equity-accounted investees (together, the "Target Companies") by way of subscribing newly issued equity interests of the Target Companies, or acquiring equity interests from the Group. All participants of above ESPPs have purchased equity interests in respective partnership firms at amounts specified in the respective partnership agreements.

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



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

## 16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

### (a) Financial assets and liabilities measured at fair value

#### (i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has a team with assistance of external valuers, performing valuations for the financial instruments, including unlisted equity securities and options which are categorised into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the Group's management.

|   | Fair value measurements as at<br>30 June 2024 categorised into |                     |                     |                     |
|---|--|---------------------|---------------------|---------------------|
|   | Fair value at<br>30 June 2024<br>US\$'000                      | Level 1<br>US\$'000 | Level 2<br>US\$'000 | Level 3<br>US\$'000 |
| <b>Recurring fair value measurement</b>   |  |                     |                     |                     |
| Financial assets:   |  |                     |                     |                     |
| Unlisted debt and equity securities   | 8,479  | -                   | -                   | 8,479               |
| Convertible bond issued by<br>equity-accounted investees                        | 12,772   | -                   | 4,000               | 8,772               |
| Wealth management products and<br>structured deposits                           | 196,122  | -                   | -                   | 196,122             |
| Financial liabilities:  |  |                     |                     |                     |
| Contingent liabilities in business combination                                  | (5,004)  | -                   | -                   | (5,004)             |
| Convertible bonds issued by a subsidiary<br>(note 13(a))                        | (103,154)  | -                   | (103,154)           | -                   |
| Options embedded in the convertible loans<br>issued by the Company (note 13(b)) | (5,117)  | -                   | -                   | (5,117)             |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

## 16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Financial assets and liabilities measured at fair value (continued)

#### (i) Fair value hierarchy (continued)

|  | Fair value at<br>31 December<br>2023<br>US\$'000 | Fair value measurements as at<br>31 December 2023 categorised into |                     |                     |
|--|--|--|---------------------|---------------------|
|  |  | Level 1<br>US\$'000  | Level 2<br>US\$'000 | Level 3<br>US\$'000 |
| <b>Recurring fair value measurement</b>                  |  |  |                     |                     |
| Financial assets:  |  |  |                     |                     |
| Unlisted debt and equity securities                      | 10,003   | –  | 1,518               | 8,485               |
| Convertible bond issued by<br>equity-accounted investees | 7,427  | –  | 4,000               | 3,427               |
| Call options held  | 3,574  | –  | –                   | 3,574               |
| Wealth management products                               | 40,028   | –  | –                   | 40,028              |
| Financial liabilities:                                   |  |  |                     |                     |
| Contingent liabilities in business combination           | (5,929)  | –  | –                   | (5,929)             |
| Convertible bonds issued by a subsidiary<br>(note 13(a)) | (92,836)   | –  | –                   | (92,836)            |

During the six months ended 30 June 2024, there were no transfers between Level 1 and Level 2. The Convertible bonds issued by a subsidiary were transferred from Level 3 into Level 2 (2023: nil).

The fair value of the financial instruments in Level 2 is determined by the recent transaction price.

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

## 16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Financial assets and liabilities measured at fair value (continued)

#### (ii) Information about Level 3 fair value measurements

|   | Valuation techniques                                      | Significant unobservable inputs                                  | Range               |
|---|---|--|---------------------|
| Unlisted equity securities                                    | Equity allocation model (Note a)                          | Expected volatility  | 74%                 |
|   |   | Expected probability of event                                    | 45%                 |
| Unlisted debt securities                                      | Default risk method (Note b)                              | Event probability  | 75%                 |
|   |   | Probability of default of underlying asset                       | 80%                 |
| Contingent liabilities  | Probability-weighted discounted cash flow method (Note c) | Expected probability of achievement of milestones and conditions | 29%                 |
|   |   | Discount rate  | From 2.81% to 3.56% |
| Wealth management products and structured deposits            | Net asset value (Note d)                                  | Expected rate of return  | From 1.4% to 5.5%   |
| Early redemption options in relation to the convertible loans | Binomial tree model (Note e)                              | Expected volatility  | 30%                 |
|   |   | Expected probability of event                                    | 20%                 |

#### Notes:

- a As at 30 June 2024, it is estimated that with all other variables held constant, an increase/decrease in the expected probability of event by 10% would have increased/decreased the Group's loss by US\$62,000/US\$62,000 and an increase/decrease in the expected volatility by 5% would have decreased/increased the Group's loss by US\$4,000/US\$4,000.
- b As at 30 June 2024, it is estimated that with all other variables held constant, an increase in the probability of event by 10% would have decreased the Group's loss by US\$886,000, and a decrease in the probability of default of underlying asset by 5% would have decrease the Group's loss by US\$130,000.
- c As at 30 June 2024, it is estimated that with all other variables held constant, a decrease in the expected probability of achievement of milestones and conditions by 10% would have decreased the Group's loss by US\$500,000 and an increase in the discount rate by 1% would have decreased the Group's loss by US\$120,000.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

## 16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Financial assets and liabilities measured at fair value (continued)

#### (ii) Information about Level 3 fair value measurements (continued)

Notes: (continued)

- d As at 30 June 2024, it is estimated that with all other variables held constant, an increase/decrease of 100 basis points in the expected rate of return would have increase/decrease the Group's profit by US\$1,102,000/US\$1,102,000.
- e As at 30 June 2024, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 5% would have increased/decreased the Group's loss by US\$3,409,000/US\$3,066,000 and an increase/decrease in the expected probability of event by 10% would have increased/decreased the Group's loss by US\$566,000/US\$561,000.

#### (iii) Reconciliation of Level 3 fair value measurements

|  | Financial<br>assets<br>US\$'000 | Financial<br>liabilities<br>US\$'000 |
|--|---------------------------------|--------------------------------------|
| At 1 January 2024  | 55,514                          | (98,765)                             |
| Additions  | 563,304                         | (5,117)                              |
| Changes in fair value recognised in profit or loss during the period | 3,205                           | (14,183)                             |
| Transfer to Level 2  | -                               | 103,154                              |
| Settlements  | (405,128)                       | -                                    |
| Transfer to equity   | (3,000)                         | -                                    |
| Interests paid   | -                               | 4,790                                |
| Exchange adjustments   | (522)                           | -                                    |
| At 30 June 2024  | 213,373                         | (10,121)                             |

### (b) Fair values of financial assets and liabilities carried at other than fair value

Except for the 2028 Convertible Bonds issued by the Company as disclosed in note 13, the carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2023 and 30 June 2024.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

## 17 COMMITMENTS

Capital commitments outstanding at 30 June 2024 not provided for in the interim financial report are set out as below:

|                                   | At 30 June<br>2024<br>US\$'000 | At 31 December<br>2023<br>US\$'000 |
|-----------------------------------|--------------------------------|------------------------------------|
| Contracted for                    | 44,600                         | 18,373                             |
| Authorised but not contracted for | 187,297                        | 190,627                            |
|                                   | <b>231,897</b>                 | 209,000                            |

## 18 MATERIAL RELATED PARTY TRANSACTIONS

### (a) Key management personnel remuneration

|   | Six months ended 30 June |                  |
|---|--------------------------|------------------|
|   | 2024<br>US\$'000         | 2023<br>US\$'000 |
| Salaries and other benefits                 | 3,669                    | 3,449            |
| Discretionary bonuses                       | 2,288                    | 2,537            |
| Retirement scheme contributions             | 82                       | 461              |
| Defined benefit plans costs                 | 6                        | 8                |
| Equity-settled share-based payment expenses | 3,528                    | 7,515            |
| Cash-settled share-based payment expenses   | 66                       | 126              |
|   | <b>9,639</b>             | 14,096           |

### (b) Financing arrangements

|  | Six months ended 30 June |                  |
|--|--------------------------|------------------|
|  | 2024<br>US\$'000         | 2023<br>US\$'000 |
| Loans to equity-accounted investees                    | 6,109                    | 6,771            |
| Loans repaid by equity-accounted investees             | 3,195                    | 4,070            |
| Interest income on loans to equity-accounted investees | 106                      | 53               |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

## 18 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Financing arrangement (continued)

The Group provided financial guarantee to certain equity-accounted investees for their bank facilities. As at 30 June 2024, bank loans amounting to US\$43,401,000 drawn down by these equity-accounted investees were guaranteed by the Group (31 December 2023: US\$35,467,000). Management of the Group consider the default risk of financial guarantee is insignificant and no expected credit loss was recognised in this regard for the six months ended 30 June 2024.

In addition, as disclosed in note 13(b), the Group issued the 2029 Convertible Loans to the Original Lenders. One of the Original Lenders, namely Jumbo Glorious Limited ("Jumbo Glorious") is wholly owned by a family member of a director of the Company and lent the Group the 2029 Convertible Loans with a principal amount of US\$20,000,000.

### (c) Leasing arrangement

#### As a lessor

The Group leased out certain property and building in the PRC to several equity-accounted investees under operating lease. The lease term typically lasts 1 to 3 years. During the six months ended 30 June 2024, the Group recorded rental income from these equity-accounted investees of US\$1,625,000 (six months ended 30 June 2023: US\$1,494,000).

### (d) Cash deposit with a related party

The Group placed cash deposit in Shanghai HuaRui Bank Co., Ltd. ("SHRB", an equity-accounted investee of the Group) with an interest rate from 2.50% to 3.45% per annum. As at 30 June 2024, the amount of bank deposits in SHRB was US\$24,218,000 (31 December 2023: US\$12,544,000).

### (e) Sales, purchase and other related party transactions

During the six months ended 30 June 2024 and 2023, the Group entered into transactions with the following related parties:

| Name of party   | Relationship   |
|---|--|
| Thai Otsuka Pharmaceutical Co., Ltd.                    | Subsidiary of Otsuka Holdings Co., Ltd. ("Otsuka Holdings"), the controlling party of a substantial shareholder of the Company |
| Lombard Medical Limited                                 | Equity-accounted investee of the Group   |
| Zhejiang AccuPath Smart Manufacturing (Group) Co., Ltd. | Equity-accounted investee of the Group   |
| Shanghai InnovaPath Medical Co., Ltd.                   | Equity-accounted investee of the Group   |
| Shanghai MicroPort EP MedTech Co., Ltd.                 | Equity-accounted investee of the Group   |
| Purple Medical Solutions Private Limited                | Equity-accounted investee of the Group   |
| Shanghai Horizon Medtech Co., Ltd.                      | Equity-accounted investee of the Group   |
| Shanghai Integrity Test Co., Ltd.                       | Equity-accounted investee of the Group   |
| Cathbot (Shanghai) Robot Co., Ltd.                      | Equity-accounted investee of the Group   |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

## 18 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

### (e) Sales, purchase and other related party transactions (continued)

Particulars of the Group's sales, purchase and other transactions with related parties are as follows:

|  | Six months ended 30 June |          |
|--|--------------------------|----------|
|  | 2024                     | 2023     |
|  | US\$'000                 | US\$'000 |
| <b>Sales of goods and rendering of services to:</b>      |                          |          |
| Subsidiaries of Otsuka Holdings                          | 219                      | 1,548    |
| Equity-accounted investees                               | 12,886                   | 10,183   |
| <b>Purchase of goods from equity-accounted investees</b> | <b>21,257</b>            | 17,070   |

## 19 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

- In July 2024, MicroPort Medbot (a subsidiary listed on the Main Board of the Stock Exchange, code: 2252) completed a placing and a total of 12,900,000 shares of MicroPort Medbot have been placed at a price of HK\$9.10 per share. MicroPort Medbot received total net proceeds from the placing of approximately US\$14.6 million. Upon the completion of the placing, the Group's interests in MicroPort Medbot decreased from 50.47% as at 31 December 2023 to 49.80% and the Group retains control over MicroPort Medbot.
- In July 2024, the Group entered into an agreement with a third party (the "Purchaser"), pursuant to which, the Purchaser agreed to subscribe for the CRM Convertible Bonds with an aggregate principal amount and capitalised paid-in-kind interest totalling US\$41.7 million from the Group at a consideration of US\$45 million settled by cash.
- In August 2024, EV MedTech completed an acquisition of 72.37% equity interest of Optimum Medical Device Inc. ("OMD", an equity-accounted investee of the Group prior to the acquisition). Upon the completion of the acquisition, OMD becomes a whole-owned subsidiary of the Group.

## 20 COMPARATIVE FIGURES

As a result of the application of the HKAS 1 amendments certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2024. Further details of the changes in accounting policies are disclosed in note 2.