MicroPort®

MicroPort Scientific Corporation

微創醫療科學有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00853)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

The board (the "**Board**") of directors (the "**Directors**") of MicroPort Scientific Corporation (the "**Company**" or "**MicroPort**") announces the unaudited consolidated interim results of the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") for the six months ended 30 June 2021 (the "**Reporting Period**"), which have been reviewed by the Company's audit committee (the "**Audit Committee**"). The financial highlights of the Group during the Reporting Period together with the comparative figures for the corresponding previous period are set out as follows:

	Six months ended 30 June		
	2021	2020	Change
	US$'000	*US$'000*	*%*
	(unaudited)	(unaudited)	
Revenue	**384,611**	306,922	25.3%
Gross profit	**247,608**	217,588	13.8%
Loss for the period	**(114,676)**	(68,762)	N/A
Loss attributable to equity shareholders of the Company	**(90,266)**	(65,562)	N/A
Loss per share			
Basic (in cents)	**(5.00)**	(3.90)	N/A
Diluted (in cents)	**(5.62)**	(3.94)	N/A

During the Reporting Period, the Group recorded revenue of US$384.6 million, representing an increase of 25.3% (in US$) or 17.7% (excluding the foreign exchange impact) as compared to the six months ended 30 June 2020. The orthopedics devices business and the cardiac rhythm management ("CRM") business recorded increases of 22.9% and 20.0% in revenue (excluding the foreign exchange impact) respectively, mainly attributable to the increase in the number of elective surgeries from COVID-19 recovery. Benefited from the rapid market penetration and the revenue contributed from new products, the heart valve business, the neurovascular devices business and the endovascular and peripheral vascular devices business continued to maintain rapid growth and recorded increases of 121.8%, 114.5% and 68.6%, respectively in revenue (excluding the foreign exchange impact).

The Group recorded loss for the period of US$114.7 million (loss attributable to equity shareholders of the Company: US$90.3 million) for the six months ended 30 June 2021, compared to loss for the period of US$68.8 million (loss attributable to equity shareholders of the Company: US$65.6 million) for the six months ended 30 June 2020. Such increase was mainly attributable to (i) the continually increasing investments in research and development projects; (ii) the decrease in revenue and gross profit of the Cardiovascular business due to the state-organised centralised and volume-based procurement policy on coronary stents, partially offset by the spike in sales volume of cardiovascular devices business compared to the corresponding period last year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2021 (unaudited)
(Expressed in United States dollars)

		Six months ended 30 June	
		2021	2020
	Note	***US$'000***	*US$'000*
Revenue	*3*	**384,611**	306,922
Cost of sales		**(137,003)**	(89,334)
Gross profit		**247,608**	217,588
Other net income	*4*	**24,622**	30,808
Research and development costs		**(117,064)**	(72,803)
Distribution costs		**(130,689)**	(111,972)
Administrative expenses		**(102,987)**	(90,614)
Other operating costs	*5(b)*	**(5,466)**	(9,611)
Loss from operations		**(83,976)**	(36,604)
Finance costs	*5(a)*	**(21,905)**	(16,071)
Gain on deemed disposal of a subsidiary	*14(a)*	**8,219**	–
Gain on deemed disposal of interests in equity-accounted investees		**523**	–
Share of losses of equity-accounted investees		**(5,255)**	(2,522)
Loss before taxation	*5*	**(102,394)**	(55,197)
Income tax	*6*	**(12,282)**	(13,565)
Loss for the period		**(114,676)**	(68,762)
Attributable to:			
Equity shareholders of the Company		**(90,266)**	(65,562)
Non-controlling interests		**(24,410)**	(3,200)
Loss for the period		**(114,676)**	(68,762)
Loss per share	*7*		
– Basic (in cents)		**(5.00)**	(3.90)
– Diluted (in cents)		**(5.62)**	(3.94)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2021 (unaudited)
(Expressed in United States dollars)

	Six months ended 30 June	
	2021	2020
	US$'000	*US$'000*
Loss for the period	**(114,676)**	(68,762)
Other comprehensive income for the period, net of tax		
Items that will not be reclassified to profit or loss:		
Remeasurement of net defined benefit liabilities	**418**	(17)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements, net of nil tax	**(30,103)**	(10,664)
Other comprehensive income for the period	**(29,685)**	(10,681)
Total comprehensive income for the period	**(144,361)**	(79,443)
Attributable to:		
Equity shareholders of the Company	**(127,053)**	(74,940)
Non-controlling interests	**(17,308)**	(4,503)
Total comprehensive income for the period	**(144,361)**	(79,443)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2021 (unaudited)
(Expressed in United States dollars)

	Note	At 30 June 2021		At 31 December 2020	
		US$'000	***US$'000***	*US$'000*	*US$'000*
Non-current assets					
Investment properties			**16,669**		5,284
Other property, plant and equipment			**483,620**		481,203
			500,289		486,487
Intangible assets			**143,403**		138,397
Goodwill			**157,423**		159,483
Equity-accounted investees	*8*		**321,656**		87,063
Other financial assets			**26,627**		19,605
Deferred tax assets			**14,109**		15,502
Prepayments for non-current assets			**10,184**		7,724
Other non-current assets			**101,630**		75,009
			1,275,321		989,270
Current assets					
Inventories		**244,203**		240,187	
Trade and other receivables	*9*	**249,273**		236,976	
Pledged deposits and time deposits		**13,622**		623	
Cash and cash equivalents		**1,699,410**		1,002,077	
Derivate financial assets		**1,480**		–	
		2,207,988		1,479,863	
Current liabilities					
Trade and other payables	*10*	**239,409**		372,472	
Contract liabilities		**39,297**		62,008	
Interest-bearing borrowings	*11*	**58,436**		10,891	
Lease liabilities		**15,492**		12,074	
Income tax payable		**4,091**		52,682	
Derivative financial liabilities		**–**		9,252	
		356,725		519,379	
Net current assets			**1,851,263**		960,484
Total assets less current liabilities			**3,126,584**		1,949,754

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2021 (unaudited) (continued)
(Expressed in United States dollars)

	Note	At 30 June 2021		At 31 December 2020	
		US$'000	***US$'000***	*US$'000*	*US$'000*
Non-current liabilities					
Interest-bearing borrowings	*11*	**119,323**		181,988	
Lease liabilities		**50,921**		42,774	
Deferred income		**33,383**		37,844	
Contract liabilities		**29,486**		29,855	
Convertible bonds	*12*	**720,492**		48,583	
Other payables	*10*	**109,348**		203,023	
Deferred tax liabilities		**4,111**		4,122	
Derivative financial liabilities		**7,124**		13,619	
			1,074,188		561,808
NET ASSETS			**2,052,396**		1,387,946
CAPITAL AND RESERVE	*13*				
Share capital			**18**		18
Reserves			**1,472,443**		1,127,945
Total equity attributable to equity shareholders of the Company			**1,472,461**		1,127,963
Non-controlling interests			**579,935**		259,983
TOTAL EQUITY			**2,052,396**		1,387,946

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, 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 approved for issue on 30 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company and its subsidiaries (together, the "Group") since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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

The financial information relating to the financial year ended 31 December 2020 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 2020 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2021.

2 Changes in accounting policies

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

- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

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

3 Revenue and segment reporting

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

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2021	2020
	US$'000	*US$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products of service lines		
– Sales of medical devices	**379,644**	306,786
– Revenue from post-sales services	**450**	–
– Others	**3,358**	–
	383,452	306,786
Revenue from other sources		
– Gross rentals from investment properties	**1,159**	136
	384,611	306,922

	Six months ended 30 June	
	2021	2020
	US$'000	*US$'000*
Disaggregated by geographical location of external customers		
– the People's Republic of China (the "PRC") (country of domicile)	**174,009**	135,076
– North America	**48,375**	41,926
– Europe	**123,502**	92,557
– Asia (excluding the PRC)	**33,571**	30,391
– South America	**2,327**	4,542
– Others	**2,827**	2,430
	210,602	171,846
	384,611	306,922

The geographical analysis above includes property rental income from external customers in Mainland China for the six months ended 30 June 2021 of US$1,159,000 (six months ended 30 June 2020: US$136,000).

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

(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 2021									
	Cardiovascular devices business	Orthopedics devices business	Cardiac rhythm management business	Endovascular and peripheral vascular devices business	Neurovascular devices business	Heart valve business	Surgical robot business	Surgical devices business	Others[#]	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Disaggregated by timing of revenue recognition										
Point in time – sales of medical devices	64,500	109,932	107,808	55,843	24,986	13,385	–	2,288	902	379,644
Over time – post-sales services	–	–	450	–	–	–	–	–	–	450
Over time – rental income	130	149	–	–	74	–	–	–	806	1,159
Others	2,207	59	–	–	308	–	–	–	784	3,358
	66,837	110,140	108,258	55,843	25,368	13,385	–	2,288	2,492	384,611
Reportable segment net profit/(loss)	7,849	(16,799)	(35,050)	28,459	5,568	(10,835)	(47,179)	(1,868)	(13,279)	(83,134)

	At 30 June 2021									
	Cardiovascular devices business	Orthopedics devices business	Cardiac rhythm management business	Endovascular devices business	Neurovascular devices business	Heart valve business	Surgical robot business	Surgical devices business	Others[#]	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Reportable segment assets	732,284	445,424	368,178	239,582	147,481	523,692	224,876	54,660	155,090	2,891,267
Reportable segment liabilities	231,705	271,636	280,611	31,273	86,841	17,826	28,467	15,232	11,246	974,837

	Six months ended 30 June 2020									
	Cardiovascular devices business	Orthopedics devices business	Cardiac rhythm management business	Endovascular and peripheral vascular devices business	Neurovascular devices business	Heart valve business	Surgical robot business	Surgical devices business	Others[#]	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Disaggregated by timing of revenue recognition										
Point in time – sales of medical devices	88,369	86,483	82,699	30,549	10,916	5,155	–	2,139	476	306,786
Over time – rental income	–	136	–	–	–	–	–	–	–	136
	88,369	86,619	82,699	30,549	10,916	5,155	–	2,139	476	306,922
Reportable segment net profit/(loss)	33,778	(32,981)	(13,242)	16,529	(313)	(17,275)	(2,309)	(2,181)	(6,935)	(24,929)

	At 31 December 2020									
	Cardiovascular devices business	Orthopedics devices business	Cardiac rhythm management business	Endovascular devices business	Neurovascular devices business	Heart valve business	Surgical robot business	Surgical devices business	Others[#]	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Reportable segment assets	749,809	449,729	393,256	213,536	123,957	169,152	262,223	23,787	80,010	2,465,459
Reportable segment liabilities	137,905	245,525	239,745	25,680	63,121	221,945	31,848	9,200	3,043	978,012

[#] Revenues and results from segments below the quantitative thresholds are mainly attributable to electrophysiology devices business, diabetes and endocrinal devices business, etc. None of those segments individually met any of the quantitative thresholds for reportable segments.

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2021	2020
	US$'000	*US$'000*
Reportable segment net loss	**(69,855)**	(17,994)
Other losses	**(13,279)**	(6,935)
Share awards scheme	**(4,921)**	(35,281)
Other equity-settled share-based payment expenses	**(17,391)**	(3,381)
Unallocated exchange (loss)/gain	**(769)**	193
Finance costs of convertible bonds issued by the Company	**(733)**	–
Gain on deemed disposal of subsidiaries *(note 14(a))*	**8,219**	–
Unallocated expenses, net	**(15,947)**	(5,364)
Consolidated loss for the period	**(114,676)**	(68,762)

4 Other net income

	Six months ended 30 June	
	2021	2020
	US$'000	*US$'000*
Government grants	**10,795**	12,815
Interest income on bank deposits and structured deposits	**7,760**	2,611
Interest income on financial assets carried at amortised cost	**870**	423
Net (loss)/gain on disposal of property, plant and equipment	**(163)**	555
Net foreign exchange loss	**(2,193)**	(1,375)
Net realised and unrealised gain/(losses) on financial instruments carried at fair value through profit or loss	**7,832**	(792)
Refund from an arbitration in relation to an acquisition in previous year	**–**	16,420
Others	**(279)**	151
	24,622	30,808

5 Loss before taxation

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

(a) Finance costs

	Six months ended 30 June	
	2021	2020
	US$'000	*US$'000*
Interest on the convertible bonds *(note 12)*	**2,726**	93
Interest on other interest-bearing borrowings	**2,351**	6,125
Interest on preferred shares issued by subsidiaries	**14,124**	7,450
Interest on lease liabilities	**1,427**	1,247
Total interest expense on financial liabilities not at fair value through profit or loss	**20,628**	14,915
Interest accrued on advance payments from customers	**450**	–
Others	**827**	1,156
	21,905	16,071

(b) Other operating costs

	Six months ended 30 June	
	2021	2020
	US$'000	*US$'000*
Legal and professional fee	**5,234**	6,451
Impairment loss of intangible assets	**–**	1,835
Donations	**38**	884
Others	**194**	441
	5,466	9,611

(c) Other items

	Six months ended 30 June	
	2021	2020
	US$'000	*US$'000*
Amortisation of intangible assets	**4,926**	5,700
Depreciation charge		
– owned property, plant and equipment	**25,043**	20,654
– right-of-use assets	**8,663**	6,541
Less: Amounts capitalised as development costs	**(198)**	(217)
	33,508	26,978
Research and development costs	**125,874**	80,696
Less: Amortisation of capitalised development costs	**(3,722)**	(2,873)
Costs capitalised into intangible assets	**(8,810)**	(7,893)
	113,342	69,930
Provision of inventories write-down	**3,580**	2,623
Provision for impairment of:		
– trade and other receivables	**595**	587
– intangible assets	**–**	1,835

6 Income tax

	Six months ended 30 June	
	2021	2020
	US$'000	*US$'000*
Current tax – the PRC corporate income tax ("CIT")	**7,519**	10,150
Current tax – other jurisdictions	**1,617**	964
	9,136	11,114
Deferred taxation	**3,146**	2,451
	12,282	13,565

Pursuant to the CIT Law of the PRC, during the six months ended 30 June 2021, all of the Company's PRC subsidiaries are liable to PRC CIT at a rate of 25% except for eight entities entitled to a preferential income tax rate of 15% as they are certified as "High and New Technology Enterprise" ("HNTE"). According to Guoshuihan 2009 No. 203, if an entity is certified as an HNTE, it is entitled to a preferential income tax rate of 15% during the certified period.

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

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$90,266,000 for the six months ended 30 June 2021 (six months ended 30 June 2020: US$65,562,000) and the weighted average of 1,806,579,000 ordinary shares in issue during the six months ended 30 June 2021 (six months ended 30 June 2020: 1,681,821,000 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$102,203,000 for the six months ended 30 June 2021 (six months ended 30 June 2020: US$68,397,000) and the weighted average number of ordinary shares of 1,818,291,000 shares for the six months ended 30 June 2021 (six months ended 30 June 2020: 1,737,673,000 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 Equity-accounted investees

During the six months ended 30 June 2021, the increase of the carrying amounts of equity-accounted investees is mainly comprised of the following:

(i) acquisition of new and additional investments totalling US$163,164,000, mainly including (a) 13.8% equity interests in Shanghai HuaRui Bank Co., Ltd. ("SHRB") at the cash consideration of RMB587,880,000 (equivalent to approximately US$89,462,000); (b) additional investments in Rapid Medical Ltd. at the cash consideration of US$20,000,000; and (c) 7.3% equity interest in AccuTarget MediPharma (Shanghai) Co., Ltd. ("AccuTarget") at the cash consideration of RMB123,590,000 (equivalent to approximately US$19,131,000);

(ii) share of an increase in the net assets of Shanghai MicroPort EP Medtech Co., Ltd. ("EP Medtech") amounted to US$60,364,000; and

(iii) recognition of remaining equity interests in AccuPath Medical (Jiaxing) Co., Ltd. ("Accupath") amounted to US$13,908,000 in relation to the deemed disposal (note 14(a)).

9 Trade and other receivables

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

	At 30 June 2021	At 31 December 2020
	US$'000	*US$'000*
Within 1 month	**87,278**	59,803
1 to 3 months	**43,554**	72,606
3 to 12 months	**25,678**	26,212
More than 12 months	**4,900**	2,196
	161,410	160,817
Other debtors	**44,191**	31,939
Income tax recoverable	**5,015**	8,373
Deposits and prepayments	**38,657**	35,847
	249,273	236,976

Trade debtors and bills receivable are due within 30 to 360 days from the date of billing.

10 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 2021	At 31 December 2020
	US$'000	*US$'000*
Current		
Within 1 month	**53,137**	41,340
Over 1 month but within 3 months	**10,650**	9,613
Over 3 months but within 6 months	**477**	1,730
Over 6 months but within 1 year	**4,789**	1,237
Over 1 year	**3,433**	6,468
Trade payables	**72,486**	60,388
Dividends payables to ordinary shareholders *(note 13(a))*	**10,159**	95
Share repurchase obligations *(Note)*	**–**	195,875
Other payables and accrued charges	**156,764**	116,114
	239,409	372,472

	At 30 June 2021	At 31 December 2020
	US$'000	*US$'000*
Non-current		
Share repurchase obligation *(Note)*	**73,100**	167,082
Defined benefit retirement obligation	**9,358**	11,420
Other payables	**26,890**	24,521
	109,348	203,023

Note:

During the six months period ended 30 June 2021, MicroPort CardioFlow Medtech Corporation ("MP CardioFlow Cayman") was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "CardioFlow Listing") (note 14(b)). Upon the completion of the CardioFlow listing, all the voting redeemable preferred shares issued by MP CardioFlow Cayman were converted into such number of the ordinary shares of MP CardioFlow Cayman.

As at 30 June 2021, the balance of share repurchase obligations represented the redemption obligations arising from voting redeemable series B preferred shares issued by MicroPort Cardiac Rhythm Management Limited ("CRM Cayman") ("CRM Series B Preferred Shares").

Movement of the preferred shares represents as follows:

	CardioFlow Series B Preferred Shares *US$'000*	CardioFlow Series C Preferred Shares *US$'000*	CardioFlow Series D Preferred Shares *US$'000*	CRM Series B Preferred Shares *US$'000*	Total *US$'000*
As at 1 January 2021	**98,020**	**53,034**	**142,841**	**69,062**	**362,957**
Charge to equity	**835**	**–**	**–**	**–**	**835**
Charge to finance costs	**–**	**695**	**1,873**	**4,038**	**6,606**
Exercise of Series D Adjustment	**–**	**–**	**9,445**	**–**	**9,445**
Conversion of preferred shares to ordinary shares of a subsidiary	**(98,855)**	**(53,729)**	**(154,159)**	**–**	**(306,743)**
As at 30 June 2021	**–**	**–**	**–**	**73,100**	**73,100**
Representing					
Non-current portion	**–**	**–**	**–**	**73,100**	**73,100**

As at 30 June 2021, these preferred shares were classified as non-current liabilities because the Group did not have any obligation to redeem these preferred shares within twelve months after the reporting period.

11 Interest-bearing borrowings

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

	At 30 June 2021 *US$'000*	At 31 December 2020 *US$'000*
Within 1 year or on demand	**58,436**	10,891
After 1 year but within 2 years	**48,711**	73,526
After 2 years but within 5 years	**37,654**	75,092
After 5 years	**32,958**	33,370
	119,323	181,988
	177,759	192,879

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

	At 30 June 2021	At 31 December 2020
	US$'000	*US$'000*
Bank loans		
– secured	**81,881**	98,982
– unsecured	**95,878**	93,897
	177,759	192,879

At 30 June 2021, the bank facilities drawn down by the Group of US$81,881,000 (31 December 2020: US$98,982,000) were secured by right-of-use assets and buildings held for own use with net book values of US$9,166,000 and US$92,625,000, respectively (31 December 2020: right-of-use assets of US$4,187,000 and buildings held for own use of US$50,239,000, respectively).

Part of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet 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 2021 and 31 December 2020, none of the covenants relating to drawn down facilities had been breached.

12 Convertible bonds

	Liability component	**Equity component**	**Total**
	US$'000	***US$'000***	***US$'000***
As at 1 January 2021	**48,583**	**1,763**	**50,346**
Issued by the Company, net of transaction costs of US$10,529,000 *(note 12(a))*	**651,542**	**37,929**	**689,471**
Issued by a subsidiary *(note 12(b))*	**19,307**	**693**	**20,000**
Interest charged during the period *(note 5(a))*	**2,726**	**–**	**2,726**
Interest paid during the period	**(1,666)**	**–**	**(1,666)**
As at 30 June 2021	**720,492**	**40,385**	**760,877**
Representing			
Non-current portion			
– Convertible bonds issued by the Company	**652,275**	**37,929**	**690,204**
– Convertible bonds issued by a subsidiary	**68,217**	**2,456**	**70,673**
	720,492	**40,385**	**760,877**

(a) Convertible bonds issued by the Company

On 15 June 2021, pursuant to a subscription agreement dated 1 June 2021 (the "Subscription Agreement"), the Company issued convertible bonds with a principal amount of US$700 million (the "2021 Convertible Bonds") due on 11 June 2026. The 2021 Convertible Bonds do not bear interest. The 2021 Convertible Bonds have been listed on the Stock Exchange of Hong Kong Limited.

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

Based on the terms of the 2021 Convertible Bonds, the 2021 Convertible Bonds are accounted for as compound financial instruments which contain both a liability component and an equity component. The liability component is initially measured as the present value of the future cash flows, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. The liability component is subsequently carried at amortised cost. The interest expenses recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until the 2021 Convertible Bonds are either converted or redeemed.

(b) Convertible bonds issued by a subsidiary

In October 2020, a subsidiary of the Group issued the convertible bonds in an aggregate principal amount of US$50 million, and in December 2020, the subsidiary agreed to issue additional convertible bonds with an aggregate principal amount of US$20 million (together, the "Subsidiary Convertible Bonds"). The subsidiary received the proceeds of US$20 million in January 2021. The Subsidiary Convertible Bonds bear an interest rate at 4% per annum, and will mature on 20 November 2022 and 21 December 2022, respectively.

Based on the terms of the Subsidiary Convertible Bonds, these convertible bonds will be settled by exchange of a fixed amount of cash in US$ with a fixed number of equity instruments issued by the subsidiary. Therefore, these convertible bonds are accounted for as compound financial instruments which contain both a liability component and an equity component.

No conversion of the Subsidiary Convertible Bonds had been occurred up to 30 June 2021.

13 Capital, reserves and dividends

(a) Dividends

	Six months ended 30 June	
	2021	2020
	US$'000	*US$'000*
Final dividend in respect of the previous financial year, approved during the following interim period, of HK$4.3 cents per share (six months ended 30 June 2020: HK$5.3 cents per share)	**10,064**	11,723

No interim dividend attributable to the interim period has been declared by the Company.

(b) Purchase of own shares

During the six months ended 30 June 2021, the Company purchased its own ordinary shares on The Stock Exchange of Hong Kong Limited under the share award scheme (note 13(d)) as follows:

Month/year	**No. of shares repurchased**	**Highest price paid per share**	**Lowest price paid per share**	**Aggregate considerations paid**
		US$	*US$*	*US$'000*
April 2021	4,195,000	6.22	6.20	26,035

Repurchased shares held at the end of the reporting period were classified as treasury shares and presented as a decrease in the capital reserve.

(c) Share option plans (equity-settled)

(i) Share option plans adopted by the Company

Apart from the outstanding share options carried forward from 2020, during the six months ended 30 June 2021, a total of 18,568,109 share options were granted under the Company's share option scheme.

The amount payable by each grantee on acceptance of the offer for the option granted is US$1.00. The share options granted in March 2021 will vest in instalments over the vesting period from 31 March 2023 to 31 March 2026, and will be exercisable until 30 March 2031 with the exercise price of HK$43.75. The share options granted in May 2021 will vest in instalments over the vesting period from 13 June 2021 to 13 May 2022, and will be exercisable until 13 May 2031 with the exercise price of HK$57.59.

During the six months ended 30 June 2021, 7,480,703 share options of the Company were exercised (six months ended 30 June 2020: 17,818,500) with a weighted average exercise price of HK$5.39 (equivalent to approximately US$0.69) (six months ended 30 June 2020: HK$3.66 (equivalent to approximately US$0.47)) and the total number of ordinary shares of the Company increased by 7,480,703 for the six months ended 30 June 2021 (six months ended 30 June 2020: 17,818,500 ordinary shares).

(ii) Share option plans adopted by subsidiaries

In March 2020, MP CardioFlow Cayman adopted a subsidiary share option scheme (the "CardioFlow SOS"). CardioFlow SOS provides the eligible persons with the options to acquire proprietary interests in MP CardioFlow Cayman. Each option gives the holder the right to subscribe for one ordinary share of MP CardioFlow Cayman.

During the six months ended 30 June 2021, a total of 8,000,000 share options were granted under the CardioFlow SOS. These share options will vest in instalments over the vesting period from 31 March 2022 to 31 March 2026, and will be exercisable until 30 March 2031. The exercise price is HK$13.72.

During the six months ended 30 June 2021, 4,242,177 share options were exercised (six months ended 30 June 2020: nil) with a weighted average exercise price of HK$1.24 (equivalent to approximately US$0.16) (six months ended 30 June 2020: nil).

In April 2021, Suzhou MicroPort Orthopedics Scientific (Group) Co., Ltd. ("Suzhou Orthopedics") adopted an equity option scheme (the "Orthopedics Equity Option Scheme"), which provides the eligible employees with the options to acquire the newly-issued registered capital of Suzhou Orthopedics.

As of 30 June 2021, the holders of share options granted by Suzhou Orthopedics under the Orthopedics Equity Option Scheme could subscribe for up to a total of US$7,733,617 registered capital of Suzhou Orthopedics at an exercise price of US$1.58 for US$1 registered capital. These equity options will vest in instalments and are exercisable only following an initial public offering ("IPO") of Suzhou Orthopedics. If Suzhou Orthopedics fails to complete an IPO prior to the date as specified in the offer letters of certain option holders (the "Option Holders with Guarantee"), the options granted to the Option Holders with Guarantee will be forfeited and the Option Holders with Guarantee could receive cash payments totalling US$6,837,838. During the six months ended 30 June 2021, no share options were exercised.

(d) Share award scheme (equity-settled)

Pursuant to a share award scheme (as amended) approved by the Board in 2020, 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 2021, the Company granted 5,004,150 shares (six months ended 30 June 2020: 19,924,925) at a fair value of US$10,397,000 (six months ended 30 June 2020: US$39,899,000) to the Group's executives and employees.

(e) Employee share purchase plan ("ESPP") (equity-settled)

Since 2014, 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.

14 Disposal/dilution of interests in subsidiaries

(a) AccuPath

In January 2021, AccuPath, a wholly owned subsidiary of the Group, together with its original shareholders entered into a capital increase agreement with Shanghai Hopeway Biotechnology Co., Ltd. ("Hopeway Biotech") and certain partnership firms whose limited partners consisted of employees of the Group, pursuant to which, Hopeway Biotech and these partnership firms agreed to subscribe for 27.89% and 24.74% of enlarged share capital of AccuPath at a cash consideration of RMB53 million and RMB47 million, respectively (the "AccuPath Disposal").

Upon the completion of the AccuPath Disposal, the Group's equity interest in AccuPath decreased from 100.00% as at 31 December 2020 to 47.37%.

The transaction was accounted for as a deemed disposal of AccuPath with a gain of US$8,219,000 recognised in profit or loss for the six months ended 30 June 2021 and the Group's remaining interests in AccuPath were recognised as an investment in equity-accounted investee. A reconciliation of such gain of disposal of AccuPath is set out below:

	As at the date of the disposal *US$'000*
Fair value of remaining equity interests in AccuPath	13,908
Less: Net assets of AccuPath	(5,689)
Gain on disposal of AccuPath	8,219

(b) MP CardioFlow Cayman

On 4 February 2021, MP CardioFlow Cayman was separately listed on the Main Board of the Stock Exchange of Hong Kong Limited and issued 205,620,000 ordinary shares at the price of HK$12.2 per share. On 10 February 2021, due to the exercise of over-allotment options MP CardioFlow Cayman issued an aggregate of 30,843,000 additional ordinary shares at the price of HK$12.2 per share.

Upon the completion of the CardioFlow Listing, the Group retained control over MP CardioFlow Cayman as the Group continues to be the single major shareholder of MP CardioFlow Cayman and holds relatively larger voting rights than other dispersed public shareholders in aggregate, despite the fact that the Group's equity interest in MP CardioFlow Cayman decreased from 63.59% as at 31 December 2020 to 44.92% as at 30 June 2021.

The amount of US$264,776,000, being the difference between (i) the sum of the net proceeds received from the CardioFlow Listing of US$357,069,000 and the carrying amount of share repurchase obligation of US$207,888,000, and (ii) the carrying amount of net assets in the proportion of the deemed disposed equity interests in MP CardioFlow Cayman as at the date of disposal was credit to capital reserve of the Group.

15 Non-adjusting events after the reporting period

On 26 July 2021, the Group entered into agreements with certain investors in connection with the series C financing of CRM Cayman, pursuant to which, these investors agreed to subscribe for 13,424,211 series C preferred shares of CRM Cayman in the aggregate amount of US$103 million and the Group also subscribed for 6,125,611 series C preferred shares at a consideration of US$47 million. Upon the completion of the series C financing, the Group's equity interest in CRM Cayman will be diluted from 52.70% to 50.13%.

Business Review

Overview

In the first half of 2021, the COVID-19 pandemic continued to spread around the world, most countries and regions gradually entered the stage of normalised epidemic prevention and control, while certain regions has been affected by the pandemic. As the overall domestic epidemic prevention and control maintained effective, the economy in China continued to recover steadily, and the number of outpatient visits and surgeries in medical institutions increased in an orderly manner.

In China, with the expedited promotion of the medical system reform of the "Linkage of Three Medical Systems" regarding medicines, medical treatment and medical insurance, the state-organised centralised and volume-based procurement of medicines and consumables has been gradually normalised and institutionalised. During the Reporting Period, the centralised and volume-based procurement of coronary stents was officially implemented. This was followed by the announcement of the policy regarding the centralised and volume-based procurement of artificial joints. The 14th "Five-Year Plan" clearly stated that the country will put the protection of people's health in a strategic position for priority development, continue to deepen the reform of the medical and healthcare system, enhance the core competitiveness of high-end medical equipment manufacturing as well as improve the fast review and approval mechanism for innovative medical devices. Meanwhile, the pilot reform of basic medical insurance payment methods has been implemented across the country. The new Medical Security Law (Consultation Draft) (《醫療保障法(徵求意見稿)》) issued in June 2021 further accelerated the legalisation of medical insurance, marking a new milestone for the country's imminent advancement towards high-quality development of medical system. The implementation of the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) effectively strengthened the supervision of the entire life cycle of medical devices. Such policies expedited the in-depth reform of the medical industry and promoted the development of high-end medical devices, which will benefit enterprises with continuous innovation capability, large-scale production capacity and strict quality control.

In overseas, the international trade situation remains complex and is ever-changing. The maket entry barriers are gradually rising and the industry competition is increasingly fierce. Strong innovation capability, diversified product portfolio and established sales channels are the foundations for medical device enterprises to expand in overseas markets.

As at the end of the Reporting Period, the Group (also through its associated companies) held more than 5,500 patents (including applications) around the world, covering over 10,000 hospitals in more than 80 countries and regions, including the Asia Pacific region, Europe and the Americas. The Group also offered nearly 300 medical solutions to approximately 90 types of diseases relating to six major organ systems of the human body, including the circulatory system, nervous system, exercise system, endocrine system, urinary system and reproductive system. During the Reporting Period, the Group actively promoted the development of its businesses in China and overseas, expedited the promotion of its global business layout, and maintained a leading position in terms of marketing and sales in

its core businesses. Meanwhile, as an innovative and high-end medical device enterprise, the Group adheres to the philosophy of maintaining the finest quality with the utmost precision and continues to invest in research and development ("R&D"). A number of innovative products were approved for commercialisation in China and overseas markets. Leveraging on the multi-disciplinary foundation technology platform developed over the years as well as the proven commercialisation and marketing strength, the Group has achieved substantial breakthroughs in a number of new businesses, and is committed to providing high-quality, inclusive and integrated medical solutions that can prolong and reshape lives for patients around the world.

During the Reporting Period, the Group achieved revenue of US$384.6 million, representing an increase of 17.7% (excluding the foreign exchange impact) as compared to the corresponding period of last year, among which 17.4% was derived from the cardiovascular devices business, 28.6% from the orthopedics devices business, 28.1% from the CRM business, 14.5% from the endovascular and peripheral vascular devices business, 6.6% from the neurovascular devices business, 3.5% from the heart valve business and 0.6% from the surgical devices business. It is encouraging to note that the orthopedics devices business, the CRM business, the endovascular and peripheral vascular devices business, the neurovascular devices business and the heart valve business all recorded rapid growth in revenue, representing an increase of 22.9%, 20.0%, 68.6%, 114.5% and 121.8% respectively as compared to the corresponding period of last year. The Group recorded a net loss for the period of US$114.7 million (loss attributable to equity shareholders of the Company: US$90.3 million) during the Reporting Period.

During the Reporting Period, the Group raised a total of approximately US$1,060 million from external financing, including approximately US$700 million from the issuance of convertible bonds of the Company, and approximately US$360 million from the spin-off listing of its heart valve business. The above financing will enable the Group to continue to invest in R&D to expedite the deployment of new businesses, thereby maintaining the dynamics of innovation.

MicroPort CardioFlow Medtech Corporation ("CardioFlow") (stock code: 02160) was successfully listed on the Main Board of the Hong Kong Stock Exchange on 4 February 2021 and became the second subsidiary of the Group to accomplish a spin-off listing.

Shanghai MicroPort MedBot (Group) Co., Ltd. (上海微創醫療機器人(集團)股份有限公司) ("MicroPort MedBot", a 52.76%-owned subsidiary of the Company as at the date of this announcement) is seeking a proposed listing of its H shares on the Main Board of the Hong Kong Stock Exchange. The listing application of MicroPort MedBot was accepted by the Hong Kong Stock Exchange on 10 June 2021.

Shanghai MicroPort EP MedTech Co., Ltd. (上海微創電生理醫療科技股份有限公司) ("EP", a 38.49%-owned associated company of the Company as at the date of this announcement) is seeking a listing on the Sci-Tech Innovation Board of the Shanghai Stock Exchange. The listing application of EP was accepted by the Shanghai Stock Exchange on 30 June 2021.

Cardiovascular Devices Business

The cardiovascular devices business offers products and services for the treatment of coronary artery-related diseases. The Group is committed to developing, manufacturing and commercialising market-leading coronary stents and the related delivery systems, along with balloon catheters and accessories.

To date, this business segment has four drug eluting stents and four balloon products on sale in over 30 countries and regions around the world. During the Reporting Period, the Group's cardiovascular devices business recorded a revenue of US$66.8 million, representing a decrease of 29.9% (excluding the foreign exchange impact) as compared to the corresponding period of last year. This decrease is due to the decline in the price of coronary stents as a result of their volume-based procurement in the PRC.

In terms of the number of surgery cases, China has become the world's largest market for percutaneous coronary interventional surgery (the "PCI surgery"). However, it still lags behind the European countries, the United States and Japan in terms of the number of PCI surgery cases per million population. With the popularisation of coronary interventional therapy and the gradual improvement in the capacity of primary hospitals for performing PCI surgeries, the overall demand for coronary interventional therapy in the PRC will maintain a steady growth trend.

During the Reporting Period, the state-organised centralised and volume-based procurement of coronary stents was officially implemented in the PRC, accelerating the industry consolidation towards the leading players. The Group's self-developed Firebird2® Rapamycin Eluting Coronary CoCr Stent System ("Firebird2®") and Firekingfisher™ Rapamycin Eluting Coronary CoCr Stent System ("Firekingfisher™") won the bids in centralised procurement, with the total bid-winning quantity ranked the first among all players. During the Reporting Period, the Group overfulfilled the sales of guaranteed purchase volume ahead of schedule, further expanding its market shares in the stent industry. At the same time, the Group continued to push forward market penetration, with drug eluting stents covering more than 2,700 hospitals as of the end of the Reporting Period. In particular, the Firebird2® newly penetrated 555 hospitals, and the Firehawk® Rapamycin Target Eluting Coronary Stent System ("Firehawk®") newly penetrated 98 hospitals.

In overseas markets, despite the significant decrease in the overall number of PCI surgeries due to the pandemic, the Group still actively participated in bidding projects of overseas governments and hospitals. During the Reporting Period, the Group recorded a revenue from overseas stent sales of US$7.1 million, representing an increase of 8.4% (excluding the foreign exchange impact) as compared to the corresponding period of last year. In particular, the sales amount in the European and the region of the Middle East, Africa and the Commonwealth of Independent States (collectively, the "MEA&CIS") achieved recorded a year-on-year growth of 251% and 134% (excluding the foreign exchange impact), respectively. During the Reporting Period, the Group's drug eluting stents obtained a total of 10 initial registrations in nine countries or regions, and have been certified for commercialisation in a total of 33 countries or regions and launched to the market for the first time in Singapore, Ecuador and Kazakhstan. The Firehawk® Liberty stent was newly covered by the national medical insurance in countries including South Korea, Belarus and Turkey. In addition, the Group set up a subsidiary in Turkey, and is actively planning to enter the largest market of coronary stents in the region of the MEA&CIS. In India, the preparation for the localised manufacturing of Firehawk® is close to completion. The Group will introduce more "MicroPort" products into the Indian market by leaveraging the established sales network of the local joint venture.

During the Reporting Period, the balloon products maintained a rapid growth in sales volume with global revenue reaching US$9.5 million, representing a year-on-year increase of 80.0% (excluding the foreign exchange impact). As for the overseas market, the balloon products obtained a total of 7 initial registrations in 4 countries or regions, and have been certified for commercialisation in 27 countries or regions, further expanding their coverage around the world.

Orthopedics Devices Business

The orthopedics devices business offers an extensive range of orthopedics products that includes reconstructive joints, spine and trauma, and other professional implants and instruments.

During the Reporting Period, the global orthopedics business recorded a revenue of US$110.1 million, representing an increase of 22.9% (excluding the foreign exchange impact) as compared to the corresponding period of last year. This is mainly due to the increase in the number of surgeries with the normalisation of epidemic prevention and control. At the same time, the Group continued to integrate its resources to facilitate the in-depth cooperation between domestic and overseas R&D and supply chain teams to enhance efficiency and reduce costs, as well as to actively provide a diversified portfolio of orthopedics implants and instruments around the world.

During the Reporting Period, the international (non-China) orthopedics business recorded a revenue of US$95.0 million, representing an increase of 20.9% (excluding the foreign exchange impact) as compared to the corresponding period of last year. The demand in major overseas markets has gradually increased but not yet returned to the pre-pandemic level. The recovery in certain regions with direct sales was satisfactory. In particular, the revenue recorded in France achieved a year-on-year increase of 34.2% (excluding the foreign exchange impact), and the revenue recorded in Japan achieved a year-on-year increase of 15.1% (excluding the foreign exchange impact). During the Reporting Period, the Profemur® Gladiator® HA Coated Collared Hip Stem and the Profemur® Gladiator® Cemented Collared Hip Stem were launched to the market, further enriching the product portfolio of the Gladiator® Hip Stem and expanding its coverage of indications. Moreover, the Group relocated part of its manufacturing processes to the PRC by utilising its global supply chain capacity, thereby effectively reducing the production costs.

In China, the Group vigorously promoted the application of its joint products in hospitals. As at the end of the Reporting Period, such products had a coverage of approximately 950 hospitals, representing an addition of approximately 400 hospitals as compared to the corresponding period of last year. At the same time, the number of distributors has increased significantly. During the Reporting Period, the orthopedics devices business in the PRC recorded a revenue of US$15.1 million, representing an increase of 37.5% (excluding the foreign exchange impact) as compared to the corresponding period of last year. In particular, the revenue generated from made-in-China joint products achieved a year-on-year rapid growth of 116.9% (excluding the foreign exchange impact), with steady increase in market share and a significant increase in the number of distributors. The state-organised centralised and volume-based procurement policy for artificial joints is about to be implemented. The Group has actively expanded its production capacity and enriched its product portfolio and treatment methods. Meanwhile, the Group took every effort in carrying out medical education and product marketing activities, with an aim to improve the overall market coverage. In addition, the expansion of distribution channels of the spine and trauma business has been steadily carried out. During the Reporting Period, the spine and

trauma products were newly approved to enter a number of provincial platforms and maintained a rapid revenue growth. Through expanding production capacity to enhance the economies of scale, the costs of orthopedic instruments were further reduced. Moreover, the Group's self-developed Advance® Medial-Pivot Knee System was assigned the highest rating of "15A" by the ODEP (Orthopedic Data Evaluation Panel), an authoritative rating agency in the global orthopedics industry, being the only PRC enterprise with such rating so far. This will serve as a decisive factor for medical institutions and doctors to select joint implant products in the future.

CRM Business

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

During the Reporting Period, benefited from the increased market share and the increase in the demand for surgeries with the normalisation of epidemic prevention and control, the CRM business recorded a revenue of US$108.3 million, representing an increase of 20.0% (excluding the foreign exchange impact) as compared to the corresponding period of last year.

During the Reporting Period, the international (non-China) CRM business recorded a revenue of US$102.3 million, representing an increase of 17.3% (excluding the foreign exchange impact) as compared to the corresponding period of last year. Due to the continued spread of COVID-19, the production and operation activities in most countries and regions have not yet completely returned to normal. However, through the unremitting efforts of the business team, the Group's product sales in the United States, Japan and most European countries have recovered to a satisfactory level. As for the product registration, the new Alizea™ and Borea™ pacemakers together with the SmartView Connect™ Home Monitor have obtained the CE Marking under the latest European REGULATION (EU) 2017/745 and were launched to the market in Europe during the Reporting Period. This series of products are equipped with Bluetooth® technology, which can realize advanced wireless remote monitoring. In addition, during the Reporting Period, the Ulys™, Edis™ and Gali™ defibrillators obtained CE Marking, further enriching the product pipeline to meet the diversified needs of patients. The certification of new products has created new momentum for the sales growth of this business segment.

During the Reporting Period, the CRM business in the PRC recorded a revenue of US$6.0 million, representing a significant increase of 95.0% (excluding the foreign exchange impact) as compared to the corresponding period of last year. After more than three years of market promotion, the brand influence and market share of the Group's made-in-China pacemakers have been significantly increasing. During the Reporting Period, the series of domestic pacemakers recorded a year-on-year revenue increase of 116.0% (excluding the foreign exchange impact), and newly penetrated 134 hospitals to 584 hospitals by the end of the Reporting Period, further solidifying its leading position with the largest market share among domestic players.

Endovascular and Peripheral Vascular Devices Business

The endovascular and peripheral vascular devices business provides a range of products and services for the interventional treatment of thoracic and abdominal aortic aneurysm, peripheral vascular disease, aortic dissection, and other endovascular related diseases.

During the Reporting Period, the endovascular and peripheral vascular devices business achieved a revenue of US$55.8 million, representing an increase of 68.6% (excluding the foreign exchange impact) as compared to the corresponding period of last year. Innovative products approved in recent years maintained rapid hospital penetration. The Reewarm® PTX Drug Coated Balloon Catheter ("Reewarm®") has been applied in over 250 hospitals since its launch to the market in 2020. The Minos® Abdominal Aortic Stent Graft System ("Minos®") has covered a total of over 250 hospitals. The Castor® Branched Aortic Stent Graft System ("Castor®"), being the first aortic stent graft in the world, has covered a total of more than 600 hospitals.

As for the international business, the Group further advanced the development of the above products in the overseas markets. During the Reporting Period, the first clinical implantation of Castor® was completed in Spain, Italy and Argentina, and the first clinical implantation of Minos® was successfully completed in Brazil. As at the end of the Reporting Period, the above products had been clinically implanted in 16 overseas countries and regions. During the Reporting Period, the Group also signed distribution agreements with agents in India and Korea and initiated the registration process of local products, thereby effectively enhancing the brand name and market coverage of the Group's endovascular and peripheral vascular devices in the international market.

Neurovascular Devices Business

The neurovascular devices business specialises in products and services for the treatment of neurovascular diseases, including intracranial aneurysms, intracranial atherosclerotic diseases ("ICAD"), carotid artery diseases ("CAD"), and other neurovascular related diseases.

During the Reporting Period, the neurovascular devices business recorded a revenue of US$25.4 million, representing a sharp increase of 114.5% (excluding the foreign exchange impact) as compared to the corresponding period of last year, mainly benefiting from the rebound in the number of surgeries and the rapid growth in sales of new products. The sale of Tubridge® Vascular Reconstruction Device adopted a tiered marketing strategy, and the market penetration rate continued to increase with approximately 110 newly covered hospitals during the Reporting Period and the total coverage reaching over 475 hospitals. It recorded a year-on-year revenue growth of 106.4% (excluding the foreign exchange impact) during the Reporting Period. The number of APOLLO™ Intracranial Stent System implants recorded a significant increase as compared to the corresponding period of last year, maintaining its largest market share in the domestic market. The NUMEN® Coil Embolisation System and the NUMEN FR® Coil Detachment System (collectively, the "NUMEN® Coil Embolisation System") and the U-track™ Intracranial Support Catheter System that obtained certifications in 2020 have also contributed to new growth momentum for this business segment. In addition, a subsidiary of the Group, being the lead investor, completed its strategic investment in Rapid Medical, an Israeli neurovascular treatment device company. In the future, the Group will continue to deepen its comprehensive strategic cooperation with Rapid Medical in the field of neurovascular disease treatment.

Heart Valve Business

The heart valve business focuses on the development and commercialisation of innovative transcatheter and surgical solutions in the field of structural heart disease, with products including the aortic valve, mitral valves, tricuspid valves, surgical valves and surgical accessories.

During the Reporting Period, the heart valve business recorded a revenue of US$13.4 million, representing a significant increase of 121.8% (excluding the foreign exchange impact) as compared to the corresponding period of last year, with a substantial year-on-year rise of 11.0 percentage points in profit margin to 55.1%. Leaveraging on its excellent clinical performance, the VitaFlow® Transcatheter Aortic Valve System ("VitaFlow®") has been widely recognised by practitioners in the industry. During the Reporting Period, the VitaFlow® newly penetrated approximately 80 hospitals, reaching a coverage of over 220 hospitals in total, and a coverage of 19 in top 20 hospitals of the transcatheter aortic valve implantation ("TAVI") surgeries and gained a leading position in nearly 100 hospitals, reflecting a rapid growth in the overall market share. Meanwhile, through independent R&D and the cooperation with global partners (such as 4C Medical and Valcare, both are medical device enterprises focusing on the R&D related to mitral valve and tricuspid valve disease treatment), the Group is strategically focusing on the development of all mainstream and feasible transcatheter therapies for mitral valve regurgitation, thereby entering the large but underpenetrated market mitral valve disease treatment. During the Reporting Period, the R&D projects of the five mitral valve products were in orderly progress. In July 2021, the Group made follow-on investment in Valcare to support the plan for accelerating the R&D project. In addition, after obtaining certifications in Thailand and Argentina last year, the Group completed the first overseas commercial implantation of VitaFlow® in Argentina, marking a new milestone for its overseas business.

Surgical Robot Business

The surgical robot business is committed to meeting the most cutting-edge development needs of minimally invasive surgery by leveraging the cutting-edge research and industrial integration of areas including robotics, intelligent control, sensing and information to innovatively provide a robotic intelligent surgical total solution that can prolong and reshape life.

According to Frost & Sullivan, the Group is the only company in the global surgical robot industry with a product portfolio covering five major and fast-growing surgical specialties, namely laparoscopic, orthopedic, panvascular, natural orifice and percutaneous surgical procedures. During the Reporting Period, the Group's self-developed DFVision® 3D Electronic Laparoscope ("DFVision®") was approved by the National Medical Products Administration ("NMPA") for launching to the market, which is expected to be the first Chinese-developed 3D electronic laparoscope that is in commercialisation stage. The Group's self-developed Toumai® Laparoscopic Surgical Robot ("Toumai®") completed the registrational clinical trial for application in the field of urology and has filed the registration application to the NMPA, being the first and the only Chinese-developed four-arm laparoscopic surgical robot that has completed a registrational clinical trial for application. The Honghu Orthopedic Surgical Robot ("Honghu"), being the only Chinese-developed joint replacement surgical robot with a self-developed robotic arm, completed the registrational clinical trial for total knee arthroplasty (TKA) and filed the registration application to the NMPA in July 2021. In addition, the Group established joint ventures

in the PRC with Robocath, a French-based vascular interventional surgical robot company, NDR, a Singapore-based percutaneous surgical robot company, and Biobot, a Singapore-based transperineal prostate surgical robot company, to jointly promote the surgical robot business in the Greater China region.

Surgical Devices Business

The surgical devices business focuses on the provision of integrated solutions for cardiac surgeries and life support for acute and critical care. The surgical devices include the series of extracorporeal circulation products such as the Oxygenation System (artificial lungs) and arterial and venous cannulas. The business also provides ECMO-based products for acute and critical care, the series of occluders used in congenital heart disease treatment (the Atrial Septal Defect Occluder and Delivery System, the Ductus Arteriosus Occluder and Delivery System, the Ventricle Septal Defect Occluder and Delivery System), and the surgical polypropylene herniorrhaphy series products.

During the Reporting Period, the surgical business recorded a revenue of US$2.3 million, representing a decrease of 1.6% (excluding the foreign exchange impact) as compared to the corresponding period of last year. As for the overseas market, the suction tube products obtained the CE Marking, the arterial and venous cannulas were certified for commercialisation in Egypt, and the arterial micro-embolic filter and venous cannulas were certified for commercialisation in Colombia.

Emerging Business Segments

While its established business segments are showing rapid growth, the Group is also actively exploring emerging business fields such as the non-vascular intervention, sports medicine, assisted reproduction, rehabilitation treatment, endocrinology, in vitro diagnostics, medical imaging, aesthetic medicine, otolaryngology, ophthalmology and stomatology as well as disinfection and sterilisation through its subsidiaries or associates. In the field of non-vascular intervention, the Group covers the fields of urology, gynecology, digestion and respiration with 14 certified products and 78 patents. During the Reporting Period, Archimedes®, the world's first long-term implantable balloon rotator cuff system self-developed by an associated company, successfully performed the clinical implantation surgeries and commenced clinical trials in seven large sports medicine centers in the PRC. In the field of assisted reproduction, an associated company's self-developed Orkid® Intrauterine Insemination Catheter was approved for commercialisation in the PRC, and the Daylily® Embryo Transfer Catheter and the Lotus™ Ovum Aspiration Needle were approved for commercialistion in Thailand. During the Reporting Period, the Rehabilitation Group was established that covers rehabilitation medical solutions such as musculoskeletal rehabilitation, cardiopulmonary rehabilitation and neurological rehabilitation. It currently has a total of 6 approved products, multiple commercialised product lines and over 100 technical patents. The mobile assistive product was approved by NMPA during the Reporting Period. In the field of in vitro diagnostics, the Group's self-developed its real-time PCR test, SARS-CoV-2 Nucleic Acid Test Kit received the CE Marking. In the field of medical imaging, the digital subtraction angiography device used to observe vascular diseases and locate and measure vascular stenosis has entered the registration stage for NMPA approval. The Group aims to solving the medical difficulties in clinical practice through the breakthrough of advanced technology by leveraging on the efficiency

and synergies from group operation, and is committed to building a complete business portfolio from prevention and diagnosis to treatment and rehabilitation, that covers the entire life cycle of human beings.

Research and Development ("R&D")

During the Reporting Period, the Group's R&D expenses accounted for 30.4% of its revenue, and its R&D projects achieved fruitful results with a total of 7 products obtaining the registration certificates from the NMPA. The IceMagic® Cardiac Cryoablation System of an associated company of the Group entered the Innovative Medical Device Special Review and Approval Procedure (the "Green Path"). As of the end of the Reporting Period, the Group and its associated companies had a total of 21 products being approved to enter the Green Path, ranking 1st in the medical device industry for seven consecutive years. As for the overseas market, the Group also obtained approvals from FDA for 2 products and the CE Marking for 14 products.

As for the cardiovascular devices business, the Group had a variety of innovative and iterative products under R&D, including the bioresorbable scaffold, the iterative products of drug eluting stents, the Coronary Stent Graft System and the drug-coated balloon, as well as a variety of active device products, including the Coronary Rotational Atherectomy Catheter and the Intravascular Lithotripsy Balloon. The Firesorb® Bioresorbable Rapamycin Targeted Eluting Coronary Scaffold System ("Firesorb®") released the major imaging and clinical results of the pivotal study FUTURE II. The results showed that the Firesorb® was comparable to a market-leading metal drug-eluting stent in terms of safety and reliability at the primary endpoint of one-year post surgery. The study was published in the *JACC Cardiovascular Interventions*, a well-known cardiovascular journal. As for the overseas market, the Group released the latest four-year follow-up result of TARGET All Comers ("TARGET AC") for the Firehawk® at the EuroPCR, which further proved the long-term safety and effectiveness of the Firehawk® as the world's lowest drug-loaded coronary drug stent. In addition, the Group initiated the TARGET FIRST clinical study of the Firehawk® in Europe and completed the first patient enrollment, aiming to evaluate that a shorter dual antiplatelet therapy, combined with the unique characteristics of the Firehawk®, is a reliable option for patients with acute myocardial infarction. Meanwhile, the TARGET IV NA clinical study of the Firehawk® is under steady progress and this project will support the registration and commercialisation of the Firehawk® in three major markets, namely the United States, Canada and Japan.

As for the orthopedics devices business, the Group has actively promoted a variety of products for obtaining certification in overseas regions. In particular, the Profemur® Cemented XM® Femoral Stem, the revision multi-hole cup and augments for the Procotyl® P Acetabular Cup System and the Hip Head Tensioner Device obtained the CE Marking, the DYNASTY® Dual Mobility Acetabular Hip System obtained certification in Canada, the EVOLUTION® Medial Pivot Knee Kinematic Alignment Instrumentation obtained certification in the United States, Europe, Japan and Canada, and the Anterior PATH® hip replacement instruments obtained certification in the United States, Europe and Canada. With the enhanced R&D and manufacturing capabilities, the Group commenced the R&D project of the EVOLUTION® Tibia Bone Void Filler, which is mainly used for the revision of knee joints. Moreover, the Group is working with partners to jointly develop the orthopedic surgery imaging and preoperative planning system for orthopedic surgeries. As for the domestic market, a number of products have filed

registration applications, including the new domestic medial-pivot knee, the Profemur® Preserve Femoral Stem, the VenusOne Bio-acetabular System with plasma spray coating, the VenusOne Sintered-Ti Acetabular System and the VenusOne Eco Bio-Acetabular System.

As for the CRM business, the Invicta™ Defibrillation Lead used in cardiac defibrillation therapy officially launched the clinical trial during the Reporting Period and has completed the first implantation. This product will become a major breakthrough for the Group in the field of cardiac defibrillation therapy. After obtaining the CE Marking, applications for registration of the Alizea™ and Borea™ pacemakers and the SmartView Connect™ Home Monitor are being filed in the United States, Japan and Australia. As for the PRC market, the BeFlex™ MRI-compatible Lead, the Platinium™ ICD and the Platinium™ CRT-D have filed their registration applications. The clinical trial for the BonaFire Conditional Passive Lead is under steady progress, the CAPRI clinical investigation of the MRI-compatible ENO™/TEO™/OTO™ pacemakers has completed the first batch of patient enrollment for clinical trials in the PRC and the External Temporary Pacemaker has completed type testing.

As for the endovascular and peripheral vascular devices business, the Fontus® Branched Surgical Stent Graft System and the Talos® Thoracic Stent Graft System are currently at the review stage before obtaining the registration certificates. These two products have entered the Green Path, and are expected to help the Group further consolidate its leading position in the domestic market of aortic interventional products. In addition, the Group is actively developing peripheral vascular interventional products. Among them, the venous stent system has been clinically implanted in nearly 100 cases with all clinical implantations expected to be completed this year. The venous thrombectomy system and the vena cava filter have received their type testing reports and are preparing for the subsequent clinical trials. Moreover, the Group has carried out a series of early R&D work on interventional oncology related projects. In particular, the TIPS Stent Graft System, a key product, has completed the animal study and has been submitted for type testing. It is expected to enter the clinical implantation stage in 2022.

As for the neurovascular devices business, the Group's self-developed NUMEN® Coil Embolisation System has obtained the CE Marking, laying a solid foundation for the Group to expand into the European Union and other overseas markets for its neurovascular device business. In the domestic market, the registration applications have been filed for multiple products, including the self-developed Neurohawk™ Stent Thrombectomy Device and the Intracranial Distal Access Catheter applicable to acute intracranial ischemic stroke, the Intracranial Balloon Catheter applicable to intracranial stenosis and the NUMEN® Silk, a new generation of coil embolisation product. With continuous R&D investment, the Group is committed to providing stroke patients with comprehensive neurovascular disease treatment solutions, covering products for intracranial hemorrhage stroke, ischemic stroke and intracranial access products.

As for the heart valve business, the Group released the four-year follow-up data for the clinical study of VitaFlow®, further proving the safety and effectiveness of the VitaFlow® for the treatment of patients with severe aortic valve calcification. The VitaFlow Liberty™, a second generation of TAVI product, is the only TAVI product that is developed in the PRC and has carried out clinical trials in Europe and is expected to submit relevant information for the CE registration by the end of the year. In addition, the Group is in the process of developing the third generation of self-expanding TAVI product and another balloon-expanding TAVI product, in order to provide comprehensive solutions to all suitable patients, especially those relatively young patients and patients with relatively lower surgical risks. As the only enterprise in the PRC that offers a full range of self-developed complementary TAVI procedural accessories, the Group has also deployed resources for the development of cerebral embolism protection devices, which can be used to protect the brain during TAVI surgery. The Group also has five transcatheter mitral valve ("TMV") products under development, among which, the self-developed TMV replacement product has released satisfactory results from the 90-day follow-up data for animal study and confirmed the final design, and the self-developed edge-to-edge TMV repair product is at the design stage. The TMV repair product Amend™ jointly developed by the Group and ValCare has performed four human surgeries and the initial results have proved that the MR (mitral valve regurgitation) has been significantly reduced. The TMV replacement product Corona™ jointly developed with ValCare is undergoing the process of animal study. The innovative TMV replacement product AltaValve™ jointly developed with 4C Medical has commenced the early stage feasibility study in human body.

As for the surgical robot business, the Group continues to focus on the R&D of five foundation technologies in relation to surgical robots, including robot ontology, control algorithm, electrical engineering, image-based navigation and precision imaging. During the Reporting Period, the Group completed the registrational clinical trial of Toumai® applicable to urology surgery. In this forward-looking, multicenter, randomised and parallel controlled trial, Toumai® demonstrated non-inferiority to the *da Vinci Si* Surgical System in terms of surgery success rate, the primary efficacy endpoint, and a good safety profile. The Toumai® has since become the first and the only Chinese-developed four-arm laparoscopic surgical robot that has completed a registrational clinical trial for application. In addition, the Group completed the registrational clinical trial of Honghu for TKA in July 2021, proving its efficacy and safety. On top of independent R&D, the Group is also actively seeking technical cooperation with the world's leading surgical robot companies to jointly explore and develop multi-disciplinary and more advanced medical solutions in the field of surgical robots.

As for the surgical devices business, the new generation of membrane oxygenator has successfully completed the clinical enrollment trials with statifactory clinical feedbacks. Femoral arterial and venous cannulas are undergoing design evaluation prior to their design finalisation. The ECMO system is at the stage of design verification.

Financial Review

Overview

Despite of an increasingly fierce competition from the rapidly growing medical device industry home and abroad as well as the challenge of the COVID-19 pandemic, the revenue of the Group increased by 25.3% in US$ for the six months ended 30 June 2021 as compared to the six months ended 30 June 2020. The Group continued to provide a diversified product portfolio and pursue the Group's globalisation strategy with non-China sales contributing 54.8% of the total revenue. The Group aims to continuously bring its innovations, technologies and services to millions of global patients and become a patient oriented global leading enterprise in high technology medical segments represented by minimal invasive and other emerging medical markets.

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

Revenue

	Six months ended 30 June		**Percent change**	
USD$'000	**2021**	2020	In US$	Excluding the foreign exchange impact
Cardiovascular devices business	**66,837**	88,369	(24.4%)	(29.9%)
Orthopedics devices business	**110,140**	86,619	27.2%	22.9%
CRM business	**108,258**	82,699	30.9%	20.0%
Endovascular and peripheral vascular devices business	**55,843**	30,549	82.8%	68.6%
Neurovascular devices business	**25,368**	10,916	132.4%	114.5%
Heart valve business	**13,385**	5,155	159.7%	121.8%
Surgical devices business	**2,288**	2,139	7.0%	(1.6%)
Other business *(Note)*	**2,492**	476	423.5%	376.7%
Total	**384,611**	306,922	25.3%	17.7%

Note:

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

The Group's revenue for the six months ended 30 June 2021 was US$384.6 million, increasing by 25.3% compared to US$306.9 million for the six months ended 30 June 2020. The Group's reported revenue was impacted by translation from functional currencies of the Group's subsidiaries to US$, the presentation currency of the Group, due to the appreciation or depreciation of US$ against functional currencies. Excluding the foreign exchange impact, the Group's revenue increased by 17.7%. Such growth was principally attributable to the increase in the number of elective surgeries from COVID-19 recovery, the rapid market penetration and the revenue contributed from new products. The following discussion is based on the Group's major business segments.

– *Cardiovascular Devices Business*

The Group's cardiovascular devices business recorded a revenue of US$66.8 million for the six months ended 30 June 2021, representing a decrease of 29.9% (excluding the foreign exchange impact) or a decrease of 24.4% (in US$) compared to the six months ended 30 June 2020. Such decrease was mainly attributable to (i) price erosion of Firebird2® due to the centralised and volume-based procurement policy on coronary stents in the PRC, partially offset by a significant year-on-year increase in sales volume; (ii) volume reduction of Firehawk® as hospitals prioritized fulfillment of the guaranteed volume for the selected products during the reporting period.

– *Orthopedics Devices Business*

	Six months ended 30 June		**Percent change**	
USD$'000	**2021**	2020	In US$	Excluding the foreign exchange impact
Orthopedics Devices Business	**110,140**	86,619	27.2%	22.9%
– US	**42,323**	36,448	16.1%	16.1%
– Europe, Middle East and Africa	**24,688**	15,885	55.4%	43.5%
– Japan	**19,529**	16,841	16.0%	15.1%
– the PRC	**15,104**	9,824	53.7%	37.5%
– Others	**8,496**	7,621	11.5%	6.7%

The Group's orthopedics devices business recorded a revenue of US$110.1 million for the six months ended 30 June 2021, representing an increase of 22.9% excluding the foreign exchange impact or 27.2% in US$ compared to the six months ended 30 June 2020. Such growth was mainly attributable to the increase in the number of elective surgeries from COVID-19 recovery, resulting in an increase in the number of implants.

– *CRM Business*

USD$'000	**Six months ended 30 June** **2021**	2020	**Percent change** In US$	Excluding the foreign exchange impact
CRM business	**108,258**	82,699	30.9%	20.0%
– US	**828**	442	87.3%	87.3%
– Europe, Middle East and Africa	**95,186**	74,689	27.4%	16.1%
– Japan	**4,916**	3,376	45.6%	45.8%
– the PRC	**5,992**	2,830	111.7%	95.0%
– Others	**1,336**	1,362	(1.9%)	(3.0%)

CRM business recorded a revenue of US$108.3 million for the six months ended 30 June 2021, representing an increase of 20.0% (excluding the foreign exchange impact) or 30.9% (in US$) compared to the six months ended 30 June 2020. Such growth was mainly attributable to the increase in the demand for surgeries with the normalisation of epidemic prevention and control.

– *Endovascular and Peripheral Vascular Devices Business*

The Group's endovascular and peripheral vascular devices business achieved a revenue of US$55.8 million for the six months ended 30 June 2021, representing a growth of 68.6% (excluding the foreign exchange impact) or a growth of 82.8% (in US$) compared to the six months ended 30 June 2020. Such growth was mainly attributable to: (i) the further enhanced competitiveness of the Group's endovascular and peripheral vascular devices benefited from the recent approvals obtained for the Castor®, Minos®, Reewarm® PTX Drug Coated Balloon, all of which maintained rapid growth during the Reporting Period; (ii) certain restrictions on carrying out surgeries affected by the COVID-19 pandemic during the corresponding period of last year; and (iii) the market cultivation in second-tier and third-tier cities through effective marketing mechanisms in response to government guidelines.

– *Neurovascular Devices Business*

The Group's neurovascular devices business recorded a revenue of US$25.4 million for the six months ended 30 June 2021, representing a growth of 114.5% (excluding the foreign exchange impact) or a growth of 132.4% (in US$) compared to the six months ended 30 June 2020. Such increase was mainly attributable to: (i) the positive market recognition and rapid growth of Tubridge®, the first flow diverting stent approved for product launch in China; (ii) the revenue contribution of the newly launched products NUMEN® Coil Embolisation System, the Bridge® Rapamycin Target Eluting Vertebral Artery Stent System and the U-track™ Intracranial Support Catheter System; and (iii) significant year-on-year growth in APOLLO™ Intracranial Stent System driven by greater market recognition.

– *Heart Valve Business*

The Group's heart valve business recorded a revenue of US$13.4 million for the six months ended 30 June 2021, representing a growth of 121.8% (excluding the foreign exchange impact) or a growth of 159.7% (in US$) compared to the six months ended 30 June 2020, primarily attributable to enhanced market recognition of VitaFlow® Valve System and an increase in sales volume.

– *Surgical Devices Business*

The Group's surgical devices business recorded a revenue of US$2.3 million for the six months ended 30 June 2021, representing a decrease of 1.6% (excluding the foreign exchange impact) or an increase of 7.0% (in US$) compared to the six months ended 30 June 2020.

– *Other Business*

The Group's other business recorded a revenue of US$2.5 million for the six months ended 30 June 2021, representing an increase of 376.7% (excluding the foreign exchange impact) or an increase of 423.5% (in US$) compared to the six months ended 30 June 2020. The other business did not meet the quantitative thresholds for determining reportable segments.

Cost of Sales

For the six months ended 30 June 2021, the Group's cost of sales was US$137.0 million, representing a 53.4% increase compared to US$89.3 million for the the six months ended 30 June 2020. Such increase was primarily attributable to the increased sales volume of the major businesses.

Gross Profit and Gross Profit Margin

As a result of the foregoing factors, the Group's gross profit increased by 13.8% from US$217.6 million for the six months ended 30 June 2020 to US$247.6 million for the six months ended 30 June 2021. Gross profit margin is calculated as gross profit divided by revenue. The Group's gross profit margin decreased to 64.4% for the six months ended 30 June 2021 as compared to 70.9% for the six months ended 30 June 2020. Such change was mainly attributable to the impact of price reduction due to the state-organised centralised and volume-based procurement policy on coronary stents.

Other Net Income

The Group recorded other net income of US$24.6 million for the six months ended 30 June 2021, representing a 20.1% decrease as compared to US$30.8 million for the six months ended 30 June 2020. Such decrease was mainly due to: (i) the refund from arbitration in relation to the acquisition of CRM business of approximately US$16.4 million received by the Group during the corresponding period of last year, which was recognised in the profit or loss directly; (ii) the increase in the Group's net realised and unrealised gains on financial instruments carried at fair value through profit or loss for the six months ended 30 June 2021 of approximately US$8.6 million as compared to the corresponding period of last year; and (iii) the increase in interest income from sufficient cash and cash equivalents.

Research and Development Costs

Research and development costs increased by 60.8% from US$72.8 million for the six months ended 30 June 2020 to US$117.1 million for the six months ended 30 June 2021. Such increase was primarily due to the increased investments in the on-going and newly kicked off research and development projects.

Distribution Costs

Distribution costs increased by 16.7% from US$112.0 million for the six months ended 30 June 2020 to US$130.7 million for the six months ended 30 June 2021. Such increase was primarily attributable to the corresponding increase in marketing activities and sales commission from COVID-19 recovery.

Administrative Expenses

Administrative expenses increased by 13.7% from US$90.6 million for the six months ended 30 June 2020 to US$103.0 million for the six months ended 30 June 2021. Such increase was mainly attributable to the rising staff cost.

Other Operating Costs

Other operating costs decreased by 43.1% from US$9.6 million for the six months ended 30 June 2020 to US$5.5 million for the six months ended 30 June 2021, mainly due to the decrease in professional service fees and the decrease in impairment loss of intangible assets.

Finance Costs

Finance costs increased by 36.3% from US$16.1 million for the six months ended 30 June 2020 to US$21.9 million for the six months ended 30 June 2021. Such increase was mainly due to the interest expenses arising from the preferred shares issued by the subsidiaries of the Group.

Income tax

Income tax decreased from US$13.6 million for the six months ended 30 June 2020 to US$12.3 million for the six months ended 30 June 2021, primarily due to the decrease in profit before tax.

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 2021, the Group had US$1,699.4 million of cash and cash equivalents on hand, as compared to US$1,002.1 million as at 31 December 2020. Such increase was mainly attributable to (i) the issuance of convertible bonds by the Company; and (ii) the completion of the spin-off and listing of the heart valve business. The Board's approach to managing liquidity of the Group is to ensure sufficient liquidity at any time to meet its matured liabilities in order to avoid any unacceptable losses or damage to the Group's reputation.

Borrowings and Gearing Ratio

Total borrowings of the Group, including interest-bearing borrowings and convertible bonds, as at 30 June 2021 were US$898.3 million, representing an increase of US$656.8 million as compared to US$241.5 million as at 31 December 2020, mainly due to the issuance of convertible bonds by the Company. The gearing ratio (calculated as total bank borrowings and convertible bonds divided by total equity) of the Group as at 30 June 2021 increased to 43.8% from 17.4% as at 31 December 2020.

Net Current Assets

The Group's net current assets as at 30 June 2021 were US$1,851.3 million, as compared to US$960.5 million as at 31 December 2020.

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 2021, the Group recorded a net exchange loss of US$2.2 million, as compared to a net foreign exchange loss of US$1.4 million for the six months ended 30 June 2020. The Group did not have any significant hedging arrangements to manage foreign exchange risk but has been actively monitoring and overseeing its foreign exchange risk.

Capital Expenditure

In addition, during the six months ended 30 June 2021, the Group's total capital expenditure amounted to approximately US$65.3 million, which was used in (i) construction of building; (ii) acquiring equipment and machinery; and (iii) expenditures for R&D projects in development stage.

Charge on Assets

As at 30 June 2021, the Group had mortgaged its buildings held for own use and right-of-use assets for the purpose of securing bank loans with a carrying value of US$81.9 million.

HUMAN RESOURCES AND TRAINING

As at 30 June 2021, the Group had a total of 8,303 employees around the world, of which 1,691 or 20.4% were overseas employees in the Asia Pacific region, Europe, the Middle East, Africa, the Americas and Australia.

The MicroPort Group positions itself as a learning-based organization. In order to promote the building of talent pool, the Jixia College (稷下書院) under the MicroPort Group has been established to identify and cultivate future corporate leaders. Since its establishment in May 2020, the Jixia College has held 8 programmes for cultivating senior leaders, covering more than 190 reserved talents in the Group's leader pool. The cultivating programmes cover the inheritance of the "MicroPort Gene", the development of corporate culture, the expedited improvement of the leadership and management capability of reserved talents, with an aim to provide high calibre personnel for the rapid business growth of the MicroPort Group.

PROSPECTS

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

1) Consolidating its leading position in the medical device market in the PRC. With its strong brand recognition, extensive distribution network, and the economies of scale achieved by the deployment of multiple channels, the Group will further increase its market share in the PRC and continue to play to the advantages of being a leading enterprise in the industry and make breakthroughs in every aspect of the domestic high-end medical device industry, thereby maximising value for the shareholders, customers, employees and society.

2) Expediting its global penetration to realise integration of the MicroPort brand and its global operations. The Group will continuously deepen the globalised branding and operation strategy based on localisation by consistently implementing the operation model of "globalisation in operational strategy, localised implementation, deployment with diversification, and unified positioning", thereby realising global deployment through effective integration of resources and markets around the world, which in turn will bring the products of MicroPort to more countries or regions and benefit patients and doctors around the world.

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

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

SUPPLEMENTAL INFORMATION

Purchase, Sale or Redemption of Listed Securities of the Company

Save for the 4,195,000 Shares of the Company purchased by the trustee of the share award scheme at cash consideration of US$26,035,000 on the Stock Exchange for the share award scheme, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the code of conduct regarding securities transactions by Directors. Having made specific enquiry by the Company, all the Directors confirmed that they have complied with the requirements as set out in the Model Code throughout the period of the six months ended 30 June 2021.

Compliance with the Code on Corporate Governance Practices

Throughout the period of the six months ended 30 June 2021, except for the deviation as noted below, 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 14 to the Listing Rules.

Pursuant to the Code Provision A.2.1, the roles of chairman and chief executive officer should be separated 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. Dr. Zhaohua 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 in the Group's business and can make appropriate decisions promptly and efficiently, he has also assumed the position of the chief executive officer of the Company. Nevertheless, the Board will continue to review the efficacy of the Group's corporate governance structure to assess whether the separation of the positions of chairman and chief executive officer of the Company is necessary.

Independent Review of Auditor

The interim financial report for the six months ended 30 June 2021 is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements No. 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 announcement, the Audit Committee comprises three members: Mr. Jonathan H. Chou (Chairman), Mr. Norihiro Ashida and Mr. Chunyang Shao.

The Audit Committee has reviewed and discussed the interim results and interim report for the six months ended 30 June 2021.

Disclosure of Information

The interim report of the Group for the six months ended 30 June 2021 containing all the relevant information required by the Listing Rules will be published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.microport.com), in accordance with the Listing Rules in due course.

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

Shanghai, the PRC, 30 August 2021

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

* *for identification purpose only*