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微创医疗

2019 INTERIM REPORT

MicroPort Scientific Corporation
微創醫療科學有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 00853)

COMPANY PROFILE

MicroPort Scientific Corporation (the "Company" or "MicroPort") and its subsidiaries (collectively the "Group") is a leading medical device group focusing on innovating, manufacturing and marketing high-end medical devices globally. With a diversified product portfolio now being used in over 10,000 hospitals in the world, the Group maintains world-wide operations in a broad range of business segments including cardiovascular, orthopedics, cardiac rhythm management ("CRM"), endovascular, neurovascular, heart valve, surgical robot, surgical, electrophysiology ("EP"), diabetes care and endocrinal management. Every eight seconds, one of MicroPort's products is used worldwide to save life, improve life quality or help create life. The Group is dedicated to becoming a patient-oriented global enterprise that we continuously innovate and provide access to the best means of prolonging and reshaping lives.

The Group is human-oriented and is committed to improving people's lives through practical application of innovative science. We continually develop leading technologies and products for physicians and provide access to the best means of prolonging and reshaping lives to patients. We are a young group with an ambition to establish MicroPort as a globally recognised brand. Yet as the business grows, we strive to retain our unique entrepreneurial spirit and our commitment to improving the social well being, and continue to demonstrate entrepreneurial achievement and innovation spirit.

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

With a large global footprint of R&D and manufacturing facilities in Shanghai, Jiaxing, Suzhou, Dongguan in China, Memphis in the United States, Clamart in France, Saluggia in Italy and Dominican Republic, a strong focus on technological innovation with over 3,500 approved patents, and a global workforce of around 6,000 employees, MicroPort is committed to achieving its corporate vision.

Our products touch the lives of many people every day and we take this important responsibility very seriously. We are proud that MicroPort products will always achieve the highest standards of quality and ensure improved health for the patients. We know our products offer hope and relief to many people around the world, and every one of our employees takes personal responsibility to achieve our vision.

It is our commercial achievements that enable us to contribute back to the society, which makes our success deserved. Our commitment to social responsibility is an important aspect of our company culture and philosophy. MicroPort works diligently to build strong relationships with all our international partners and all our stakeholders, because we take our community as an essential part of our business, and we strive to pursue the essence to achieve the greatness.

OUR VISION

PEOPLE ORIENTED

Building a People-Centric Consortium of Companies Focused on Emerging Medical Technologies.

OUR MISSION

CONTINUOUS INNOVATION

Provide Access to the Best Means of Prolonging and Reshaping Lives.

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CORPORATE INFORMATION

DIRECTORS

EXECUTIVE DIRECTOR

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

NON-EXECUTIVE DIRECTORS

Mr. Norihiro Ashida
Mr. Hiroshi Shirafuji
Mr. Hongliang Yu

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jonathan H. Chou
Dr. Guoen Liu
Mr. Chunyang Shao

COMPANY SECRETARY

Ms. Wing Sze Chan, *ACS, ACIS*

AUTHORIZED REPRESENTATIVES

Dr. Zhaohua Chang
Ms. Wing Sze Chan

AUDIT COMMITTEE

Mr. Jonathan H. Chou *(Chairman)*
Mr. Norihiro Ashida
Mr. Chunyang Shao

REMUNERATION COMMITTEE

Dr. Guoen Liu *(Chairman)*
Dr. Zhaohua Chang
Mr. Jonathan H. Chou

NOMINATION COMMITTEE

Mr. Chunyang Shao *(Chairman)*
Mr. Hongliang Yu
Dr. Guoen Liu

REGISTERED OFFICE

PO Box 309, Ugland House
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AUDITORS

KPMG, *Certified Public Accountants*

LEGAL CONSULTANT

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SHARE REGISTRAR IN HONG KONG

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COMPANY WEBSITE

www.microport.com

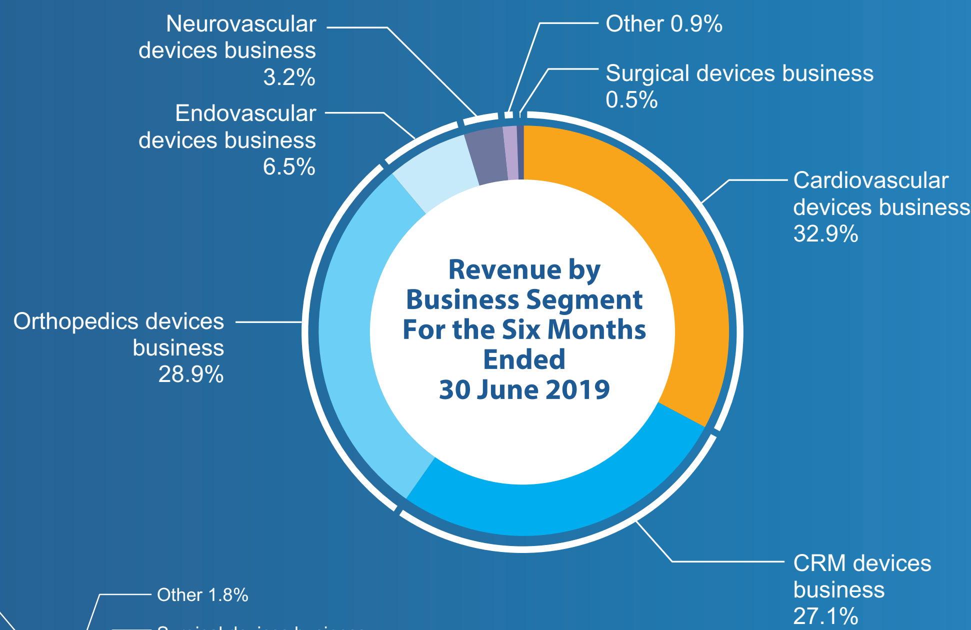
PRINCIPAL BANKERS

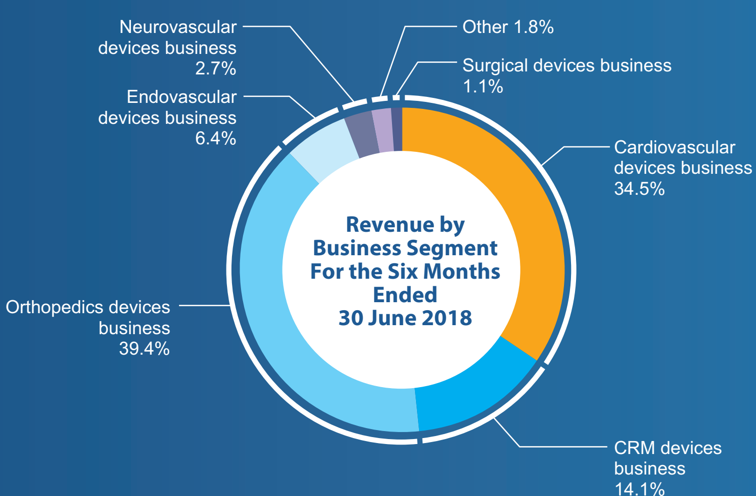
Bank of China (Hong Kong) Limited
China Construction Bank Corporation Shanghai Pudong Branch
Bank of China Limited Shanghai Zhangjiang Sub-Branch
China Minsheng Banking Corp., Ltd
Shanghai Pilot Free Trade Zone Branch
Bank of America
BNP Paribas

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2019 US$'000	2018 US$'000	Change %
Revenue	392,607	309,867	26.7%
Gross profit	281,638	219,429	28.4%
Profit for the period	60,849	24,203	151.4%
Profit attributable to equity shareholders of the Company	65,476	23,769	175.5%
Earnings per share –			
Basic (in cents)	4.15	1.64	153.0%
Diluted (in cents)	3.50	1.57	122.9%

REVENUE ANALYSIS





- Cardiovascular devices business
- CRM devices business
- Orthopedics devices business
- Endovascular devices business
- Neurovascular devices business
- Surgical devices business
- Others

CEO STATEMENT

In the first half of 2019, the global medical device market continued to grow steadily, while the Chinese medical device market maintained fast growth. The implementation of a series of medical device market reform will bring certain challenges to the industry in the short run. In the long run, however, it will gradually improve the operating environment and promote the healthy and orderly development of the entire industry, which will be beneficial to the long-term development of corporations with innovation, strict quality control, standardised operation and large-scale production. The Group recorded sales revenue of US$392.6 million for the six months ended 30 June 2019 (the "Reporting Period"), representing a year-on-year growth of 26.7%. This was attributable to the robust growth of segments of cardiovascular devices, endovascular devices and neurovascular devices, and the consolidation of full six-month results in the first half of 2019 of the CRM business, the acquisition of which was completed on 30 April 2018. Net profit was US$60.8 million in the first half of 2019, representing a year-on-year growth of 151.4%. These results were largely derived from the rapid growth of the cardiovascular devices business and the endovascular devices business in the China market as well as the one-off gain from the transfer of the shares of Shanghai MicroPort EP MedTech Co., Ltd.

In respect of cardiovascular devices business, its revenue increased by 27.8% as compared to the corresponding period of last year (excluding the impact of foreign exchange). The Group's leading position in China market is increasingly prominent, which was mainly attributable to the stent business: the revenue of the Firehawk™ Coronary Rapamycin Target Eluting Stent ("Firehawk™") in China market increased 59.6% as compared to the corresponding period of last year (excluding the impact of foreign exchange); the revenue of the Firebird2™ Coronary Rapamycin-Eluting CoCr Coronary Stent ("Firebird2™") increased 6.6% as compared to the corresponding period of last year (excluding the impact of foreign exchange). In the international market, cardiovascular stents continued to expand its presence in the globe by obtaining 14 initial registration approvals in 6 countries or regions. Among them, Firehawk™ is being sold in 28 countries or regions. After The Lancet, one of the world's most prestigious medical journals, published the result from the large-scale TARGET All Comers ("TARGET AC") clinical research in Europe of Firehawk™ last year, the Company initially released two-year result from its TARGET AC in EuroPCR in May 2019. It further proved that the Firehawk™ stent can achieve identical clinical efficacy and safety with the first-in-class drug eluting stent with proven large body of medical evidence in the world and showed advantage in number in regard to certain aspects. Based on the results, the Firehawk™ stent's inclusion in French medical insurance reimbursement lists was approved and its initial implant surgery in France was completed in July. These will further promote the Firehawk™ stent in the European market. During the Reporting Period, the Group released the three-year follow-up results of the FUTURE-I clinical research on Firesorb™ Bioresorbable Rapamycin Target Eluting Coronary Scaffold System ("Firesorb™"), which proved that the Firesorb™ stent based on PLLA with thinner Scaffolds strut is one of the viable, safe and effective solutions to the patients with single de novo coronary artery lesions as compared with the first generation biodegradable Scaffolds. Besides, the balloon product business showed vigorous growth momentum and its revenue increased 66.4% in the global market as compared to the corresponding period of last year (excluding the impact of foreign exchange). In overseas market, the balloon products are being sold in 15 countries or regions.

As affected by the short-term fluctuation of the international (non-China) orthopedics business, the revenue of the orthopedics business during the first half of 2019 recorded a decrease compared with the same period of 2018. In overseas markets, the Group actively expanded its sales team, increased its cooperation with distributors and upgraded existing products, which laid a solid foundation for the potential revenue contribution. During the Reporting Period, the Group's China orthopedics business recorded a revenue growth of 53.3% (excluding the impact of foreign exchange), which was mainly attributable to the fast sales growth of imported joint products, which far exceeded the average sales growth of imported joint products market. In addition, as two domestically made knee products obtained registration certificate and launched, solid progress has been made in the process of domestic production, with overall competitiveness to be further enhanced through diversified product portfolio.

In respect of the CRM device business, the Group actively invested in research and development of products to improve its existing product line in overseas market and established direct sales network in Japan market for sustainable development in the long run. In the China market, the progress of domestic production was accelerated by the robust growth of sales revenue of the "Rega™", the Group's self-developed domestic pacemaker.

In addition, other businesses of the Company had also made significant progress as the endovascular devices business and neurovascular devices business achieved year-on-year revenue growth of 41.6% and 57.9% (excluding the impact of foreign exchange), respectively. For heart valve business, the Group's self-developed VitaFlow™ Transcatheter Aortic Valve and Delivery System obtained approval from the National Medical Products Administration ("NMPA") and production license in July 2019, and completed its first implantation on 28 August 2019 since its launch, followed by another three implantations on the same day. For surgical robot business, the Group's self-developed 3D electronic laparoscope was granted Green Path, becoming the Group's sixteenth product to do so.

The technological innovation mechanism combining the constantly enhanced innovation and industry-university-research collaboration provides prime impetus to the sustainable development of the Group. In the first half of 2019, various significant products obtained registration certificate and launched as the Group increased its investment in research and development and continued to improve the existing products. During the Reporting Period, a total of 7 products obtained the registration certificates from NMPA, including: Aspiration™ and SoSuperior™ Medial-Stabilized Total Knee Replacement Systems, hip implant components of wedge-shape femoral stem and metal femoral head and ARBORES™ Kyphoplastic Balloon Catheter from the orthopedics business, the new generation Firehawk Nova™ Rapamycin Target Eluting Coronary Stent System from the cardiovascular device business and Minos™ Abdominal Aortic Aneurysm and Delivery System from the endovascular device business. The Group also achieved fruitful results in the international market. For the cardiovascular device business, the new generation Firehawk Liberty™ Rapamycin Target Eluting Coronary Stent System and Firefighter™ NC PTCA Balloon Catheter received CE mark. For orthopedics business, the Evolution™ CS Stemmed Femur – a significant component of the Evolution™ Revision Knee System – has obtained registration certificate and approval for launch in the USA and Canada; the Evolution™ NitrX™ Medial-Pivot Knee obtained approval for launch in the USA; Knee Tensioner Instrument system also gained approval in the USA; Prime™ Acetabular system and Slo-Con™ Total Knee instruments obtained registration certificate in Japan, and the BIOLOX™ Delta Options system obtained registration certificate in Europe. All of these have further expanded the global product mix of the Group.

In terms of strategic financing, Shanghai MicroPort Endovascular MedTech Co., Ltd. was officially listed on the science and technology innovation board of the Shanghai Stock Exchange (Stock Code: 688016) on 22 July 2019. It is one of the first group of corporations listed on this board.

Looking forward, the Group will continue to achieve the mission of "continuous innovation to provide access to the best means of prolonging and reshaping lives", implement diversification and globalization strategies, and continue to build a brand that belongs to patients and doctors as well as offering high-end innovative medical solutions for more patients in the globe.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

OVERVIEW

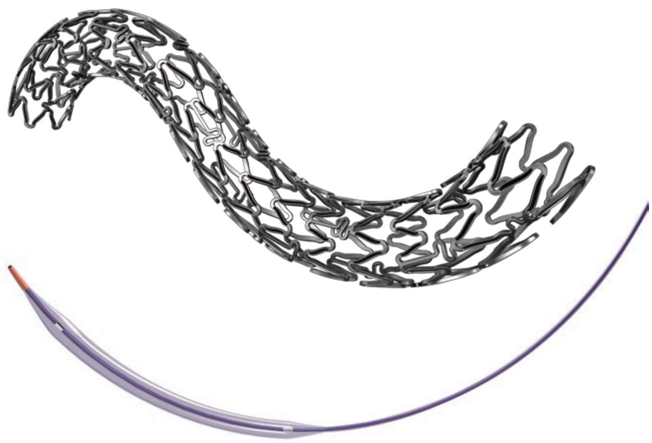
In the first half of 2019, with further improvement in global standards of living and progressively enhanced healthcare awareness, demand for medical device products and services continued to grow and the global medical device market maintained its steady growth trend. In China's domestic market, the "Reforming Proposal for High-Value Medical Consumables Management"(《關於治理高值醫用耗材的改革方案》) was approved by the Central Comprehensively Deepening Reform Committee, which adopts a problem-oriented approach, streamlines the high-value medical consumables pricing system, improves the whole-process supervision and management, improves the market environment and practicing environment of medical services by optimising the system, improves the policy and innovates the measures. It also promoted the formation of a governance environment with high quality, fast delivery, reasonable prices and standardised usage of medical consumables to promote the healthy and orderly development of the industry. This guiding document will lead to the subsequent introduction of specific policies and measures. Besides, the General Office of the State Council issued "Key Tasks for Deepening the Reform of the Medical and Healthcare System in 2019"(《深化醫藥衛生體制改革二零一九年重點工作任務》), proposing various actions in relation to medical consumables management. These included the promulgation of further regulation on policy documents for medical consumables, of rules for a sole identification system, and abolishment of medical consumables markups in public medical institutions. In addition, in the "Administrative Measures for Medical Consumables for Medical Institutions (Trial)"(《醫療機構醫用耗材管理辦法(試行)》) jointly issued by the National Health Commission and the National Administration of Traditional Chinese Medicine, the entire process management of medical consumables was regulated at the national level for the first time. The National Healthcare Security Administration ("NHSA") also issued several documents providing specific requirements for the entire process management of medical consumables and the standardization of medical insurance. In May 2019, NHSA convened a meeting to identify 30 cities in China including Beijing and Shanghai to adopt diagnosis related groups (DRGs) pilot program. Above all, in the future, the medical consumables will move toward refined and transparent management within a comprehensive policy ecosystem, which will deeply impact the development of the whole industry. This may bring certain challenges to the industry in the short term, but in the long run will create sound development environment for enterprises with active innovation, strict controls over quality, standardised operations and scale production. Those enterprises will definitely lead the healthy, rapid and high-quality development of China's medical device industry. In the international market, the registration threshold in Asia-Pacific countries is increasing and the new medical devices law of the European Union offered more detailed and stricter requirements on the supervision upon the launch of products. These challenges required the globalised layout and thus globalised resources allocation and managerial experience of the Company to cope with the business environment and regulatory changes in the international market.

In the first half of 2019, the Group's cardiovascular business, endovascular and peripheral vascular business, and neurovascular business grew rapidly while solid progress in domestic production of orthopedics was achieved. Development of research projects proceeded smoothly and several key products were launched after obtaining the registration certificate, which provided continuous momentum for the subsequent development. As of the six months ended 30 June 2019, the Group realised a revenue of US$392.6 million, representing an increase of 26.7% as compared with the same period of 2018, and an increase of 33.9% after excluding the impact of foreign exchange. The recorded net profit was US$60.8 million (profit attributable equity shareholders of the Company: US$65.5 million).

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENT REVIEW

– Rapid Growth Continued in the Cardiovascular Device Business



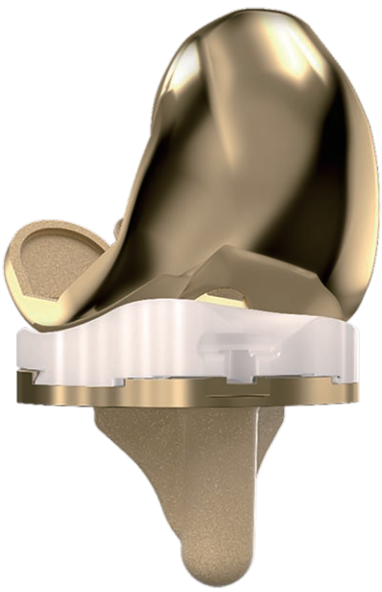
During the first half of 2019, the Group's cardiovascular business maintained rapid growth momentum and recorded revenue of US$129.1 million, representing a growth of 27.8% compared to the corresponding period of 2018 (excluding the impact of foreign exchange). While maintaining its existing market, the Group actively explored new markets and launched diverse marketing campaigns to enhance customer loyalty and ensure its leading position in the China market. During the Reporting Period, the Group's drug-eluting stents' domestic market revenue achieved year-on-year growth of 22.8% (excluding the impact of foreign exchange), among which the Firehawk™ Rapamycin Target Eluting Coronary Stent System ("Firehawk™") achieved year-on-year revenue growth of 59.6% (excluding the impact of foreign exchange), and the Firebird2™ Rapamycin-Eluting Coronary CoCr Stent System ("Firebird2™") realised year-on-year revenue growth of 6.6% (excluding the impact of foreign exchange). During the Reporting Period, the Group's cardiovascular business continued to expand in the China market, with particular attention being paid to developing county markets. As of 30 June 2019, the Group's drug-eluting stents covered more than 1,800 hospitals nationwide. The number of hospitals covered by Firehawk™ realised a 44% year-on-year increase, while those covered by Firebird2™ realised a year-on-year increase of 16%. The Group also achieved fine results overseas. Revenue from the international drug-eluting stent business increased by 65.3% (excluding the impact of exchange rate) compared with the same period of the previous year, among which revenue of Firehawk™ grew by 52.2% (excluding the impact of exchange rate). During the Reporting Period, Firehawk™ gained registration certificate in three countries or regions, now being sold in 28 countries or regions; revenue of Firebird2™ grew by 139.6% (excluding the impact of exchange rate).

Meanwhile, balloon products business continued robust growth trend, experiencing a year-on-year global sales growth of 66.4% (excluding the impact of foreign exchange). In overseas market, balloon products are sold in 15 countries or regions.

In respect of product research and development, in China market, Firehawk Nova™ Rapamycin Target Eluting Coronary Stent System ("Firehawk Nova™") with improvements in the delivery system obtained a registration certificate from National Medical Products Administration ("NMPA") in May 2019. In overseas market, the existing products of the business obtained 14 initial registration approvals in six countries or regions outside China. Among them, the new generation Firehawk Liberty™ Rapamycin Target Eluting Coronary Stent System ("Firehawk Liberty™") and Firefighter™ NC PTCA Balloon Catheter received CE mark.

With respect to clinical developments, in March 2019, at the China Interventional Therapeutics (CIT) conference, the Company released the three-year follow-up results of the FUTURE-I research on Firesorb™ Bioresorbable Rapamycin Target Eluting Coronary Scaffold System ("Firesorb™") for the treatment of coronary artery disease. It showed that the target lesion failure rate ("TLF rate") and Scaffolds thrombosis rate are both 0%, and the patient-oriented composite endpoint (PoCE) (including death, myocardial infarction and any target vessel revascularization) is 2.2%. The three-year optical coherence tomography (OCT) follow-up results showed no significant difference in strut-level analysis. It proved that the Firesorb™ stent based on PLLA with thinner Scaffolds strut is one of the viable, safe and effective solutions to the patients with single de novo coronary artery lesions as compared with the first generation biodegradable Scaffolds. In May 2019, at the EuroPCR 2019 conference, the Company initially released two-year follow-up data of TARGET All-Comers ("TARGET AC") trial. The data was simultaneously online published by the Journal of the American College of Cardiology, a well-known international medical journal. It further proved that the Firehawk™ stent with its innovative target-eluting technology can achieve identical clinical efficacy and safety with the first-in-class drug eluting stents with proven large body of medical-evidence in the world. In terms of incidence rate of advanced stent thrombosis and target lesion revascularization rates, the 24-month follow-up clinical results of the Firehawk™ stent had advantage in number than the control group. Based on the TARGET AC trial's satisfactory results, the Firehawk™ stent's inclusion in French medical insurance reimbursement lists was approved by the Comité Économique des Produits de Santé (CEPS). The initial implant surgery in France was completed in July. These will further promote the Firehawk™ stent in the French coronary stents market, the leading market in Europe.

– Short-term Fluctuation in International Orthopedics, Continued Domestic Market Expansion



In the first half of 2019, the Group continued to promote the unique product concept of the orthopedics business, expanded the sales team and progressively upgraded products. Domestic production received a solid boost with two domestic knee products obtaining certificates for launch. However, the impact of a short-term fluctuation in the international (non-China) orthopedics business saw the Group's orthopedics devices business realised revenue of US$113.4 million, representing a decrease of 4.8% (excluding the impact of foreign exchange).

During the Reporting Period, the international (non-China) orthopedics business recorded revenue of US$101.9 million, representing a decrease of 8.9% as compared to the corresponding period of 2018 (excluding the impact of foreign exchange). This was mainly due to the influence of the falling prices worldwide and the loss of a major US distributor in 2018. Regionally, the revenue from the US decreased by 11.5% (excluding the impact of foreign exchange) compared with last year, while revenue from Japan achieved an increase of 3.9% (excluding the impact of foreign exchange) compared with last year, maintaining an upward momentum. In the first half of 2019, the North America sales team actively explored potential markets and increased cooperation with new distributors, which has laid a solid foundation for the potential revenue contribution. In addition, the Group also participated in a range of international academic activities and improved the training of physicians as it focused on promoting the Medial-Pivot Knee technique that improves patient satisfaction and SuperPATH™ surgery which accelerates recovery. With respect to research and development of new products, the Evolution™ CS Stemmed Femur – a significant component of the Evolution™ Revision Knee System – has obtained registration certificate and approval for launch in the US and Canada. The new generation Evolution™ NitrX™ Medial-Pivot Knee ("NitrX™"), which was applicable for patients with allergies to certain metallic ions, obtained U.S. Food and Drug Administration's approval and completed the first implant in Canada in May 2019. The Knee Tensioner Instrument system has also obtained the approval in the US. In addition, various other significant products from the Group also obtained approval certificates in regions outside North America. These included the Prime™ Acetabular system and Slo-Con™ Total Knee instruments in Japan, and the BIOLOX™ Delta™ Options system in Europe.

During the Reporting Period, the Group's China orthopedics business recorded a revenue of US$11.5 million, representing growth of 53.3% compared to the corresponding period in 2018 (excluding the impact of foreign exchange), mainly due to the joint business' rapid sales growth of 55.8%, which far exceeded the market average. During the Reporting Period, the Company's promotion of Medial-Pivot Knee concept and SuperPATH™ hip replacement surgery resulted in a continuous increase in client acceptance. As hospital coverage has steadily grown with over 150 newly developed hospitals, the number of joint surgeries has increased rapidly, exceeding the average level of the industry. In respect of the research and development of new products, Aspiration™ Medial-Stabilized Total Knee Replacement System and SoSuperior™ Medial-Stabilized Total Knee Replacement System obtained registration certificates from the NMPA, and the hip implant components of wedge-shape femoral stem and metal femoral head have also obtained the registration certificate from the NMPA, which further enriched the China orthopedics business's product line. A series of marketing and training campaigns helped the Group to successfully initiate clinical applications of the two knee products, opening the era of domestic production. During the Reporting Period, the expansion of sales platforms, strengthened clinical promotion, commencement of marketing activities and successive new product launches led to a significant increase in revenue from the spine and trauma business, and the gross profit margin was also significantly improved. The orthopedics instrument business aimed to reduce the cost of developing tools by enhancing the scale effect. During the Reporting Period, bulk production of the domestic ICE Evolution knee instruments has initially completed for supply to the China market. The Global Supply Center continued to operate steadily and provided quality products and services to clients around the globe for four consecutive years.

- **Increased Investment in Research and Development, Accelerated Domestic Production for the CRM Device Business**

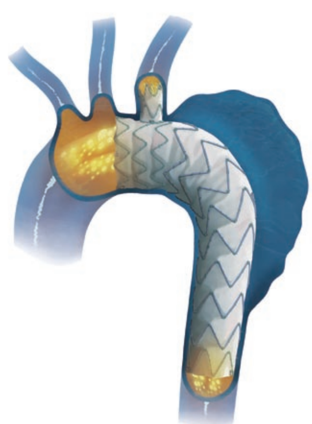
In the first half of 2019, the Group adjusted its marketing strategies and advanced the research and development of products to enhance its general competitiveness in overseas markets. Meanwhile, the China market continued to grow rapidly, attributable to the "Rega™", the Group's self-developed domestic pacemaker. During the Reporting Period, the CRM device business realised revenue of US$106.6 million.

In the first half of 2019, the international (non-China) CRM device business adjusted its market strategy and continued to invest in research and development to optimise its product portfolio and enhance its comprehensive competitiveness. During the Reporting Period, revenue from the international (non-China) CRM device business was US$103.1 million. In the Japan market, the Group's sales team transformed its distribution model to a direct managed sales network as a foundation for sustainable development. In respect of new product research and development, the first half of 2019 saw the world's smallest 1.5T and 3T magnetic resonance conditional pacemakers – the OTO™, ENO™ and TEO™ series – officially launched in Europe and rapidly gaining wide hospital usage. The new Smart Touch™ tablet program controller ("Smart Touch™") for implantable ECG devices was also launched in Europe. Smart Touch™ combines the tablet format with Bluetooth to enable wireless connections with supporting equipment such as printers or electrocardiograms, bringing new convenience to the control and operation of applications and accelerating the follow-up operations of our implantable ECG devices.

During the Reporting Period, MicroPort Sorin CRM (Shanghai) Co., Ltd. ("MSC") realised a revenue of US$3.5 million and achieved fast growth, mainly driven by the rapid growth of domestic pacemakers. During the Reporting Period, the Group's continuous efforts in brand construction and academic promotion helped to significantly improve domestic brand recognition. Development and cooperation with new hospital increased rapidly, which increased implantations and further accelerated the progress of domestic production of pacemakers. During the Reporting Period, MSC covered over 250 hospitals, representing an increase of 88.6% compared to last year. The Beflex™ active pacing lead, which obtained registration certificate in 2018, also commenced clinical applications throughout China.

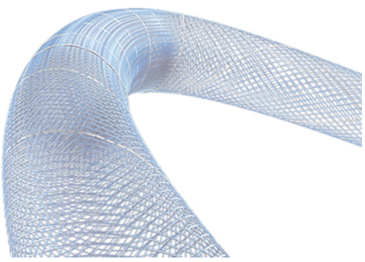
- **Significant Growth in the Endovascular and Peripheral Vascular Device Business**

During the Reporting Period, the Group's endovascular and peripheral vascular devices business recorded revenue of US$25.6 million, representing a rapid year-on-year growth of 41.6% (excluding the impact of foreign exchange), significantly exceeding the average market growth. This was mainly driven by the sales growth of all major products. In particular, the Castor™ single-branched thoracic aortic stent ("Castor™") – the world's first thoracic branch stent – has been applied by over 200 hospitals in China. To date, Castor™ has been implanted in more than 1,000 cases, and it has driven the growth of the endovascular devices segment during the first half of the year. In addition, the endovascular business actively explored the market by means to maintain a competitive advantage in second, third and fourth tier cities. In respect of the Company's research and development and innovation capabilities, during the Reporting Period, the Minos™ Abdominal Aortic Aneurysm and Delivery System ("Minos™") obtained a NMPA registration certificate via the innovative medical device special approval programme. Minos™ is currently the only domestically produced product with independent intellectual property rights that reduces the outer diameter of the delivery sheath to 14F (<5mm). It further enriches the product portfolio for the treatment of abdominal aortic diseases.



On 22 July 2019, Shanghai MicroPort Endovascular MedTech Co., Ltd. was officially listed on the science and technology innovation board of the Shanghai Stock Exchange (Stock Code: 688016), being one of the first group of corporations listed on this board.

RAPID GROWTH IN OTHER BUSINESSES



During the Reporting Period, the Group's neurovascular devices business achieved a year-on-year revenue growth of 57.9% (excluding the impact of foreign exchange), mainly from the continuous development of target market hospitals as well as the guidance for the market by the concept of the treatment of vascular reconstruction. The concept led to the rapid sales growth of the APOLLO™ Intracranial Stent System ("APOLLO™") and the Tubridge™ Vascular Reconstruction Device ("Tubridge™") that obtained registration certificate in 2018. During the Reporting Period, APOLLO™ covered 72 new hospitals in China, and its revenue increased by 16.5% as compared with the same period of last year (excluding the impact of exchange rates). As the first flow diverting stent approved in China, Tubridge™ was widely recognised since its launch. It newly covered 90 new hospitals in China and contributed 33.7% of the segment revenue, increasing from 3.3% for the corresponding period of last year. The Group also has a number of products under development that will continue to enrich the neural intervention product line in the future.

For heart valve business, the Group's self-developed VitaFlow™ Transcatheter Aortic Valve and Delivery System obtained NMPA approval and production license in July 2019, and completed its first implantation on 28 August 2019 since its launch, followed by another three implantations on the same day. VitaFlow™ already has two-year follow-up results, which shows outstanding quality of this product. VitaFlow™ II Transcatheter Aortic Valve and Retrievable Delivery System ("VitaFlow™ II") has entered the special review procedures for innovative medical devices ("Green Path") and kicked off the clinical trial in China. In the international market, VitaFlow™ II has initiated the pre-marketing clinic research project VITALE trial in Europe, which is the first pre-marketing clinical trial in Europe for made-in-China aortic valve, and completed first patient enrollment.

For surgical robot business, research projects are progressing steadily. The laparoscopic surgical instrument control system has initiated the type testing process. The Group's 3D electronic laparoscope was granted Green Path. Since there is no domestic 3D laparoscope product currently in China, the grant of Green Path will assist in popularising cutting-edge technology and boost the development of connected industries.

In the first half of 2019, the Company completed its transfer of the shares of Shanghai MicroPort EP MedTech Co., Ltd. ("MP EP"), and the equity interest held by the Company in MP EP dropped from 81.93% on 31 December 2018 to 45.10%. The financial report of MP EP was no longer consolidated into the Company's results.

– **Major Progress in Research and Development**

As of 30 June 2019, seven of the Group's products had gained NMPA registration approval and one product entered the Green Path. In addition, the Group has various products that have obtained certificate in the international market.

In respect of the cardiovascular devices business, the Group's self-developed Firehawk Nova™ obtained a NMPA registration certificate in May 2019. In addition, in the first half of 2019, existing products in the segment have obtained 14 initial registration approvals in six countries or regions outside China, including the new generation of the Firehawk Liberty™ Rapamycin Target Eluting Coronary Stent System, has obtained the CE certification, as well as the Firefighter™ NC PTCA Balloon Catheter has also obtained initial registration approval in EU.

In respect of the orthopedic devices business, Aspiration™ Medial Stability Total Knee Replacement System and the SoSuperior™ Medial Stability Total Knee Replacement System both obtained NMPA registration certificates in January 2019. Also obtaining NMPA registration certificates were the hip implant components of wedge-shape femoral stem and metal femoral head. In March 2019, the Group's self-developed ARBORES™ Kyphoplastic Balloon Catheter obtained a registration certificate.

In the international market, the Evolution™ CS Stemmed Femur – a significant component of the Evolution® Revision Knee System – has obtained registration certificate and approval for launch in the USA and Canada. NitrX™ Medial-Pivot Knee has also obtained U.S. Food and Drug Administration's approval, and The Knee Tensioner Instrument system has also obtained the approval in the US, the Prime Acetabular system and Slo-Con Total Knee instruments in Japan, as well as the BIOLOX™ Delta Options system in Europe. These favorable product mixes has expanded orthopedics the favorable product mix globally.

In respect of the endovascular and peripheral vascular devices business, the Group's self-developed Minos™ Abdominal Aortic Aneurysm and Delivery System also obtained an NMPA registration certificate in March 2019.

In the heart valve business, the VitaFlow™ Transcatheter Aortic Valve and Delivery System obtained a NMPA registration certificate in July 2019, becoming the Group's sixth product to successfully obtain registration certificate after entering the Green Path.

In respect of the surgical robotics business, the Group's self-developed 3D electronic laparoscope was granted to enter the Green Path, becoming the Group's sixteenth product to do so.

FINANCIAL REVIEW

OVERVIEW

Faced with an increasingly fierce competition in the rapidly growing medical device industry in China and abroad, the Group has successfully achieved revenue growth of 26.7% in US$ for the six months ended 30 June 2019 and maintained its leading position in China. The Group continued to provide a diversified product portfolio and pursue the Group's globalization strategy with non-China sales contributing 54.7% of the total revenue. The Group aims to continuously bring its innovations, technologies and services to millions of global patients and become a patient oriented global enterprise capable of leading minimally invasive and other emerging medical technologies.

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

REVENUE

US$'000	Six months ended 30 June 2019	30 June 2018	Percent change in US$	in local currency
Cardiovascular devices business	**129,067**	106,848	20.8%	27.8%
Orthopedics devices business	**113,430**	122,134	(7.1%)	(4.8%)
Cardiac Rhythm Management business *(*Note 1)*	**106,579**	43,752	143.6%	162.5%
Endovascular and peripheral vascular devices business	**25,567**	19,876	28.6%	41.6%
Neurovascular devices business	**12,399**	8,331	48.8%	57.9%
Surgical devices business	**2,142**	3,406	(37.1%)	(33.5%)
Other business *(*Note 2)*	**3,423**	5,520	(38.0%)	(35.7%)
Total	**392,607**	309,867	26.7%	33.9%

**Note:*

1. The acquisition of the CRM business from LivaNova was completed on 30 April 2018. Revenue of this segment disclosed herein for the period ended 30 June 2018 includes the acquired business for the period from 30 April 2018 to 30 June 2018.

2. Other business segment did not meet the quantitative thresholds for determining reportable segments. During the Reporting Period, revenue of other business is mainly attributable to electrophysiology devices business. MP EP was restructured in 2019 whereby the Group ceased to control over MP EP which became an equity-accounted investee of the Group. As a result, the revenue of this segment disclosed herein for the six months ended 30 June 2019 was recorded from MP EP for the period from 1 January 2019 to the date of loss of control.

The Group's revenue for the six months ended 30 June 2019 was US$392.6 million, increasing by 26.7% compared to US$309.9 million for the six months ended 30 June 2018. The Group's reported revenue was impacted by translation from the functional currency of the Group's subsidiaries, to US$, the presentation currency of the Group due to the appreciation or depreciation of US$ against the functional currency. Excluding the foreign exchange impact, the Group's revenue growth rate was 33.9%. Such an increase was primarily driven by strong sales performance of the major business and the consolidation of full six-month results of the CRM business. The following discussion is based on the Group's major business segments.

– **Cardiovascular Devices Segment**

The Group's cardiovascular devices segment recorded a revenue of US$129.1 million for the six months ended 30 June 2019, representing a growth of 27.8% excluding the foreign exchange impact or a growth of 20.8% in US$ compared to the six months ended 30 June 2018. Such increase was mainly attributable to (i) Firehawk™ penetrated into an increasing number of hospitals across more provinces in China and overseas, with its global revenue achieving 58.7% growth excluding the foreign exchange impact compared with the six months ended 30 June 2018; and (ii) Firebird2™ sales maintaining a steady growth of 8.0% excluding the foreign exchange impact through advanced distribution channels.

– **Orthopedics Devices Segment**

	Six months ended		Percent change	
US$'000	30 June 2019	30 June 2018	in US$	in local currency
Orthopedics Devices Segment	**113,430**	122,134	(7.1%)	(4.8%)
– US	**45,107**	50,985	(11.5%)	(11.5%)
– EMEA	**29,131**	32,984	(11.7%)	(6.5%)
– Japan	**17,743**	17,401	2.0%	3.9%
– the PRC	**11,547**	8,007	44.2%	53.3%
– Others	**9,902**	12,757	(22.4%)	(21.2%)

The Group's orthopedic devices segment recorded a revenue of US$113.4 million for the six months ended 30 June 2019, representing a decrease of 4.8% excluding the foreign exchange impact or 7.1% in US$ compared to the six months ended 30 June 2018. Such decrease in revenue was mainly because (i) revenue in the US decreased by 11.5%, which was mainly due to the loss of a major distributor; (ii) revenue in Japan increased by 3.9% excluding the foreign exchange impact or 2.0% in US$, which was attributable to positive momentum from Japan market driven by a focus on sales execution and customer development; (iii) revenue in Europe, the Middle East and Africa (EMEA) market decreased by 6.5% excluding the foreign exchange impact or 11.7% in US$ over the prior period, mainly due to the decrease of direct sales from subsidiaries; (iv) revenue in the PRC market increased by 53.3% excluding the foreign exchange impact or 44.2% in US$, which was attributable to the greater market recognition from surgeons for the Medial-Pivot Knee and SuperPATH™, and market penetration to several white spaces, leading to a significant increase in sales volume; and (v) sales in other markets recorded a decrease of 21.2% excluding the foreign exchange impact or 22.4% in US$, mainly due to the decrease of sales in Australia.

– **CRM Devices Business**

US$'000	Six months ended 30 June 2019	30 June 2018	Percent change in US$	in local currency
CRM Devices Business *(* Note 1)*	**106,579**	43,752	143.6%	162.5%
– US	**1,307**	581	125.0%	134.7%
– EMEA	**92,813**	35,808	159.2%	172.5%
– Japan	**5,845**	5,234	11.7%	17.6%
– the PRC	**3,481**	985	253.4%	269.0%
– Others	**3,133**	1,144	173.9%	167.1%

CRM devices business was acquired by the Group from LivaNova, and the acquisition was completed on 30 April 2018. Following completion of such acquisition, the financial results of the CRM business has been consolidated into the financial statement of the Group. CRM devices business recorded revenue of US$106.6 million for the six months ended 30 June 2019, representing an increase of 162.5% excluding the foreign exchange impact or 143.6% in US$ over the six months ended 30 June 2018. As a result, the revenue of this segment disclosed herein for the six months ended 30 June 2018 only includes the acquired business for the period from 30 April 2018 to 30 June 2018 and the previous pacemaker business for the six months period ended 30 June 2018.

– **Endovascular Devices Segment**

The Group's endovascular devices segment achieved revenue of US$25.6 million for the six months ended 30 June 2019, representing a growth of 41.6% excluding the foreign exchange impact or a growth of 28.6% in US$ compared with the six months ended 30 June 2018. Such growth was mainly attributable to the following factors: (i) positive market recognition and enhanced competitiveness of the Group's endovascular products in aortic aneurysm and endovascular treatment market attributable from the newly launched product Castor™, the world's first thoracic branch stent-graft system; and (ii) in response to government guideline, cultivating markets in second-and third-tier cities through effective promotion mechanisms.

– **Neurovascular Devices Segment**

The Group's neurovascular devices segment recorded revenue of US$12.4 million for the six months ended 30 June 2019, representing a growth of 57.9% excluding the foreign exchange impact or a growth of 48.8% in US$ compared to the six months ended 30 June 2018. Such growth was mainly attributable to: (i) positive market recognition for newly launched Tubridge™, the first flow diverting stent approved for product launch in China; (ii) the organic growth of 16.5% excluding the foreign exchange impact in APOLLO™ driven by its greater market recognition; and (iii) rapid growth of an agent product, neurovascular guide wire ASAHI.

– **Surgical Management Segment**

The Group's segment of surgical management devices recorded revenue of US$2.1 million for the six months ended 30 June 2019, representing a decrease of 33.5% excluding the foreign exchange impact or a decrease of 37.1% in US$ compared to the six months ended 30 June 2018. The decrease was primarily due to the temporary suspension of production of certain production lines. The cause of suspension of production was eliminated in May 2019 and the production of the segment of surgical management devices was resumed.

– **Other Business Segment**

The Group's other business segment recorded revenue of US$3.4 million for the six months ended 30 June 2019, representing a decrease of 35.7% excluding the foreign exchange impact or a decrease of 38.0% in US$ compared to the six months ended 30 June 2018. Other business segment did not meet the quantitative thresholds for determining reportable segments. During the Reporting Period, revenue of other business is mainly attributable to electrophysiology devices business. MP EP was restructured in 2019 whereby the Group ceased to control over MP EP and therefore it became an equity-accounted investee of the Group. As a result the revenue of this segment disclosed herein for the six months ended 30 June 2019 only accrued revenue from MP EP for the period from 1 January 2019 to the date of loss of control.

COST OF SALES

For the six months ended 30 June 2019, the Group's cost of sales was US$111.0 million, representing a 22.7% increase as compared to US$90.4 million for the six months ended 30 June 2018. Such increase was primarily attributable to (i) the increased sales volume of the major segments; and (ii) the cost of sales of the CRM business which was acquired in April 2018 was consolidated in the comprehensive financial statement of the Group but it only included the cost of sales from the acquisition of business from 30 April 2018 to 30 June 2018 for the six months ended 30 June 2018.

GROSS PROFIT AND GROSS PROFIT MARGIN

As a result of the foregoing factors, the Group's gross profit increased by 28.4% from US$219.4 million for the six months ended 30 June 2018 to US$281.6 million for the six months ended 30 June 2019. Gross profit margin is calculated as gross profit divided by revenue. The Group's gross profit margin increased to 71.7% for the six months ended 30 June 2019 as compared to 70.8% for the six months ended 30 June 2018, primarily attributable to the optimisation of the product sales mix.

OTHER NET INCOME

The Group recorded other net income of US$8.6 million for the six months ended 30 June 2019, representing a 101.5% increase as compared to US$4.3 million for the six months ended 30 June 2018. The increase was mainly attributable to the increase in government grant.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs increased by 62.6% from US$41.8 million for the six months ended 30 June 2018 to US$68.0 million for the six months ended 30 June 2019. Such increase was primarily due to (i) the acquisition of the CRM business, which incurred research and development costs of US$25.0 million for the six months ended 30 June 2019 and US$7.1 million for the six months ended 30 June 2018; and (ii) the increased investments in the on-going research and development projects and the newly kicked off research and development projects.

DISTRIBUTION COSTS

Distribution costs increased by 37.6% from US$91.9 million for the six months ended 30 June 2018 to US$126.5 million for the six months ended 30 June 2019. Such increase was mainly attributable to (i) the acquisition of CRM business, which incurred distribution costs of US$47.3 million for the six months ended 30 June 2019 and US$15.8 million for the six months ended 30 June 2018; (ii) increase in staff cost; and (iii) increase in sales promotion and post-launching clinical trial expenses.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by 30.0% from US$42.3 million for the six months ended 30 June 2018 to US$55.0 million for the six months ended 30 June 2019. The increase was mainly attributed to (i) the acquisition of CRM business, which incurred administrative expenses of US$11.7 million for the six months ended 30 June 2019 and US$3.6 million for the six months ended 30 June 2018; and (ii) increase in staff cost.

OTHER OPERATING COSTS

Other operating costs decreased by 26.2% from US$7.9 million for the six months ended 30 June 2018 to US$5.9 million for the six months ended 30 June 2019. The decrease was mainly due to (i) decrease in professional fees relating to the acquisition of the CRM business for the six months ended 30 June 2019; and (ii) decrease of impairment loss of intangible assets.

FINANCE COSTS

Finance costs increased from US$8.7 million for the six months ended 30 June 2018 to US$9.6 million for the six months ended 30 June 2019. The increase was mainly attributable to the impact of adoption of HKFRS 16, Lease from 1 January 2019.

GAIN ON DISPOSAL OF SUBSIDIARIES

In February 2019, MP EP together with its original shareholders entered into a capital increase and share transfer agreement and a shareholder agreement with Jiaxing Huajie, pursuant to which, Jiaxing Huajie agreed to (i) subscribe for 16,477,942 newly issued shares of MP EP at a cash consideration of RMB200.0 million; and (ii) acquire 18,362,194 shares of MP EP from the Group at a cash consideration of RMB222.9 million. The transaction was accounted for as a disposal of MP EP with a gain of US$63.1 million recognised in profit or loss for the six months ended 30 June 2019.

INCOME TAX

Income tax increased from US$9.9 million for the six months ended 30 June 2018 to US$26.4 million for the six months ended 30 June 2019, which was primarily due to: (i) the increase in profit before tax of the PRC subsidiaries; and (ii) estimated tax expenses in relation to the disposal of partial equity interests in MP EP.

No deferred tax assets were recognised for certain loss-making subsidiaries as at 30 June 2019.

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 loans or issuance of equity or convertible bonds.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, the Group had US$95.4 million of cash and cash equivalents on hand, as compared to US$130.1 million as of 31 December 2018. The decrease was mainly attributable to the working capital invested in the CRM business. The Board's approach to manage liquidity of the Group is to ensure sufficient liquidity at any time to meet its matured liabilities to avoid any unacceptable losses or damage to the Group's reputation.

BORROWING AND GEARING RATIO

Total borrowings of the Group was US$329.7 million as of 30 June 2019 and US$329.1 million as of 31 December 2018. As of 30 June 2019, the gearing ratio of the Group, calculated as total bank borrowings and convertible bonds divided by total equity, decreased to 56.9% from 62.2% as at 31 December 2018.

NET CURRENT ASSETS

The Group's net current asset as at 30 June 2019 was US$93.4 million, as compared to US$114.3 million as at 31 December 2018.

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 Japanese yen). For the six months ended 30 June 2019, the Group recorded net exchange gain of US$0.2 million, as compared to a net exchange gain of US$3.6 million for the six months ended 30 June 2018. The Group did not have any hedging arrangements to manage foreign exchange risk but has been actively monitoring its foreign exchange risk.

CAPITAL EXPENDITURE

During the six months ended 30 June 2019, the Group's total capital expenditure amounted to approximately US$62.2 million, which was used in (i) construction of building; (ii) acquiring equipment and machinery and (iii) expenditures for research and development projects in development stage.

CHARGE ON ASSETS

As at 30 June 2019, the Group had set pledge on bank deposits and mortgage on its buildings and land use right for own use for securing bank loans with a carry value of US$38.6 million.

As at 30 June 2019, a bank loan amounting to US$84.2 million in connection with the acquisition of the CRM Business was secured by the equity interests of the Company's four subsidiaries, namely Shanghai MicroPort Medical (Group) Co., Ltd. ("MP Shanghai"), MicroPort International Corp. Limited, MicroPort International Corp. and MicroPort Cardiac Rhythm B.V. and guaranteed by MP Shanghai.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend to the Shareholders for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

HUMAN RESOURCES AND TRAINING

In the first half of 2019, the Group had 5,768 employees globally, 1,718 of which were overseas employees in the Asia Pacific region, EMEA, North America and Australia, accounting for 30% of the total number of employees. The evolution of the Group's global footprint has enriched its staff diversity which fuels the future growth.

Talent development sparks as another highlight for the Group. Based on the talent development path, we established a comprehensive training system framework to conduct target-oriented trainings to the professional employees in all levels so as to implement the development strategy of building a talent team. In addition, the Group also implemented an "Expert Program" to enhance the professionalism of the employees through the knowledge exchange among the industry technology experts.

PROSPECTS

As a leading, innovative high-end medical device group, the Company will strive to implement its globalisation and diversification strategies and will continue to innovate and optimise the existing product line. At the same time, the Company will vigorously promote domestic production and introduce more high-end innovative medical solutions to benefit more patients.

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

As at 30 June 2019, interests and short positions in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) held by the directors of the Company ("Directors") and chief executives of the Company which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Name of Director/Chief Executive	No. of Shares	Note	Capacity	Nature of interest	Approximate percentage of interest in the Company
Zhaohua Chang	58,698,111	1	Beneficial owner	Long position	3.66%
Jonathan H. Chou	1,000,000	2	Beneficial owner	Long position	0.06%

Notes:

(1) Zhaohua Chang is interested in the underlying Shares of the Company by virtue of the options granted to him under the share option scheme of the Company. For further details, please refer to the below section headed "Share Option Schemes".

(2) Jonathan H. Chou is interested in the underlying Shares of the Company by virtue of the options granted to him under the share option scheme of the Company. For further details, please refer to the below section headed "Share Option Schemes".

Save as disclosed above, as at 30 June 2019, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2019, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would need to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

INTERESTS AND SHORT POSITIONS IN THE SHARES

Name of Substantial Shareholder	No. of Shares	Notes	Capacity	Nature of interest	Percentage of total number of Shares in issue (%)
Otsuka Holdings Co., Ltd.	382,994,120	1	Interest of controlled corporation	Long position	23.88
Otsuka Medical Devices Co., Ltd.	382,994,120	1	Beneficial owner	Long position	23.88
Maxwell Maxcare Science Foundation Limited	234,384,296	2	Interest of controlled corporation	Long position	14.62
We'Tron Capital Ltd.	234,384,296	2	Beneficial owner	Long position	14.62
Shanghai We'Tron Capital Corp.	234,384,296	2	Interest of controlled corporation	Long position	14.62
Shanghai Zhangjiang (Group) Co., Ltd.	221,748,050	3	Interest of controlled corporation	Long position	13.83
Shanghai Zhangjiang Science and Technology Investment Co.	221,748,050	3	Interest of controlled corporation	Long position	13.83
Shanghai Zhangjiang Haocheng Venture Capital Co., Ltd.	221,748,050	3	Interest of controlled corporation	Long position	13.83
Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd.	221,748,050	3	Interest of controlled corporation	Long position	13.83
Shanghai Zhangjiang Science and Technology Investment (Hong Kong) Company Limited	221,748,050	3	Interest of controlled corporation	Long position	13.83
Shanghai ZJ Hi-Tech Investment Corporation	221,748,050	3	Interest of controlled corporation/ Beneficial Owner	Long position	13.83
Shanghai ZJ Holdings Limited	221,748,050	3	Interest of controlled corporation	Long position	13.83
Shanghai Zhangjiang Health Solution Holdings Limited	214,705,470	3	Beneficial Owner	Long position	13.39
CAP IV, L.L.C.	108,238,011	4	Interest of controlled corporation	Long position	6.75
	37,056,193	4	Interest of controlled corporation	Short position	2.31
CAP IV General Partner, L.P.	108,238,011	4	Interest of controlled corporation	Long position	6.75
	37,056,193	4	Interest of controlled corporation	Short position	2.31
Carlyle Asia Partners IV, L.P.	108,238,011	4	Interest of controlled corporation	Long position	6.75
	37,056,193	4	Interest of controlled corporation	Short position	2.31
CAP IV Coinvestment, L.P.	108,238,011	4	Interest of controlled corporation	Long position	6.75
	37,056,193	4	Interest of controlled corporation	Short position	2.31
Erudite Holdings Limited	108,238,011	4	Interest of controlled corporation	Long position	6.75
	37,056,193	4	Interest of controlled corporation	Short position	2.31
Grand Eternity Limited	97,632,486	5	Interest of controlled corporation	Long position	6.09
East Image Limited	97,632,486	5	Interest of controlled corporation	Long position	6.09
East Mega Limited	97,632,486	5	Interest of controlled corporation	Long position	6.09
Helix Capital Partners	97,632,486	5	Interest of controlled corporation	Long position	6.09
Starwick Investments Limited	97,632,486	5	Beneficial Owner	Long position	6.09

Notes:

(1) Otsuka Holdings Co., Ltd. holds the entire issued share capital of Otsuka Medical Devices Co., Ltd. and therefore, is deemed to be interested in the same number of Shares held by Otsuka Medical Devices Co., Ltd..

(2) Maxwell Maxcare Science Foundation Limited holds 100% interest of Shanghai We'Tron Capital Corp. which in turn is interested in 94.19% of We'Tron Capital Limited. Therefore, Maxwell Maxcare Science Foundation Limited, Shanghai We'Tron Capital Corp. and We'Tron Capital Limited are interested in the same 234,384,296 Shares held by We'Tron Capital Limited.

(3) Shanghai Zhangjiang (Group) Co., Ltd. is wholly owned by the State-Owned Assets Supervision and Administration Commission of the Shanghai Pudong New Area People's Government. Shanghai Zhangjiang (Group) Co., Ltd. holds 100% interest in Shanghai Zhangjiang Science and Technology Investment Co., which in turn holds 100% interest in Shanghai Zhangjiang Science and Technology Investment (Hong Kong) Company Limited, which in turn holds 50% interest in Shanghai ZJ Hi-Tech Investment Corporation. Shanghai Zhangjiang (Group) Co., Ltd. also holds 50.75% interest in Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd., which in turn holds 100% interest in Shanghai Zhangjiang Haocheng Venture Capital Co., Ltd., which in turn holds 100% interest in Shanghai ZJ Holdings Limited, which in turn holds 50% interest in Shanghai ZJ Hi-Tech Investment Corporation. Shanghai ZJ Hi-Tech Investment Corporation holds 100% interest in Shanghai Zhangjiang Health Solution Holdings Limited. The interest in 221,748,050 Shares relates to the same block of Shares in long position held by the following companies:

Name of Controlled Corporation	No. of Shares	Approximate Percentage of total number of Shares in issue (%)
Shanghai Zhangjiang Health Solution Holdings Limited	214,705,470	13.39
Shanghai ZJ Hi-Tech Investment Corporation	7,042,580	0.44
Total	221,748,050	13.83

(4) Erudite Holdings Limited holds the entire issued share capital of Erudite Parent Limited and Erudite Investment Limited respectively. Erudite Parent Limited and Erudite Investment Limited hold 71,181,818 Shares and 37,056,193 Shares, both in long position respectively. In addition, Erudite Investment Limited holds 37,056,193 Shares in long and short positions. Therefore, CAP IV, L.L.C., CAP IV General Partner, L.P., Carlyle Asia Partners IV, L.P., CAP IV Coinvestment, L.P. and Erudite Holdings Limited are deemed to be interested in the same 108,238,011 Shares in long position and 37,056,193 Shares in short position.

(5) Grand Eternity Limited holds 20.5% interests of East Image Limited. East Image Limited is managed by Grand Eternity Limited, East Mega Limited and Helix Capital Partners. East Image Limited holds 92.96% of Starwick Investments Limited. Starwick Investments Limited holds 97,632,486 Shares in long position. Therefore, Grand Eternity Limited, East Mega Limited, Helix Capital Partners and East Image Limited are interested in the same 97,632,486 Shares held by Starwick Investments Limited.

Save as disclosed above, as at 30 June 2019, the Directors of the Company were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would need to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Pursuant to the share award scheme approved by the Board on 26 August 2011 ("Share Award Scheme"), the Company purchased, through the trustee of the Share Award Scheme ("Trustee"), a total of 19,426,000 shares of the Company at cash consideration of US$17,632,000 on the Stock Exchange for the six months ended 30 June 2019.

Save as disclosed above, during the six months ended 30 June 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Save as disclosed in note 17 to the unaudited interim financial report as set out from page 59 to page 60 of this interim report, the Group did not have any material acquisition or disposal of subsidiaries or associated companies during the six months ended 30 June 2019.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the six months ended 30 June 2019, the Directors were not aware of any business or interest of the Directors or any substantial shareholder (as defined under the Listing Rules) of the Company and their respective associates (as defined under the Listing Rules) that had competed or might compete directly or indirectly with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to 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 six months ended 30 June 2019.

SHARE AWARD SCHEME

The Board approved and adopted the Share Award Scheme as a means of recognizing the contributions of selected employees of the Group.

Pursuant to the Share Award Scheme, the Board may, from time to time and at its absolute discretion, award selected employees of the Group by granting share of the Company ("Awarded Shares") during the duration of the Share Award Scheme. The Board shall cause to be paid the purchase price for the Awarded Shares and the related expenses to the Trustee of the Share Award Scheme, who will purchase the Awarded Shares on the Stock Exchange at the prevailing market price. The Awarded Shares are held on trust by the Trustee until the Awarded Shares are vested in accordance with the provisions of the Share Award Scheme. The Board shall not make any further award of Awarded Shares which will result in the nominal value of the Share awarded by the Board under the Share Award Scheme exceeding 10% of issued share capital of the Company from time to time. The maximum number of Shares which may be awarded to a selected employee of the Group shall not exceed 1% of the issued share capital of the Company from time to time. For further details of the Share Award Scheme, please refer to the announcement of the Company dated 15 September 2011.

Pursuant to the Share Award Scheme, the Trustee of the Share Award Scheme purchased a total of 19,426,000 Shares at cash consideration of US$17,632,000 on the Stock Exchange during the six months ended 30 June 2019.

SHARE OPTION SCHEMES

PRE-IPO SHARE OPTION SCHEME

In order to attract and retain eligible persons, and to provide an additional incentive for them to promote the success of the Group, the Company had adopted a share option scheme in 2004 (the "2004 Option Plan") and 2006 (the "2006 Incentive Plan") (collectively the "Pre-IPO Share Option Scheme"). The 2004 Option Plan, authorized to grant up to 10,261,030 share options, was modified when the Company agreed to assume the obligation of all outstanding and unvested share options of MicroPort Medical (Cayman) Corporation, while the 2006 Incentive Plan was modified prior to IPO by increasing the maximum aggregate number of shares which may be issued to 6,509,157.

As part of the restructuring of the Company due to the IPO, the Company approved a 10-for-1 share split, which as a result adjusted all share options issued prior to the share split by a 10-for-1 ratio accordingly. As such, total number of securities available for issue under the Pre-IPO Share Option Scheme are 102,610,300 Shares and 65,091,570 Shares for the 2004 Option Plan and the 2006 Incentive Plan, respectively. As at 30 June 2019, the total aggregate share options that may be granted under the Pre-IPO Share Option Scheme is 167,701,870 Shares, which represented 10.46% of the issued share capital of the Company. However, no additional options have been issued under the Pre-IPO Share Option Scheme since the listing of the Company on the Stock Exchange, and the total outstanding options that has been issued under the Pre-IPO Share Option Scheme is 3,292,000 Shares.

The administrator of the Pre-IPO Share Option Scheme (the "Administrator") may at its discretion select the employees, Directors and consultants to whom options may be granted from time to time. The exercise period for the options granted under the Pre-IPO Share Option Scheme shall be no more than ten (10) years from the date of grant, and five (5) years if the grantee who owns shares representing more than ten percent (10%) of the voting power of all classes of shares in the Company. The exercise price under the Pre-IPO Share Option Scheme shall be based on one hundred percent (100%) of the fair market value per share on the date of grant, and one hundred and ten percent (110%) if the grantee owns shares representing more than ten percent (10%) of the voting power of all classes of shares in the Company. The Administrator shall determine the provisions, terms and conditions of each grant including, but not limited to, the vesting schedule, repurchase provisions, rights of first refusal, forfeiture provisions, form of payment (cash, shares, or other consideration) upon settlement of the options, payment contingencies, and satisfaction of any performance criteria.

SHARE OPTION SCHEME

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

The purpose of the Share Option Scheme is to provide the Company with a means of incentivizing Directors, employees of business associates and retaining employees, and to encourage employees to work towards enhancing the value of our Company and promote the long-term growth of the Company. The Share Option Scheme will link the value of the Company with the interests of participants, enabling participants and the Company to develop together and promoting the Company's corporate culture.

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

The Company shall be entitled to issue options, provided that the total number of Shares which may be allotted and issued upon exercise of all outstanding options to be granted under the Share Option Scheme of the Company shall not exceed 10% of the aggregate Shares in issue as at the date when the Shares were first listed on the Stock Exchange, which is 140,411,234 Shares. As at 30 June 2019, 152,813,091 Shares were available for issue under the Share Option Scheme, which represented 9.53 % of the issued share capital. The Company may at any time refresh this 10% limit, subject to compliance with the Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme and any other share option scheme of the Company does not exceed 30% of the Shares in issue from time to time.

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

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

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

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

The Share Option Scheme will remain in force for a period of 10 years after the Adoption Date.

During the Reporting Period, 23,632,598 share options were granted and the status of the share options granted up to 30 June 2019 is as follows:

Category of participants	As at 31 December 2018	Granted during the Period	Exercised during the Period	Expired during the Period	Cancelled during the Period	As at 30 June 2019	Date of Grant of Share Options	Vesting Period	Exercise Period	Exercise Price	Share Price of the Company as at the date of grant of share options	Share Price of the Company Immediately before the exercise date of share options (Note 1)
Directors												N/A
Zhaohua Chang	1,250,000	–	–	–	–	1,250,000	9 Jul 2010	9 Jul 2010 – 9 Jul 2014	9 Jul 2011 – 8 Jul 2020	USD0.3062	N/A	
	13,500,000	–	–	–	–	13,500,000	20 Jan 2015	20 Jan 2015 – 20 Jan 2021	20 Jan 2016 – 19 Jan 2025	HKD3.210	HKD3.170	
	14,100,000	–	–	–	–	14,100,000	30 Mar 2016	30 Mar 2016 – 30 Mar 2021	30 Mar 2017 – 29 Mar 2026	HKD3.482	HKD3.360	
	13,500,000	–	–	–	–	13,500,000	23 Jan 2017	23 Jan 2017 – 23 Jan 2022	23 Jan 2022 – 22 Jan 2027	HKD5.628	HKD5.450	
	313,636	–	–	–	–	313,636	30 Mar 2017	30 Mar 2017 – 30 Mar 2022	30 Mar 2022 – 29 Mar 2027	HKD5.798	HKD5.700	
	214,535	–	–	–	–	214,535	29 Mar 2018	29 Mar 2023	29 Mar 2023 – 28 Mar 2028	HKD8.510	HKD8.510	
	15,594,188	–	–	–	–	15,594,188	24 Dec 2018	24 Dec 2018 – 30 Dec 2022	24 Dec 2020 – 23 Dec 2028	HKD7.692	HKD7.150	
	–	225,752	–	–	–	225,752	1 Apr 2019	1 Apr 2024	1 Apr 2024 – 31 Mar 2029	HKD7.448	HKD7.270	
Jonathan H. Chou	–	1,000,000	–	–	–	1,000,000	23 Jan 2019	23 Jan 2019 – 23 Jan 2023	23 Feb 2019 – 22 Jan 2029	HKD7.730	HKD7.730	
In Aggregate	58,472,359	1,225,752	–	–	–	59,698,111						
Business associates												6.77
	500,000	–	–	–	–	500,000	14 Jun 2007	24 Sep 2010 – 24 Sep 2014	24 Sep 2011 – 23 Sep 2020	USD0.3062	N/A	
	750,000	–	300,000	–	–	450,000	1 Sep 2016	1 Sep 2016 – 1 Sep 2021	1 Sep 2017 – 31 Aug 2026	HKD4.950	HKD4.950	
	500,000	–	–	–	–	500,000	8 Oct 2018	8 Oct 2018 – 8 Oct 2023	8 Oct 2019 – 7 Oct 2028	HKD9.992	HKD9.540	
	–	15,000,000 (Note 2)	–	–	–	15,000,000	23 Jan 2019	23 Jan 2019 – 23 Jan 2020	23 Feb 2019 – 22 Jan 2029	HKD7.730	HKD7.730	
In Aggregate	1,750,000	15,000,000	300,000	–	–	16,450,000						

Category of participants	As at 31 December 2018	Granted during the Period	Exercised during the Period	Expired during the Period	Cancelled during the Period	As at 30 June 2019	Date of Grant of Share Options	Vesting Period	Exercise Period	Exercise Price	Share Price of the Company as at the date of grant of share options	Share Price of the Company Immediately before the exercise date of share options (Note 1)
Employees												HKD6.97
	370,000	–	–	–	–	370,000	8 Jul 2010	1 Aug 2010 – 1 Aug 2014	1 Aug 2011 – 7 Jul 2020	USD0.3062	N/A	
	72,000	–	50,000	–	–	22,000	8 Jul 2010	8 Jul 2010 – 8 Jul 2014	8 Jul 2011 – 7 Jul 2020	USD0.3062	N/A	
	1,150,000	–	–	–	–	1,150,000	9 Jul 2010	9 Jul 2010 – 9 Jul 2014	9 Jul 2011 – 8 Jul 2020	USD0.3062	N/A	
	150,000	–	–	–	–	150,000	17 Oct 2011	17 Oct 2011 – 17 Dec 2018	17 Oct 2012 – 16 Oct 2021	HKD4.790	HKD4.790	
	6,800,000	–	–	–	–	6,800,000	28 Aug 2012	28 Aug 2018 – 28 Aug 2019	28 Aug 2019 – 27 Aug 2022	HKD3.350	HKD3.350	
	500,000	–	–	–	–	500,000	7 Sep 2012	7 Sep 2012 – 5 Sep 2017	6 Sep 2013 – 6 Sep 2022	HKD3.330	HKD3.330	
	7,800,000	–	–	–	–	7,800,000	10 Dec 2012	10 Dec 2012 – 10 Dec 2019	10 Dec 2019 – 9 Dec 2022	HKD4.600	HKD4.600	
	250,000	–	–	–	–	250,000	28 Aug 2013	28 Aug 2013 – 28 Aug 2018	28 Aug 2014 – 27 Aug 2023	HKD4.970	HKD4.970	
	100,000	–	–	–	100,000	–	28 Aug 2014	28 Aug 2014 – 28 Aug 2019	28 Aug 2015 – 27 Aug 2024	HKD4.718	HKD4.520	
	830,000	–	–	–	–	830,000	20 Jan 2015	20 Jan 2015 – 20 Jan 2019	20 Jan 2016 – 19 Jan 2025	HKD3.210	HKD3.170	
	2,420,000	–	–	–	–	2,420,000	20 Jan 2015	20 Jan 2015 – 20 Jan 2020	20 Jan 2016 – 19 Jan 2025	HKD3.210	HKD3.170	
	3,120,000	–	–	–	–	3,120,000	20 Jan 2015	20 Jan 2015 – 20 Jan 2021	20 Jan 2016 – 19 Jan 2025	HKD3.210	HKD3.170	
	100,000	–	–	–	–	100,000	30 Jun 2015	30 Jun 2015 – 30 Jun 2018	30 Jun 2016 – 29 Jun 2025	HKD3.900	HKD3.820	
	19,919,000	–	730,000	–	1,480,000	17,709,000	30 Mar 2016	30 Mar 2016 – 30 Mar 2021	30 Mar 2017 – 29 Mar 2026	HKD3.482	HKD3.360	
	700,000	–	140,000	140,000	420,000	–	27 Jun 2016	27 Jun 2016 – 27 Jun 2021	27 Jun 2017 – 26 Jun 2026	HKD3.850	HKD3.850	
	500,000	–	–	–	–	500,000	23 Jan 2017	23 Jan 2017 – 23 Jan 2022	23 Jan 2018 – 22 Jan 2027	HKD5.628	HKD5.450	
	9,040,000	–	–	–	–	9,040,000	23 Jan 2017	23 Jan 2022	23 Jan 2022 – 22 Jan 2027	HKD5.628	HKD5.450	
	2,486,413	–	–	–	–	2,486,413	30 Mar 2017	30 Mar 2022	30 Mar 2022 – 29 Mar 2027	HKD5.798	HKD5.700	
	2,000,000	–	–	–	–	2,000,000	25 Aug 2017	25 Aug 2017 – 25 Aug 2022	25 Aug 2018 – 24 Aug 2027	HKD7.418	HKD7.020	
	2,236,939	–	–	–	–	2,236,939	29 Mar 2018	29 Mar 2023	29 Mar 2023 – 28 Mar 2028	HKD8.510	HKD8.510	
	15,145,158	–	–	–	79.376	15,065,782	24 Dec 2018	24 Dec 2018 – 30 Dec 2022	24 Dec 2020 – 23 Dec 2028	HKD7.692	HKD7.150	
	–	1,820,994	–	–	–	1,820,994	23 Jan 2019	23 Jan 2019 – 31 Jan 2023	23 Jan 2021 – 22 Jan 2029	HKD7.730	HKD7.730	
	–	250,000	–	–	–	250,000	23 Jan 2019	23 Jan 2019 – 23 Jan 2024	23 Jan 2020 – 22 Jan 2029	HKD7.730	HKD7.730	
	–	1,500,000	–	–	–	1,500,000	23 Jan 2019	23 Jan 2019 – 23 Jan 2020	23 Feb 2019 – 22 Jan 2029	HKD7.730	HKD7.730	
	–	3,835,852	–	–	–	3,835,852	1 Apr 2019	1 Apr 2024	1 Apr 2024 – 31 Mar 2029	HKD7.448	HKD7.270	
In Aggregate	75,689,510	7,406,846	920,000	140,000	2,079,376	79.956,980						
Total	135,911,869	23,632,598	1,220,000	140,000	2,079,376	156,105,091						

Notes: (1) The share price of the Company disclosed is the weighted average closing price of the shares immediately before the exercise dates of share options during the period.

(2) Up to the date of this report, the 15,000,000 share options were cancelled.

OTHER INFORMATION

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period of the six months ended 30 June 2019, except for the provisions as addressed below, the Company had complied with all the applicable code provisions (the "Code Provisions") as set out in the Corporate Governance Code and Corporate Governance Report (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 Company 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 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.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend to the Shareholders for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

INDEPENDENT REVIEW OF AUDITORS

The interim financial report for the six months ended 30 June 2019 is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Company has established the Audit Committee in accordance with the corporate governance requirements of listed companies of the Stock Exchange. The Audit Committee comprises one non-executive Director and two independent non-executive Directors, namely, Mr. Norihiro Ashida, Mr. Jonathan H. Chou (chairman) and Mr. Chunyang Shao, respectively.

The Audit Committee has adopted the terms of reference which are in line with the CG Code. The principal duties of the Audit Committee include review and supervision of the Group's financial reporting system, risk management system and internal control procedures, review of the Group's financial information and review of the relationship with the external auditors of the Company.

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2019 and considered that the results complied with relevant accounting standards, rules and regulations and appropriate disclosure have been duly made.

NOMINATION COMMITTEE

The Company has established the Nomination Committee in accordance with the corporate governance requirements of listed companies of the Stock Exchange. The purposes of the Nomination Committee are to identify and nominate suitable candidates for the appointment of the Directors and making recommendations to the Board on succession planning for the Directors.

OTHER INFORMATION

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee in accordance with the corporate governance requirements of listed companies of the Stock Exchange. The purposes of the Remuneration Committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management and to make recommendation to our Board on our Group's policy and structure for all remuneration of our Directors and senior management.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and their understanding of the Group's business, performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the informed investment decisions.

To promote effective communication, the Company maintains a website at www.microport.com, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. Investors may write to the Company at its principal place of business in Hong Kong or the PRC or via the Company's website for any enquiries.

The general meetings of the Company provide a forum and an important channel for communication between the Board and the Shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees and, where applicable, the chairman of the independent Board committee, are available normally at the annual general meeting and other relevant Shareholder meetings to answer questions at general meetings.

DISCLOSURE OF INFORMATION

The interim report of the Group for the six months ended 30 June 2019 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 due course, in accordance with the Listing Rules.

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

Shanghai, The PRC
29 August 2019

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

INTRODUCTION

We have reviewed the interim financial report set out on pages 29 to 66 which comprises the consolidated statement of financial position of MicroPort Scientific Corporation (the "Company") as of 30 June 2019 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2019 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

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

29 August 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2019 (unaudited)
(Expressed in United States dollars)

	Note	Six months ended 30 June 2019 US$'000	2018 (Note) US$'000
Revenue	*3*	**392,607**	309,867
Cost of sales		**(110,969)**	(90,438)
Gross profit		**281,638**	219,429
Other net income	*4*	**8,613**	4,274
Research and development costs		**(67,968)**	(41,791)
Distribution costs		**(126,465)**	(91,902)
Administrative expenses		**(54,974)**	(42,291)
Other operating costs		**(5,860)**	(7,942)
Profit from operations		**34,984**	39,777
Finance costs	*5(a)*	**(9,560)**	(8,708)
Gain on disposal of subsidiaries	*17*	**63,105**	–
Share of losses of equity-accounted investees		**(1,318)**	(1,050)
Gain on deemed disposal of a joint venture		**–**	4,133
Profit before taxation	*5*	**87,211**	34,152
Income tax	*6*	**(26,362)**	(9,949)
Profit for the period		**60,849**	24,203
Attributable to:			
Equity shareholders of the Company		**65,476**	23,769
Non-controlling interests		**(4,627)**	434
Profit for the period		**60,849**	24,203
Earnings per share	*7*		
– Basic (in cents)		**4.15**	1.64
– Diluted (in cents)		**3.50**	1.57

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 36 to 66 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 17(a).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2019 (unaudited)
(Expressed in United States dollars)

	Six months ended 30 June	
	2019	2018
		(Note)
	US$'000	US$'000
Profit for the period	**60,849**	24,203
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	**(842)**	128
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements, net of nil tax	**(1,830)**	(14,043)
Other comprehensive income for the period	**(2,672)**	(13,915)
Total comprehensive income for the period	**58,177**	10,288
Attributable to:		
Equity shareholders of the Company	**63,092**	11,247
Non-controlling interests	**(4,915)**	(959)
Total comprehensive income for the period	**58,177**	10,288

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 36 to 66 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2019 (unaudited)
(Expressed in United States dollars)

	Note	At 30 June 2019 US$'000	At 30 June 2019 US$'000	At 31 December 2018 (Note) US$'000	At 31 December 2018 (Note) US$'000
Non-current assets					
Investment properties			**7,470**		5,451
Other property, plant and equipment	*2, 8*		**410,445**		336,263
Land use rights	*2*		**–**		15,087
			417,915		356,801
Intangible assets	*8*		**118,100**		117,489
Goodwill			**162,105**		162,673
Equity-accounted investees	*17*		**55,491**		17,391
Other financial assets			**18,314**		11,910
Deferred tax assets			**14,506**		15,291
Prepayments for non-current assets			**10,122**		6,222
Other non-current assets	*9*		**41,374**		31,979
			837,927		719,756
Current assets					
Inventories	*10*	**182,956**		175,957	
Trade and other receivables	*11*	**250,892**		245,143	
Pledged deposits and time deposits		**2,032**		3,537	
Cash and cash equivalents		**95,374**		130,054	
		531,254		554,691	
Current liabilities					
Trade and other payables	*12*	**221,943**		236,813	
Contract liabilities		**8,754**		10,060	
Interest-bearing borrowings	*13*	**92,751**		100,901	
Convertible bonds	*15*	**86,707**		86,834	
Lease liabilities	*2(d)*	**9,824**		–	
Income tax payable		**17,908**		5,782	
		437,887		440,390	
Net current assets			**93,367**		114,301
Total assets less current liabilities			**931,294**		834,057

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2019 (unaudited)
(Expressed in United States dollars)

	Note	At 30 June 2019 US$'000	At 30 June 2019 US$'000	At 31 December 2018 (Note) US$'000	At 31 December 2018 (Note) US$'000
Non-current liabilities					
Interest-bearing borrowings	*13*	**145,680**		137,829	
Lease liabilities	*2(d)*	**37,618**		–	
Deferred income	*14*	**18,465**		23,905	
Contract liabilities		**28,069**		27,766	
Convertible bonds	*15*	**4,533**		3,571	
Other payables	*12*	**96,828**		93,625	
Deferred tax liabilities		**7,513**		7,775	
Derivative financial liabilities		**13,000**		10,640	
			351,706		305,111
Net assets			**579,588**		528,946
Capital and reserves	*16*				
Share capital			**16**		16
Reserves			**498,330**		442,780
Total equity attributable to equity shareholders of the Company			**498,346**		442,796
Non-controlling interests			**81,242**		86,150
Total equity			**579,588**		528,946

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

Approved and authorised for issue by the board of directors on 29 August 2019.

Zhaohua Chang
Chairman

Jonathan H. Chou
Director

The notes on pages 36 to 66 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2019 (unaudited)
(Expressed in United States dollars)

	Note	Attributable to equity shareholders of the Company								
		Share capital US$'000	Share premium US$'000	Exchange reserve US$'000	Capital reserve US$'000	Statutory general reserve US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2018		14	258,482	5,164	56,895	22,845	58,203	401,603	37,849	439,452
Impact on initial application of HKFRS 9		–	–	–	–	–	(4,163)	(4,163)	(158)	(4,321)
Adjusted balance at 1 January 2018		14	258,482	5,164	56,895	22,845	54,040	397,440	37,691	435,131
Changes in equity for the six months ended 30 June 2018:										
Profit for the period		–	–	–	–	–	23,769	23,769	434	24,203
Other comprehensive income		–	–	(12,618)	96	–	–	(12,522)	(1,393)	(13,915)
Total comprehensive income		–	–	(12,618)	96	–	23,769	11,247	(959)	10,288
Capital contribution from non-controlling interests and disposal of partial equity interests in subsidiaries		–	–	–	(1,871)	–	–	(1,871)	50,243	48,372
Equity-settled share-based transactions		–	–	–	2,189	–	–	2,189	13	2,202
Shares issued under share option scheme		1	3,124	–	(995)	–	–	2,130	–	2,130
Shares purchased under share award scheme	*16(c)*	–	–	–	(795)	–	–	(795)	–	(795)
Shares granted under share award scheme		–	–	–	5,317	–	–	5,317	–	5,317
Change in carrying amount of share repurchase obligations of a subsidiary	*12*	–	–	–	(2,409)	–	–	(2,409)	–	(2,409)
Appropriation of statutory general reserve		–	–	–	–	363	(363)	–	–	–
Dividends approved in respect of the previous year		–	–	–	–	–	(4,657)	(4,657)	–	(4,657)
Dividends to holders of non-controlling interests		–	–	–	–	–	–	–	(4,428)	(4,428)
Balance at 30 June 2018		15	261,606	(7,454)	58,427	23,208	72,789	408,591	82,560	491,151

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2019 (unaudited)
(Expressed in United States dollars)

	Note	Attributable to equity shareholders of the Company								
		Share capital US$'000	Share premium US$'000	Exchange reserve US$'000	Capital reserve US$'000	Statutory general reserve US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2019		16	349,089	(34,593)	32,143	29,164	66,977	442,796	86,150	528,946
Impact on initial application of HKFRS 16	*2*	-	-	-	-	-	(648)	(648)	(216)	(864)
Adjusted balance at 1 January 2019		16	349,089	(34,593)	32,143	29,164	66,329	442,148	85,934	528,082
Changes in equity for the six months ended 30 June 2019:										
Profit/(loss) for the period		-	-	-	-	-	65,476	65,476	(4,627)	60,849
Other comprehensive income		-	-	(1,753)	(631)	-	-	(2,384)	(288)	(2,672)
Total comprehensive income		-	-	(1,753)	(631)	-	65,476	63,092	(4,915)	58,177
Capital contribution from non-controlling interests	*16(d)*	-	-	-	6,894	-	-	6,894	1,580	8,474
Disposal of a subsidiary	*17*	-	-	-	-	-	-	-	(1,618)	(1,618)
Acquisitions of assets by issuing shares of a subsidiary	*8(b)*	-	-	-	468	-	-	468	1,494	1,962
Equity-settled share-based transactions		-	-	-	3,006	-	-	3,006	44	3,050
Shares issued under share option scheme		-	819	-	(222)	-	-	597	-	597
Shares purchased under share award scheme	*16(c)*	-	-	-	(17,632)	-	-	(17,632)	-	(17,632)
Shares granted under share award scheme		-	-	-	9,059	-	-	9,059	-	9,059
Change in carrying amount of share repurchase obligations of a subsidiary	*12*	-	-	-	(3,335)	-	-	(3,335)	-	(3,335)
Dividends approved in respect of the previous year	*16(a)*	-	-	-	-	-	(5,951)	(5,951)	-	(5,951)
Dividends to holders of non-controlling interests		-	-	-	-	-	-	-	(1,277)	(1,277)
Balance at 30 June 2019		16	349,908	(36,346)	29,750	29,164	125,854	498,346	81,242	579,588

The notes on pages 36 to 66 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2019 (unaudited)
(Expressed in United States dollars)

	Note	Six months ended 30 June 2019 US$'000	2018 (Note) US$'000
Operating activities			
Cash generated from operations		**20,136**	58,902
Income tax paid		**(11,292)**	(7,716)
Income tax refund received		**2,413**	84
Net cash generated from operating activities		**11,257**	51,270
Investing activities			
Payments for purchase of property, plant and equipment		**(50,340)**	(38,647)
Payments for acquisition of subsidiaries		**–**	(184,025)
Proceeds from disposal of subsidiaries, net of cash disposed	*17*	**31,028**	–
Placement of security deposits	*9*	**–**	(17,733)
Other cash flows arising from investing activities		**(3,757)**	(9,341)
Net cash used in investing activities		**(23,069)**	(249,746)
Financing activities			
Capital element of lease rentals paid		**(5,445)**	–
Interest element of lease rentals paid		**(1,049)**	–
Repayments of interest-bearing borrowings		**(26,703)**	(40,324)
Proceeds from other interest-bearing borrowings, net of transaction costs		**29,986**	136,873
Payment for repurchase of shares under share award scheme	*16(c)*	**(17,632)**	(795)
Capital contributions from non-controlling interests		**3,056**	56,244
Other cash flows arising from financing activities		**(6,225)**	(5,981)
Net cash (used in)/generated from financing activities		**(24,012)**	146,017
Net decrease in cash and cash equivalents		**(35,824)**	(52,459)
Cash and cash equivalents at 1 January		**130,054**	160,229
Effect of foreign exchange rate changes		**1,144**	(1,248)
Cash and cash equivalents at 30 June		**95,374**	106,522

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 36 to 66 form part of this interim financial report.

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 29 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of MicroPort Scientific Corporation (the "Company") and its subsidiaries (together, the "Group") since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors of the Company is included on page 28.

The financial information relating to the financial year ended 31 December 2018 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 2018 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 March 2019.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRSs, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the 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.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Changes in the accounting policies (continued)

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 19(b).

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Changes in the accounting policies (continued)

(iii) Lessor accounting

The Group leases out the investment properties as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 5.65%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Transitional impact (continued)

The following table reconciles the operating lease commitments as disclosed in note 19(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019.

	1 January 2019 US$'000
Operating lease commitments at 31 December 2018	**55,458**
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**(2,305)**
	53,153
Less: total future interest expenses	**(7,784)**
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	**45,369**
Add: finance lease liabilities recognised as at 31 December 2018	**3,868**
Total lease liabilities recognised at 1 January 2019	**49,237**

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018, except for a lease of property in France, when the right-of-use assets have been recognised as if HKFRS 16 had always been applied since the commencement date of the lease (other than discounting using the relevant incremental borrowing rate at the date of initial application of HKFRS 16).

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "Trade and other payables", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

The Group presents right-of-use assets that do not meet the definition of investment property in 'other property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Transitional impact (continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 US$'000	Capitalisation of operating lease contracts US$'000	Reclassification US$'000	**Carrying amount at 1 January 2019 US$'000**
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:				
Other property, plant and equipment	336,263	59,671	–	**395,934**
Land use right	15,087	(15,087)	–	**–**
Total non-current assets	719,756	44,584	–	**764,340**
Trade and other receivables	245,143	–	(90)	**245,053**
Total current assets	554,691	–	(90)	**554,601**
Trade and other payables (current)	(236,813)	–	1,250	**(235,563)**
Lease liabilities (current)	–	(9,456)	(1,160)	**(10,616)**
Current liabilities	(440,390)	(9,456)	90	**(449,756)**
Net current assets	114,301	(9,456)	–	**104,845**
Total assets less current liabilities	834,057	35,128	–	**869,185**
Other payables (non-current)	(93,625)	–	2,708	**(90,917)**
Lease liabilities (non-current)	–	(35,992)	(2,708)	**(38,700)**
Total non-current liabilities	(305,111)	(35,992)	–	**(341,103)**
Net assets	528,946	(864)	–	**528,082**
Reserve	(442,780)	648	–	**(442,132)**
Total equity attributable to equity shareholders of the company	(442,796)	648	–	**(442,148)**
Non-controlling interests	(86,150)	216	–	**(85,934)**
Total equity	(528,946)	864	–	**(528,082)**

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Transitional impact (continued)

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 June 2019 US$'000	At 1 January 2019 US$'000
Included in "Other property, plant and equipment":		
Other properties leased for own use, carried at depreciated cost	**35,104**	35,658
Plant, machinery and equipment, carried at depreciated cost	**11,171**	12,777
Land use rights, carried at depreciated cost	**14,708**	15,087
	60,983	63,522

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments US$'000	**Total minimum lease payments US$'000**	Present value of the minimum lease payments US$'000	Total minimum lease payments US$'000
Within 1 year	**9,824**	**10,511**	10,537	11,321
After 1 year but within 2 years	**7,694**	**8,699**	7,901	8,963
After 2 years but within 5 years	**16,274**	**20,640**	16,533	20,617
After 5 years	**13,650**	**15,564**	14,266	17,500
	37,618	**44,903**	38,700	47,080
	47,442	**55,414**	49,237	58,401
Less: total future interest expenses		**(7,972)**		(9,164)
Present value of lease liabilities		**47,442**		49,237

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(e) Impact on the financial result and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial result, and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under HKFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16 (A) US$'000	**Add back: HKFRS 16 depreciation and interest expense (B) US$'000**	**Deduct: Estimated amounts related to operating leases as if under HKAS 17 (Note 1) (C) US$'000**	**Hypothetical amounts for 2019 as if under HKAS 17 (D=A+B-C) US$'000**	Compared to amounts reported for 2018 under HKAS 17 US$'000
Financial result for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:					
Profit from operations	**34,984**	**5,815**	**(6,419)**	**34,380**	39,777
Finance costs	**(9,560)**	**851**	**–**	**(8,709)**	(8,708)
Profit before taxation	**87,211**	**6,666**	**(6,419)**	**87,458**	34,152
Profit for the period	**60,849**	**6,666**	**(6,419)**	**61,096**	24,203

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(e) Impact on the financial result and cash flows of the Group (continued)

	2019			2018
	Amounts reported under HKFRS 16 (A) US$'000	**Estimated amounts related to operating leases as if under HKAS 17 (Notes 1 & 2) (B) US$'000**	**Hypothetical amounts for 2019 as if under HKAS 17 (C=A+B) US$'000**	Compared to amounts reported for 2018 under HKAS 17 US$'000
Line items in the condensed consolidated cash flow statement for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:				
Cash generated from operations	**20,136**	**(5,664)**	**14,472**	58,902
Net cash generated from operating activities	**11,257**	**(5,664)**	**5,593**	51,270
Capital element of lease rentals paid	**(5,445)**	**5,059**	**(386)**	–
Interest element of lease rentals paid	**(1,049)**	**605**	**(444)**	–
Net cash (used in)/generated from financing activities	**(24,012)**	**5,664**	**(18,348)**	146,017

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash (used in)/generated from financing activities as if HKAS 17 still applied.

3 REVENUE AND SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both lines of business 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. The Group presented the surgical robot and heart valve business segments as two reportable segments, which were previously included in the cardiovascular devices business segment. The Group excluded results from a few of segments below the quantitative thresholds from reportable segments since 2019 due to change of the assessment by the Group's most senior executive management. The comparative information has been re-presented to reflect such change. 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	
	2019	2018
	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	**387,590**	309,629
– Revenue from post-sales services	**4,874**	–
	392,464	309,629
Revenue from other sources		
– Gross rentals from investment properties	**143**	238
	392,607	309,867

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Disaggregation of revenue (continued)

	Six months ended 30 June	
	2019	2018
	US$'000	US$'000
Disaggregate by geographical location of external customers		
– the People's Republic of China (the "PRC") (country of domicile)	**177,866**	145,382
– North America	**50,284**	55,251
– Europe	**122,780**	70,681
– Asia (excluding the PRC)	**31,772**	28,165
– South America	**4,542**	5,496
– Others	**5,363**	4,892
	214,741	164,485
	392,607	309,867

The geographical analysis above includes property rental income from external customers in the PRC for the six months ended 30 June 2019 of US$143,000 (six months ended 30 June 2018: US$238,000).

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

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

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

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

	Six months ended 30 June 2019									
	Cardiovascular devices business US$'000	Orthopedics devices business US$'000	Cardiac rhythm management business US$'000	Endovascular devices business US$'000	Neurovascular devices business US$'000	Surgical devices business US$'000	Surgical robot devices business US$'000	Heart valve business US$'000	Others# US$'000	Total US$'000
Disaggregated by timing of revenue recognition										
Point in time-sales of medical devices	129,040	113,382	101,705	25,567	12,331	2,142	–	–	3,423	387,590
Over time-post-sales services	–	–	4,874	–	–	–	–	–	–	4,874
Over time-rental income	27	48	–	–	68	–	–	–	–	143
	129,067	113,430	106,579	25,567	12,399	2,142	–	–	3,423	392,607
Reportable segment net profit/(loss)	61,871	(12,743)	(18,038)	12,329	3,115	(2,393)	(2,912)	(11,007)	(2,114)	28,108

	At 30 June 2019									
	Cardiovascular devices business US$'000	Orthopedics devices business US$'000	Cardiac rhythm management business US$'000	Endovascular devices business US$'000	Neurovascular devices business US$'000	Surgical devices business US$'000	Surgical robot devices business US$'000	Heart valve business US$'000	Others# US$'000	Total US$'000
Reportable segment assets	397,956	397,406	346,959	53,607	44,662	29,977	8,416	63,959	46,731	1,389,673
Reportable segment liabilities	86,787	230,211	169,441	13,318	13,905	21,257	1,484	20,370	969	557,742

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

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

	Six months ended 30 June 2018 (Re-presented) (Note)									
	Cardiovascular devices business US$'000	Orthopedics devices business US$'000	Cardiac rhythm management business US$'000	Endovascular devices business US$'000	Neurovascular devices business US$'000	Surgical devices business US$'000	Surgical robot devices business US$'000	Heart valve business US$'000	Others# US$'000	Total US$'000
Disaggregated by timing of revenue recognition										
Point in time-sales of medical devices	106,677	122,134	43,752	19,876	8,264	3,406	–	–	5,520	309,629
Over time-rental income	171	–	–	–	67	–	–	–	–	238
	106,848	122,134	43,752	19,876	8,331	3,406	–	–	5,520	309,867
Reportable segment net profit/(loss)	48,614	(9,570)	(3,389)	3,746	2,242	(2,307)	(1,703)	(3,004)	(1,115)	33,514

	At 31 December 2018 (Re-presented) (Note)									
	Cardiovascular devices business US$'000	Orthopedics devices business US$'000	Cardiac rhythm management business US$'000	Endovascular devices business US$'000	Neurovascular devices business US$'000	Surgical devices business US$'000	Surgical robot devices business US$'000	Heart valve business US$'000	Others# US$'000	Total US$'000
Reportable segment assets	429,729	425,264	334,045	39,170	27,854	30,664	8,958	55,743	25,032	1,376,459
Reportable segment liabilities	125,379	241,423	138,310	7,985	8,068	18,921	7,565	2,950	10,457	561,058

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

\# Revenues and results from segments below the quantitative thresholds are mainly attributable to electrophysiology devices business, which was disposed during the six months ended 30 June 2019 (note 17), diabetes and endocrinal devices business, etc. None of those segments individually met any of the quantitative thresholds for reportable segments.

The measure used for reporting segment profit/(loss) is "reportable segment net profit/(loss)", which represents the profit/(loss) for the year/period attributable to each of the reportable segments. Items that are not specifically attributed to individual segments, such as unallocated exchange gain/(loss), unallocated corporate income and expenses, equity-settled share-based payment expenses, gain on disposal of subsidiaries and equity-accounted investees and the PRC dividends withholding tax are excluded from reportable segment net profit/(loss).

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2019	2018
		(Note)
	US$'000	US$'000
Reportable segment net profit	**30,222**	34,629
Other losses	**(2,114)**	(1,115)
Share awards scheme	**(3,375)**	(2,636)
Other equity-settled share-based payment expenses	**(3,683)**	(2,060)
Unallocated exchange (loss)/gain	**(290)**	4,569
Gain on disposal of subsidiaries, net of tax (note 17)	**55,843**	–
Gain on deemed disposal of a joint venture	**–**	4,133
Unallocated expenses, net	**(15,754)**	(13,317)
Consolidated profit for the period	**60,849**	24,203

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

4 OTHER NET INCOME

	Six months ended 30 June	
	2019	2018
	US$'000	US$'000
Government grants	**9,763**	2,804
Interest income on bank deposits	**570**	563
Net gain/(loss) on disposal of property, plant and equipment (note 8(b))	**898**	(17)
Net foreign exchange gain	**24**	3,621
Net realised and unrealised loss on financial liabilities carried at fair value through profit loss	**(874)**	(5,776)
Others	**(1,768)**	3,079
	8,613	4,274

5 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2019	2018
		(Note)
	US$'000	US$'000
(a) Finance costs		
Interest on the convertible bonds	**1,847**	4,670
Interest on other interest-bearing borrowings	**5,488**	3,971
Interest on lease liabilities	**1,049**	–
Others	**443**	302
Total interest expenses on financial liabilities not at fair value through profit or loss	**8,827**	8,943
Interest accrued on advance payments from customers	**854**	–
Less: Interest expense capitalised into properties under development *	**(121)**	(235)
	9,560	8,708

* During the six months ended 30 June 2019, the borrowing costs have been capitalised at a rate of 4.7% (2018: 4.7%) per annum.

	Six months ended 30 June	
	2019	2018
		(Note)
	US$'000	US$'000
(b) Other items		
Amortisation of intangible assets	**4,327**	3,578
Depreciation		
– owned property, plant and equipment	**16,496**	16,788
– right-of-use assets	**5,815**	–
Research and development costs (other than amortisation)	**66,036**	39,924
Provision of inventories write-down (note 10)	**870**	3,217
Impairment losses		
– intangible assets	**–**	1,884
– trade and other receivables	**315**	963

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

6 INCOME TAX

	Six months ended 30 June	
	2019	2018
	US$'000	US$'000
Current tax – the PRC corporate income tax ("CIT")	**24,608**	10,683
Current tax – other jurisdictions	**913**	766
	25,521	11,449
Deferred taxation	**841**	(1,500)
	26,362	9,949

Pursuant to the CIT Law of the PRC, all of the Company's PRC subsidiaries are liable to PRC CIT at a rate of 25% except for a number of entities entitled to a preferential income tax rate of 15% as they are certified as "advanced and new technology enterprise" ("ANTE"). According to Guoshuihan 2009 No.203, if an entity is certified as an ANTE, it is entitled to a preferential income tax rate of 15% during the certified period. The additional deduction of research and development expenditures have been increased from 50% to 75%, effective from 2018 to 2020, according to a new tax incentives policy promulgated by the State Tax Bureau of the PRC in September 2018.

In the US, the Group is taxed at a federal corporate tax rate of 21% plus various state tax rates, taxes on certain foreign-sourced earnings and certain related-party payments. The Group has net operating losses in the US for federal and state tax purposes that may be carried forward indefinitely.

The Company's subsidiaries incorporated in France applied the French progressive taxation schemes, with first EUR500,000 income being taxed at 28% and the incremental increases in income taxed at higher tax rates at 33.33% and 31%, respectively for 2018 and 2019. From year 2020 to 2022, the applicable French tax rates will be the flat statutory tax rates of 28%, 26.5% and 25%, respectively.

Taxation for other entities of the Group is charged at their respective applicable income tax rates ruling in the relevant jurisdictions.

As at 30 June 2019, based on management's assessment of probability on the future taxable profit subsequent to the date of the reporting period, no deferred tax assets had been recognised for tax losses and deductible temporary differences of certain loss-making entities.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of US$65,476,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: US$23,769,000) and the weighted average of 1,579,002,000 ordinary shares in issue during the six months ended 30 June 2019 (six months ended 30 June 2018: 1,446,573,000 ordinary shares).

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of US$62,581,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: US$23,451,000) and the weighted average number of ordinary shares of 1,789,073,000 shares for the six months ended 30 June 2019 (six months ended 30 June 2018: 1,497,882,000 ordinary shares) after adjusting the effects of dilutive potential ordinary shares under the Company's share option scheme, a put option that may be settled in ordinary shares of the Company or cash at the Company's option and conversion of the convertible bonds issued by the Company due in May 2020.

8 OTHER PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(a) Right-of-use assets

As discussed in note 2, the Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. In addition, the depreciated carrying amount of the finance leased assets which were previously included in other property, plant and equipment is also identified as right-of-use assets. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in note 2.

During the six months ended 30 June 2019, the Group entered into a number of lease agreements for use of property and machinery, and therefore recognised the additions to right-of-use assets of US$4,218,000.

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2019, the Group acquired items of property, plant and equipment with a cost of US$16,437,000 (six months ended 30 June 2018: US$18,881,000), incurred construction costs for buildings of US$14,444,000 (six months ended 30 June 2018: US$12,134,000) and capitalised development costs of US$9,546,000 (six months ended 30 June 2018: US$9,732,000), of which, the Group acquired certain property, plant and equipment from a third party by issuing additional 35% share capital of its subsidiary with fair value totalling approximately US$1,962,000.

Items of property, plant and equipment with a net book value of US$3,271,000 were disposed of during the six months ended 30 June 2019 (six months ended 30 June 2018: US$1,776,000), resulting in gains on disposal of US$898,000 (six months ended 30 June 2018: losses on disposal of US$17,000).

9 OTHER NON-CURRENT ASSETS

	At 30 June 2019 US$'000	At 31 December 2018 US$'000
Security deposits (Note 1)	**17,580**	17,177
Income tax recoverable (Note 2)	**21,307**	11,200
Others	**2,487**	3,602
	41,374	31,979

Note 1: In 2018, the Group paid a security deposit totalling RMB112,800,000 (the "Security Deposit") to Shanghai Weichuang Investment Management Co., Ltd. ("Shanghai Weichuang Investment") in order to secure future leasing of certain buildings from Shanghai Weichuang Investment. The Group plans to use those buildings for research and development, production and office functions in connection with the Group's expansion plan.

Note 2: Income tax recoverable primarily represents a tax credit totalling US$25,529,000 (31 December 2018: US$15,700,000) from French government, which is an incentive tax programme to support the research and development projects of a subsidiary in France ("France CIR"). The French CIR is deductible from the following 3 years' income tax or is receivable from the France government after 3 years if there is no sufficient profits available to deduct such research and development costs. As at 30 June 2019, the France CIR are classified as current and non-current receivables amounting US$4,222,000 (31 December 2018: US$4,500,000) and US$21,307,000 (31 December 2018: US$11,200,000), respectively.

10 INVENTORIES

During the six months ended 30 June 2019, a provision of US$870,000 (six months ended 30 June 2018: US$3,217,000) to write down certain inventories items to their estimated net realisable value has been recognised as an expense in profit or loss.

11 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 (or date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follows:

	At 30 June 2019 US$'000	At 31 December 2018 US$'000
Within 1 month	**91,819**	78,445
1 to 3 months	**55,975**	67,487
3 to 12 months	**34,448**	22,480
More than 12 months	**7,439**	11,254
	189,681	179,666
Advances to Witney Global Limited ("Witney") (Note)	**–**	11,900
Other debtors	**35,475**	31,451
Income tax recoverable (note 9)	**4,222**	9,911
Deposits and prepayments	**21,514**	12,215
	250,892	245,143

Note: The Company made advances of US$11,900,000 to Witney, which also made investments into two entities in which the Group has equity interests in 2018. The receivables have been fully repaid in 2019.

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

12 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 2019 US$'000	At 31 December 2018 US$'000
Current		
Within 1 month	**63,703**	43,514
1 to 3 months	**16,810**	28,750
Over 3 months but within 6 months	**3,186**	757
Over 6 months but within 1 year	**1,792**	1,098
Over 1 year	**19,143**	30,897
Trade payables	**104,634**	105,016
Dividends payables to ordinary shareholders	**6,040**	89
Advances received in relation to a proposed disposal of partial interests in a subsidiary	**–**	6,358
Other payables and accrued charges	**111,269**	125,350
	221,943	236,813
Non-current		
Share repurchase obligation (Note)	**76,611**	73,449
Defined benefit retirement obligation	**8,778**	8,806
Provision for financial guarantees issued	**4,099**	2,106
Other payables	**7,340**	9,264
	96,828	93,625

Note: In 2017, the Group wrote put options (the "CardioFlow Series B Put Options") to certain third party investors (the "CardioFlow Series B Investors"), being the holders of non-controlling interests of a subsidiary of the Group, namely Shanghai MicroPort CardioFlow Medtech Co., Ltd. ("MP CardioFlow Shanghai"), in connection with the deemed disposal of partial equity interests in MP CardioFlow Shanghai. The CardioFlow Series B Put Options give the investors the rights to require the Group to re-acquire the redeemable shares held by them under certain conditions which are not under the control of the Group, at the consideration specified under the agreements.

The Group recorded the present value of the redemption price of the CardioFlow Series B Put Option as a payable with the corresponding value decrease in capital reserve. The CardioFlow Series B Put Option are stated at amortised cost. During the six months ended 30 June 2019, the change in carrying amount of such share repurchase obligations of US$3,335,000 (six months ended 30 June 2018: US$2,409,000) has been recognised directly in equity.

13 INTEREST-BEARING BORROWINGS

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

	At 30 June 2019 US$'000	At 31 December 2018 US$'000
Within 1 year or on demand	**92,751**	100,901
After 1 year but within 2 years	**48,803**	8,810
After 2 years but within 5 years	**96,877**	129,019
	145,680	137,829
	238,431	238,730

As of the end of the reporting period, the interest-bearing borrowings comprise:

	At 30 June 2019 US$'000	At 31 December 2018 US$'000
Bank loans		
– secured	**122,707**	118,080
– unsecured	**115,724**	120,650
	238,431	238,730

At 30 June 2019, the bank facilities drawn down by the Group of US$38,555,000 (31 December 2018: US$29,295,000) were secured by pledged deposits, land use rights and buildings held for own use with net book values of US$1,403,000, US$4,117,000 and US$55,188,000, respectively (31 December 2018: US$2,841,000, US$4,172,000 and US$55,288,000, respectively).

At 30 June 2019, a bank loan of the Company amounting to US$84,152,000 (31 December 2018: US$88,785,000) in connection with the acquisition of the cardiac rhythm management ("CRM") business was secured by the equity interests of the Company's four subsidiaries, namely Shanghai MicroPort Medical (Group) Co., Ltd. ("MP Shanghai"), MicroPort International Corp. Limited ("MP HK"), MicroPort International Corp. and MicroPort Cardiac Rhythm B.V. ("MicroPort CRM") and guaranteed by MP Shanghai. The bank loan bears an interest rate of LIBOR plus 3.5% per annum and shall be repaid by instalments within five years since 30 April 2018.

14 DEFERRED INCOME

Deferred income mainly represents government grant received for the Group's expenditures in respect of certain research and development projects and acquisition of land use rights. Such deferred income are amortised in profit or loss on a systematic basis over the respective useful life of the related assets.

15 CONVERTIBLE BONDS

As at 31 December 2018, the outstanding convertible bonds issued by the Company represented (i) the convertible bonds due in May 2019 (the "2014 Convertible Bonds") with a principal amount of US$85,891,474; and (ii) the convertible bonds due in January 2022 (the "2016 Convertible Bonds") with a principal amount of US$4,800,000.

As at 31 December 2018, the 2014 Convertible Bonds were held by several bondholders, among which, approximately 98.28% were held by Starwick Investments Limited ("Starwick", which is beneficially owned by China Renaissance Holdings Limited), and the remaining 1.72% were held by employees of the Group.

On 10 May 2019, the Company and Starwick, as the majority bondholder, entered into a conditional agreement in relation to the proposed amendments to the terms of the 2014 Convertible Bonds, pursuant to which, the maturity date of the 2014 Convertible Bonds shall be extended to 12 May 2020 (the "Proposed Amendments").

During the six months ended 30 June 2019, the Group revised the estimates of the timing and the amounts of the repayments of the 2014 Convertible Bonds in accordance with the Proposed Amendments and adjusted the carrying amount of the convertible bonds.

Both the 2014 Convertible Bonds and the 2016 Convertible Bonds are subject to the fulfilment of covenants relating to certain specific performance requirements on the Group. If the Group were to breach the covenant, these convertible bonds would become payable on demand. The Group regularly monitors its compliance with the covenants. As at 30 June 2019, none of the covenants relating to the 2014 Convertible Bonds and the 2016 Convertible Bonds had been breached.

16 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

At the meeting of the board of directors of the Company held on 27 March 2019, the board of directors recommended the payment of a final dividend of HK$2.9 cents per ordinary share of the Company for the year ended 31 December 2018 (the "2018 Final Dividend") by way of cash, with an option to elect receiving new fully paid shares of the Company in lieu of cash. The 2018 Final Dividend was approved at the annual general meeting of the Company held on 13 June 2019 and is payable to shareholders of the Company whose names appeared on the register of members of the Company on 21 June 2019. Accordingly, a liability of US$5,951,000 has been recognised as at 30 June 2019.

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

16 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Share option scheme of the Company (equity-settled)

Apart from the outstanding share options carried forward from 2018, during the six months ended 30 June 2019, a total of 23,632,598 share options were granted under the Company's share option scheme, of which, 15,000,000 were granted to Real & Realistic Foundation Limited (the "Non-employee Grantee") and the remaining share options were granted to the employees of the Group.

The amount payable by each grantee of option to the Company on acceptance of the offer for the option granted is US$1.00. These options granted will vest in instalments over the vesting period from 23 February 2019 to 1 April 2024, and will be exercisable until 22 January or 31 March 2029, as the case may be. The exercise price is HK$7.73 or HK$7.448, as the case may be.

During the six months ended 30 June 2019, 1,220,000 share options of the Company were exercised (six months ended 30 June 2018: 5,050,000) with a weighted average exercise price of HK$3.41 (equivalent to approximately US$0.49) (six months ended 30 June 2018: HK$3.30 (equivalent to approximately US$0.42)) and the total number of ordinary shares of the Company increased by 1,220,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: 5,050,000 ordinary shares).

For more details of the share options granted to the Non-employee Grantee, please refer to note 20(c).

(c) Share award scheme (equity-settled)

Pursuant to a share award scheme approved by the Board in 2011, 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 2019, the Company granted 10,399,854 shares (six months ended 30 June 2018: 5,031,015) to the Group's executives and employees and purchased 19,426,000 shares (six months ended 30 June 2018: 802,000) at cash consideration of US$17,632,000 (six months ended 30 June 2018: US$795,000).

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

Since 2014, the Group adopted several ESPPs, pursuant to which, the Group agreed to transfer partial equity interests in its subsidiaries to the partnership firms, whose limited partners consisted of employees of the Group. All participants of above ESPPs have purchased equity interests in respective partnership firms at amounts specified in the respective partnership agreements. The ESPPs all 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.

16 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Capital management

The Group's objectives in the aspect of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group defines "capital" as including all components of equity, obligations under finance leases, convertible bonds, non-current interest-bearing borrowings (including the current portion) and other non-current liabilities, less unaccrued proposed dividends based on the number of ordinary shares as at 30 June 2019. On this basis, the amount of capital employed at 30 June 2019 was US$959,275,000 (31 December 2018: US$839,708,000).

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group is subject to covenants imposed by the lenders of the interest-bearing borrowings and convertible bonds based on the Group's financial ratios relating to capital requirements. The Group complied with the imposed loan covenants as at 30 June 2019. Except for the above, neither the Company nor any its subsidiaries are subject to externally imposed capital requirements.

17 DISPOSAL OF SUBSIDIARIES

In February 2019, Shanghai MicroPort EP Medtech Co., Ltd. ("MP EP") together with its original shareholders entered into a capital increase and share transfer agreement and a shareholder agreement with Jiaxing Huajie I Equity Investment Limited Partners (Limited Partnership) ("Jiaxing Huajie"), pursuant to which, Jiaxing Huajie agreed to (i) subscribe for 16,477,942 newly issued shares of MP EP at a cash consideration of RMB200,000,000; and (ii) acquire 18,362,194 shares of MP EP from the Group at a cash consideration of RMB222,870,000 (the "EP Disposal").

Pursuant to a shareholders agreement (the "Shareholders Agreement") dated 15 February 2019 entered into among MP EP and the shareholders of MP EP, in the events of liquidation as defined in the Shareholders Agreement, all assets of MP EP legally available for distribution to the shareholders shall be firstly distributed to Jiaxing Huajie with an amount equally to the original investment amount made by Jiaxing Huajie plus an annual return of 8% and declared but unpaid dividends.

Upon the completion of the EP Disposal, the Group's equity interest in MP EP was decreased from 81.93% as at 31 December 2018 to 45.10%.

The transaction was accounted for as a disposal of MP EP with a gain of US$63,105,000 recognised in profit or loss for the six months ended 30 June 2019 and the Group's remaining interests in MP EP recognised as an investment in equity-accounted investees. A reconciliation of such gain of disposal of MP EP is set out below:

17 DISPOSALS OF SUBSIDIARIES (CONTINUED)

	As at the date of the disposal US$'000
Cash consideration (Note 1)	33,099
Fair value of remaining equity interests in MP EP	37,343
	70,442
Less: Net assets of MP EP	(8,955)
Add: Non-controlling interests	1,618
Gain on disposal of MP EP (Note 2)	63,105

Note 1 Net proceeds from the EP Disposal, net of cash balance of MP EP was approximately US$31,028,000.

Note 2 Gain on disposal of MP EP is subject to the PRC CIT amounting to approximately US$7,262,000 based on the consideration received by the Group and tax computation basis of the transferred equity interest of MP EP by the Group.

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

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

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

The Group has engaged an external valuer to perform valuations for the financial instruments. A valuation report with analysis of changes in fair value measurement is prepared by the external valuer at each interim and annual reporting date, and is reviewed and approved by the Group's management.

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

(i) Fair value hierarchy (continued)

	Fair value at 30 June 2019 US$'000	**Fair value measurements as at 30 June 2019 categorised into: Level 1 US$'000**	**Level 2 US$'000**	**Level 3 US$'000**
Recurring fair value measurement				
Financial assets:				
Unlisted debt and equity securities	**18,314**	**–**	**–**	**18,314**
Financial liabilities:				
Put option written to				
– Sino Rhythm Limited ("SRL Put Option")	**(11,345)**	**–**	**–**	**(11,345)**
– Witney ("Witney Put Option")	**(1,655)**	**–**	**–**	**(1,655)**

	Fair value at 31 December 2018 US$'000	Fair value measurements as at 31 December 2018 categorised into: Level 1 US$'000	Level 2 US$'000	Level 3 US$'000
Recurring fair value measurement				
Financial assets:				
Unlisted equity security	11,910	–	–	11,910
Financial liabilities:				
SRL Put Option	(10,640)	–	–	(10,640)

During the six months ended 30 June 2019 and 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable
Unlisted debt and equity securities	Recent transaction price	N/A
SRL Put Option	Binomial lattice model	Expected probability of event of 50% Expected volatility of 23.78%, taking into account the historical volatility of the comparable companies (Note a)
Witney Put Option	Binomial lattice model	Expected probability of event of 50% Expected volatility of 26.32%, taking into account the historical volatility of the comparable companies (Note b)

Note a As at 30 June 2019, it is estimated that with all other variables held constant, an increase/decrease in the expected probability of event by 5% would have decreased/increased the Group's profit by US$1,134,000 and an increase/decrease in the expected volatility by 5% would have decreased/increased the Group's profit by US$183,000/US$167,000.

Note b As at 30 June 2019, it is estimated that with all other variables held constant, an increase/decrease in the expected probability of event by 5% would have decreased/increased the Group's profit by US$166,000 and an increase/decrease in the expected volatility by 5% would have decreased/increased the Group's profit by US$241,000/US$243,000.

(iii) Reconciliation of Level 3 fair value measurements

	Financial assets US$'000	Financial liabilities US$'000
At 1 January 2019	**11,910**	**(10,640)**
Acquisition/issuance of financial instruments	**6,444**	**(1,486)**
Changes in fair value recognised in profit or loss during the period	**–**	**(874)**
Exchange adjustments	**(40)**	**–**
At 30 June 2019	**18,314**	**(13,000)**

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2018 and 30 June 2019.

19 COMMITMENTS

(a) Capital commitments outstanding at 30 June 2019 not provided for in the interim financial report

	At 30 June 2019 US$'000	At 31 December 2018 US$'000
Contracted for	**14,867**	18,041
Authorised but not contracted for	**109,439**	136,904
	124,306	154,945

(b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	31 December 2018 US$'000
Within 1 year	11,348
After 1 year but within 5 years	25,734
After 5 years	18,376
	55,458

The Group is the lessee in respect of a number of properties and items of plant and machinery and office equipment held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2.

20 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) In July 2019, Shanghai MicroPort Endovascular MedTech Co., Ltd. ("MP Endo"), a subsidiary of the Group, was separately listed on the science and technology innovation board of the Shanghai Stock Exchange (the "Separate Listing"). MP Endo issued a total of 18,000,000 A shares at an offer price of RMB46.23 per share. Based on management's assessment, the Group retained control over MP Endo after the completion of the Separate Listing.

(b) In August 2019, 3,896,181 ordinary shares of the Company were issued by the Company at the issue price of HK$5.047 per ordinary share pursuant to the Company's scrip dividend scheme as the 2018 Final Dividend (note 16(a)).

(c) On 23 January 2019, 15,000,000 share options of the Company were granted under the Company's share option scheme to the Non-employee Grantee.

By granting the above share options, the Group expects the Non-employee Grantee would continue to invest in the relevant business segment of the Company for the purpose of incubating strategic projects of the Company.

Up to the grant date of the above share options, the subsidiaries of the Non-employee Grantee had already directly and indirectly invested in the Group's subsidiaries and equity-accounted investees as summarised below:

Name of the Company	Relationship	Historical investment amount RMB'000	Proportion of owner interests as at the grant date of the above share options
MicroPort MedBot (Shanghai) Co., Ltd.	Subsidiary of the Group	500	0.1%
Dongguan Kewei Medical Instrument Co., Ltd.	Subsidiary of the Group	36,350	28.0%
MicroPort NeuroTech (Shanghai) Co., Ltd.	Subsidiary of the Group	5,410	3.5%
Shanghai MicroPort CardioFlow Medtech Co., Ltd.	Subsidiary of the Group	5,523	2.1%
MicroPort Urocare (Jiaxing) Co., Ltd.	Subsidiary of the Group	2,000	6.1%
MP EP	Formerly subsidiary of the Group (note 17)	5,030	2.5%
Shanghai MicroPort Lifesciences Co., Ltd. ("MP Lifesciences")	Equity-accounted investee of the Group	23,240	33.2%
Shanghai MicroPort Jiehao Advanced Material Co., Ltd.	Equity-accounted investee of the Group	12,820	25.6%
Total		90,873	

In August 2019, the Non-employee Grantee has notified the Company that it could not confirm its future investment commitments to the Group. Accordingly, the Group and the Non-employee Grantee reached an agreement to cancel the above granted share options. Up to the date of this report, the 15,000,000 share options granted in January 2019 (note 16(b)) were cancelled.

21 COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

22 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	Six months ended 30 June	
	2019	2018
	US$'000	US$'000
Salaries and other benefits	**1,406**	1,447
Discretionary bonuses	**1,550**	2,559
Retirement scheme contributions	**46**	38
Equity-settled share-based payment expenses	**3,027**	1,575
	6,029	5,619

(b) Other transactions with related parties

During the six months ended 30 June 2019 and 2018, the Group entered into other transactions with the following related parties:

Name of party	**Relationship**
Thai Otsuka Pharmaceutical Co., Ltd. ("Thai Otsuka")	Subsidiary of Otsuka Holdings Co., Ltd. ("Otsuka Holdings", a substantial shareholder of the Company)
Otsuka (Philippines) Pharmaceutical, Inc. ("Otsuka Philippines")	Subsidiary of Otsuka Holdings
P.T. Otsuka Indonesia ("Otsuka Indonesia")	Subsidiary of Otsuka Holdings
Otsuka Pakistan Ltd. ("Otsuka Pakistan")	Subsidiary of Otsuka Holdings
KISCO Co., Ltd.	Subsidiary of Otsuka Holdings
MicroPort Sorin CRM (Shanghai) Co., Ltd. (Note 1)	Formerly joint venture of the Group
MP Lifesciences	Equity-accounted investee of the Group
MP EP (Note 2)	Equity-accounted investee of the Group
Shanghai Weichuang Investment	Legal representative and chairman of the board of directors of Shanghai Weichuang Investment was a director of the Company in 2018

Note 1: MicroPort Sorin CRM become a subsidiary of the Group since 30 April 2018 in connection with the acquisition of the CRM devices business. The transactions with MicroPort Sorin CRM during the period from 1 January 2018 to 30 April 2018 were still disclosed as related party transactions.

Note 2: Upon the completion of the EP Disposal, MP EP become an equity-accounted investee of the Group (note 17). The transactions with MP EP since the date of the disposal were disclosed as related party transactions.

22 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other transactions with related parties (continued)

Particulars of the Group's sales transactions with these parties are as follows:

	Six months ended 30 June	
	2019	2018
	US$'000	US$'000
Sales of goods to:		
Thai Otsuka	**1,997**	444
Otsuka Philippines	**323**	522
Otsuka Indonesia	**578**	367
Otsuka Pakistan	**255**	311
KISCO Co., Ltd.	**291**	274
	3,444	1,918

	Six months ended 30 June	
	2019	2018
	US$'000	US$'000
Placement of the Security Deposit	**–**	17,733
Loans to MicroPort Sorin CRM	**–**	4,736
Loans repaid by MicroPort Sorin CRM	**–**	9,315
Loans repaid by MP Lifesciences	**–**	1,115
Loans to MP Lifesciences	**1,380**	–
Loans repaid by MP EP	**1,485**	–

As disclosed in note 15, the Company and Starwick, the majority bondholder, agreed to extend the maturity date of the 2014 Convertible Bonds to 12 May 2020. The Proposed Amendments applied to all outstanding 2014 Convertible Bonds and their holders, which included connected person of the Company.