MicroPort®
一个属于患者和医生的品牌
微创医疗

2020 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 and other business. Every six seconds, one of MicroPort's products is being used worldwide to save life, improve life quality or help create life. The Group is dedicated to becoming a patient-oriented global enterprise that will continuously innovate and provide trustworthy and universal access to state-of-the-art solutions of prolonging and reshaping all 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 trustworthy and universal access to state-of-the-art solutions of prolonging and reshaping all 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 4,600 patents (including applications), and a global workforce of nearly 7,000, 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 Super-Conglomerate of People Centric Enterprises of Emerging Medical Technologies.

OUR MISSION

CONTINUOUS INNOVATION

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

CONTENTS

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 (retired on 18 June 2020)

Mr. Hongliang Yu

Dr. Yasuhisa Kurogi (appointed on 18 June 2020)

Independent Non-Executive Directors

Mr. Jonathan H. Chou

Dr. Guoen Liu

Mr. Chunyang Shao

COMPANY SECRETARY

Ms. Yuen Wing Yan Winnie, *FCS (PE), FCIS*

AUTHORIZED REPRESENTATIVES

Dr. Zhaohua Chang

Ms. Yuen Wing Yan Winnie

AUDIT COMMITTEE

Mr. Jonathan H. Chou *(Chairman)*

Mr. Norihiro Ashida

Mr. Chunyang Shao

REMUNERATION COMMITTEE

Dr. Guoen Liu *(Chairman)*

Dr. Zhaohua Chang

Mr. Jonathan H. Chou

NOMINATION COMMITTEE

Mr. Chunyang Shao *(Chairman)*

Mr. Hongliang Yu

Dr. Guoen Liu

STRATEGIC COMMITTEE

Dr. Zhaohua Chang *(Chairman)*

Mr. Hiroshi Shirafuji (retired on 18 June 2020)

Mr. Jonathan H. Chou

Mr. Hongliang Yu

Dr. Yasuhisa Kurogi (appointed on 18 June 2020)

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KPMG

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

LEGAL CONSULTANT

Sidley Austin

SHARE REGISTRAR IN HONG KONG

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Wanchai

Hong Kong

COMPANY WEBSITE

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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

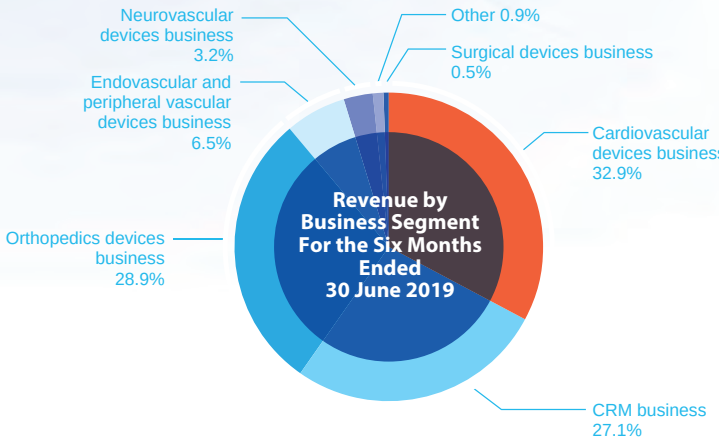
Bank of America

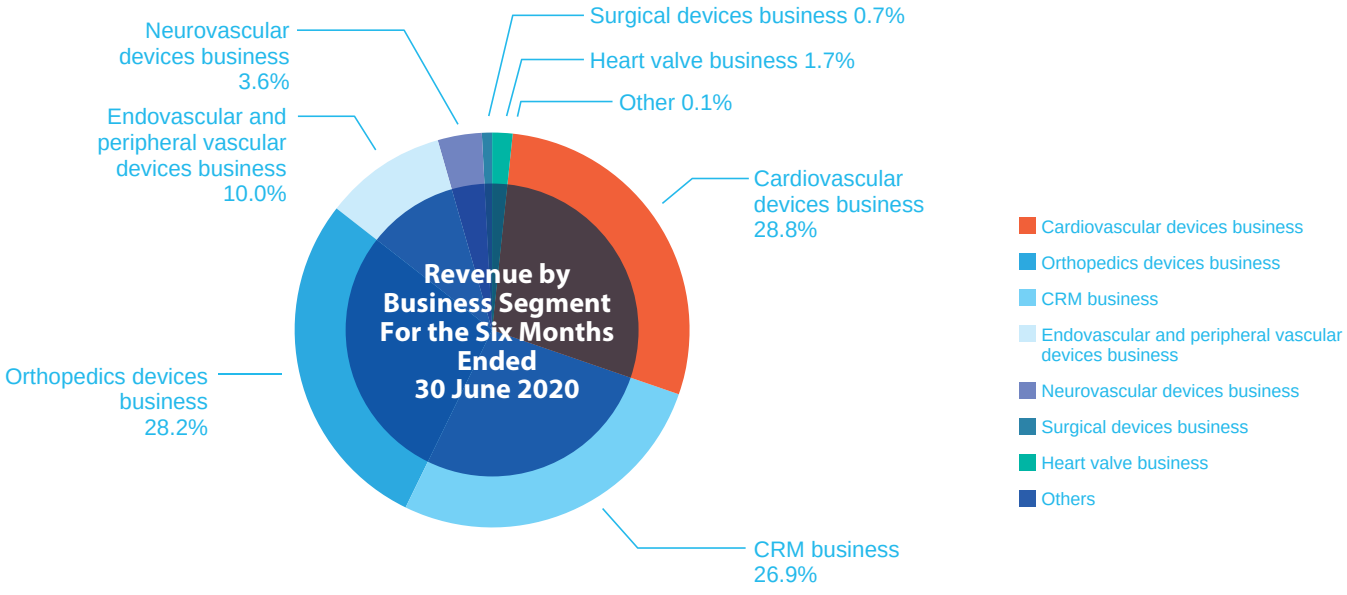
BNP Paribas

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2020 US$'000	2019 US$'000	Change %
Revenue	306,922	392,607	(21.8%)
Gross profit	217,588	281,638	(22.7%)
(Loss)/profit for the period	(68,762)	60,849	(213.0%)
(Loss)/profit attributable to equity shareholders of the Company	(65,562)	65,476	(200.1%)
(Loss)/earnings per share –			
Basic (in cents)	(3.90)	4.15	(194.0%)
Diluted (in cents)	(3.94)	3.50	(212.6%)

REVENUE ANALYSIS





CEO STATEMENT

The first half of 2020 saw the world engulfed in battle against the COVID-19 pandemic. As a leading innovative high-end medical device group, MicroPort, through its global R&D, production, marketing and service network, maintained production and operations in an orderly manner, and provided medical supplies needed for epidemic prevention and control to countries and communities within the Group's operating scope to fulfil its social responsibilities as a corporate citizen.

During the Reporting Period, the prevention, control, diagnosis and treatment of COVID-19 drove a further growth of global demand in the medical sector. However, the number of outpatients declined significantly and the delay of elective surgeries other than COVID-19 caused varying degrees of impact on the Group's major domestic and overseas business segments. As a result, the Group achieved sales revenue of US$306.9 million, representing a decrease of 21.8% compared with the corresponding period last year, or a year-on-year decrease of 19.7% (excluding the impact of foreign exchange). Recorded loss for the Period was US$68.8 million (loss attributable to the equity shareholders: US$65.6 million).

In respect to cardiovascular devices, the Group has maintained a leading position in the China market – which itself has become the largest PCI market in the world. After more than two decades of development, the Group now maintains a multi-level product portfolio which includes four stents and four balloon products. With its business expanding to more than 30 countries and regions, the Group is committed to further improving the overall capacities of its PCI interventional products, so as to provide accessible, high-quality and integrated medical solutions for patients around the world. During the first quarter of 2020, due to the impact of COVID-19, only emergency operations were reserved for coronary stent surgeries in China. As the pandemic stabilised during the second quarter, outpatient visits across the country rebounded rapidly. The Group's cardiovascular devices business recorded revenue of US$88.4 million, a decrease of 29.1% compared to the corresponding period last year (excluding the impact of foreign exchange). The Group also continued to develop the untapped markets during the Reporting Period. As of 30 June 2020, the Group's drug-eluting stents covered more than 2,200 hospitals in China. The Group also cooperated with a well-known medical technology company to develop made-in-China medical angiography X-ray machines and increase coverage in county hospitals with 117 county hospitals newly added to the Group's network during the Reporting Period. In some regions, the centralised procurement bids drove sales growth and optimised the existing product portfolio. The Group's overseas markets performed well during the first quarter, but were affected by the pandemic in the second quarter. The Group continued to gain market access around the world. Its drug-eluting stents are being sold in over 30 countries and regions, and were initially approved by eight countries and regions during the Reporting Period. The Group's balloon products are now sold in 17 countries and regions, with global sales revenue basically flat (excluding the impact of foreign exchange) as compared with the corresponding period last year. The Firefighter™ NC PTCA Balloon Catheter has been widely received since its launch.

Due to the impact of COVID-19 outbreak and delay of elective surgeries, the orthopedics devices business achieved revenue of US$86.6 million, representing a year-on-year decrease of 22.8% (excluding the impact of foreign exchange). The Group coordinated its global orthopedics R&D resources, and enriched the presence of existing product portfolios and instruments while accelerating the process of localisation. In overseas markets, the Group obtained CE certifications in the EU and FDA certifications in the USA for a range of products. During the same Period, the Group also launched the world's first Anterior PATH™ minimally invasive surgical technique. In China, the two made-in-China knee joints have rapidly increased in sales volume after being certified and launched in 2019. The made-in-China Goral™ Total Hip Arthroplasty System was certified for market launch during the first half of the year, marking the completion of the domestic product line and accelerating localisation. Revenue from spine and trauma business continued to grow steadily, mainly due to launches of new products. The orthopedics instrument business worked with overseas teams to trial-produce Hybrid ICE Knee Joint Instruments and began to develop sports medicine devices to help further reduce costs.

The cardiac rhythm management business ("CRM business") achieved revenue of US$82.7 million, a 20.2% decrease compared with the corresponding period last year (excluding the impact of foreign exchange). The Group's responses to the pandemic included conducting online academic conferences and organising online sales training. Various R&D projects continued to make substantial progress, including the release of pre-clinical results of animal models for the innovative ultra-thin left ventricular lead Axone™, and the commencement of pre-clinical research for the Invicta™ defibrillation lead. CE registration data has been submitted for the new generation of pacemakers with Bluetooth and wireless remote monitoring function – namely Alizea™, Borea™ and Celea™. Customer awareness and trust of made-in-China pacemakers are increasing and implant volume has been constantly accelerating since their launches. The Group occupies a dominant market position among domestic products, and accelerates its work for further localisation.

The endovascular and peripheral vascular device business recorded a revenue of US$30.5 million during the Reporting Period, representing a steady growth of 25.0% over the same period last year (excluding the impact of foreign exchange). The Castor™ Branched Aortic Stent-Graft System – the world's first thoracic branch stent-graft system – maintained rapid growth. The neurovascular device business's revenue declined due to the contraction of ordinary surgeries. In respect to the heart valve business, the number of hospitals covered by VitaFlow™ transcatheter aortic valve and delivery system ("VitaFlow™") increased rapidly since its launch last year, among which are some hospitals or clinics exclusively developed by the Group, highlighting its competitive advantage. Three products under the surgical robots business have entered clinical trials, including the Group's self-developed Skywalker™ Orthopedic Surgery Navigation and Positioning System, which entered the Green Path during the first half of the year and began its first-in-man (FIM) clinical trial during the first half of the year.

Outstanding R&D capability is the core driver of sustainable development for innovative medical device companies, and the Group has always placed a heavy emphasis on this and its clinical businesses. During the Reporting Period, in China market, in respect of cardiovascular devices business, the Firekingfisher Rapamycin-Eluting CoCr Coronary Stent System with upgraded delivery system on the basis of Firebird2™, obtained the NMPA registration certificate in July 2020; in respect to orthopedics devices business, the made-in-China Goral™ Total Hip Arthroplasty System obtained an NMPA registration certificate, and the Group's self-developed Tibia Resection Alignment System won a Reddot Award 2020 Best of the Best in July 2020. In respect of the Group's endovascular devices business, the Reewarm™ PTX Drug Balloon Dilation Catheter obtained an NPMA registration certificate. Currently the Group has two Class III medical devices products – the Tigertriever™ clot retriever and Skywalker™ Orthopedic Surgery Navigation and Positioning System – entering the Green Path. Overseas, in terms of cardiovascular devices business, the Group has obtained 17 initial registration certificates in 8 countries or regions, continuously expanding its global business footprint. In terms of the orthopedics devices business, the GLADIATOR™ Cementless Femoral Stems obtained FDA approval in the USA, while the PROCOTYL™ P Acetabular Cup System, the latest generation Evolution™ NitrX™ Medial Pivot Knee for patients with allergies to certain metallic ions, and various femoral heads of the PROFEMUR™ TL2 femoral stem all obtained CE certification. In terms of heart pulse business, Hercules™ Low Profile Aneurysm and Delivery System obtained the European Union CE certification. Regard the heart valve business, VitaFlow™ was certified for launch in Argentina in July 2020. On the clinical side, the Company released the latest three-year follow-up data for the TARGET All Comers (TARGET AC) clinical trial and two-year data for the Dual-Antiplatelet Therapy (DAPT) subgroup for its Firehawk™ stent. The results proved that Firehawk™ 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. The over one-year target lesion revascularisation failure (TLF) rates were lower and similar in both groups, and the very late stent thrombosis rates in this real world population study were lower in Firehawk™ group. The latest three-year follow-up results of TARGET AC were published online by the "EuroIntervention" international medical journal. The Group also released the first three-year clinical results for VitaFlow™ applied to patients in China with severe aortic valve calcification, confirming the safety and efficacy of VitaFlow™ in these treatments.

In terms of strategic financing, the Group completed public placing during the first half of the year. The net amount of proceeds (after deducting all relevant costs, commissions and expenses) was approximately HK$1.541 billion. The Group's controlled heart valve, orthopedics, cardiac rhythm management and surgical robots businesses, as well as two associates, MP EP and Horizon Medical, also completed financing. The introduction of a number of well-known institutional investors to the Group reflected the capital market's broad recognition of the soundness of the Group's business.

"Serving patients" and "serving doctors who serve patients" are the core beliefs of all MicroPort employees. In the future, the Group will continue to uphold the management concept of "Eyes for Greatness, Hands on Details", deeply imbed the pursuit of details and persistence in innovation, and commit to providing patients around the world with high-quality universal medical solutions.

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

Overview

The first half of 2020 saw the COVID-19 pandemic spread around the world, with many countries and regions being affected to various extent. While the prevention, control, diagnosis and treatment of COVID-19 stimulated demand in the global medical industry, outpatient visits and elective surgeries except for COVID-19 treatment were postponed, negatively impacting some industries.

In China, the government introduced reform policies to support the healthy and orderly development of the medical industry. The Central Committee of the CPC and the State Council issued "Opinions on Deepening the Reform of the Medical Security System", calling for the incorporation of drugs, diagnosis and treatment items, and medical consumables with high clinical value and good economic evaluation into the scope of medical insurance payment, continued reform of centralised volume-based procurement of medical consumables, adherence to a combination of bidding with purchasing, a linking of price with volume and full implementation of volume-based procurement of medical consumables, reflecting the trend of centralised purchasing and negotiation in the field of high value consumables, in which evidence of value in clinical and health economics will play an important role. Since July 2019, various regions of China have implemented a pilot policy for volume-based procurement of consumables to maintain a fair and competitive market environment in the context of value purchasing and quality assurance. This will accelerate the optimization of resource allocation and consolidation of the industry, from which the leading companies with scale advantages, advanced technology and leading innovations are expected to benefit. Additionally, the Office of the National Medical Security Administration issued the "Medical Security Disease Diagnosis Related Groups (CHS-DRG) Subdivision Group Plan (Version 1.0)", which further subdivides the 376 core DRG (ADRG) groups in the "National Medical Security Administration DRG (CHS-DRG) Group Plan" into 618 subgroups. In the future, the implementation of DRG will change the existing medical payment methods and will benefit enterprises that manufacture high-quality products at a favorable price.

In the overseas markets, market competition has intensified. Various countries or regions imposed higher requirements on the product performance, quality, clinical evidence and other aspects. This will help those enterprises who have established overseas presence, focused on the research and development of new products and built multi-layered product portfolios to enhance their overall market competitiveness in the global market.

During the first half of 2020, the Group responded to the COVID-19 pandemic by adopting strong and effective measures and maximising the integration and allocation of market resources for pandemic prevention and control for the countries and communities where the Group is located to fulfill the social responsibilities of a corporate citizen. During the Reporting Period, the Group continued its research and development and clinical projects, with several key products obtaining registration certificates. Besides, the financings from the capital market help the Group to accelerate the business expansion and long-term development of the existing business segments, thus building and enhancing the overall competitive strength of the Group. During the Reporting Period, with major business segments at home and abroad impacted by the pandemic, the Group realised a revenue of US$306.9 million, representing a decrease of 21.8% compared with the same period of 2019, or a decrease of 19.7% excluding the impact of foreign exchange. Recorded loss for the period was US$68.8 million (loss attributable to the equity shareholders: US$65.6 million).

Segment Review

Cardiovascular Devices Business

In recent years, interventional treatment of coronary artery disease in China has continually improved, and the number of hospitals that can perform operations has increased year by year. In particular, county hospitals are increasingly playing a key role in the treatment of coronary artery disease. In terms of product consumption, China has become a major PCI country globally, despite a relatively large gap in the number of PCI cases per million population between China and developed countries. With the implementation of centralised volume-based procurement policies for coronary stents in various provinces and cities, the industry is gradually becoming integrated and dominated by leading enterprises. Due to the COVID-19 pandemic, in the first quarter of 2020, only emergency operations were reserved for coronary stent surgeries in China, and a small number of hospitals performed operations normally. As the pandemic stabilised during the second quarter, outpatient visits across the country rebounded rapidly.

During the Reporting Period, the Group recorded revenue of US$88.4 million for its cardiovascular devices business, representing a decrease of 29.1% compared to the corresponding period of 2019 (excluding the impact of foreign exchange). In China, as affected by the pandemic, revenue from drug-eluting stents reached bottom in February, but increased significantly on a monthly basis since March. During the period, the Group explored new markets and continued to increase the penetration of all levels of products in the market. As of 30 June 2020, the Group's drug-eluting stents covered more than 2,200 hospitals nationwide, among which Firehawk™ Coronary Rapamycin Target Eluting Stent System ("Firehawk™") and Firebird2™ Rapamycin-Eluting CoCr Coronary Stent System ("Firebird2™") covered 109 and 90 new hospitals respectively in the first half of the year. With the gradual improvement of county hospitals' PCI capabilities, the Group has also cooperated with a well-known medical technology company to develop made-in-China medical angiography X-ray machines to increase coverage in county areas, and covered 117 new county hospitals during the Reporting Period. Successful centralised procurement bids in some regions drove sales growth, further optimised the product mix, and consolidated the Group's leading position in the market. The Group also made further upgrades of existing products. The FireCondor™ Rapamycin Target Eluting Coronary Stent System with improved delivery system was widely praised by doctors, while the upgraded Firekingfisher Rapamycin-Eluting CoCr Coronary Stent System obtained a registration certificate in July 2020. The Group was also developing a variety of accessory products to create a multi-level product portfolio. This will enhance the overall capacities of the Group's PCI interventional products and lead to the provision of accessible, high-quality and integrated medical solutions.

In the overseas markets, the first quarter recorded favorable performance, yet the beginning of the second quarter was affected by the pandemic. Therefore, revenue from the international drug-eluting stent business decreased by 12.0% (excluding the impact of foreign exchange) compared with the same period of the previous year, but sales growth was still recorded in countries and regions where the COVID-19 pandemic was properly managed. The overall revenue from Firebird2™ grew steadily year-on-year (excluding the impact of foreign exchange). During the Reporting Period, the Group actively pursued market access in various regions around the world, with drug-eluting stents obtaining registration certificates in 4 countries or regions and Firehawk™ achieving sales in over 30 countries and regions.

The global revenue of balloon products decreased slightly by 0.2% year-on-year (excluding the impact of foreign exchange). Firefighter™ NC Balloon Catheter received extensive positive feedback after its launch. Balloon products are sold in 17 overseas countries and regions.

Orthopedic Devices Business

During the Reporting Period, elective surgeries were postponed and the orthopedics business was affected at home and abroad due to the COVID-19 pandemic. The orthopedics devices business realised revenue of US$86.6 million, representing a year-on-year decrease of 22.8% (excluding the impact of foreign exchange). In response to the pandemic situation, the Group coordinated the orthopedics business's global R&D team and resources, enriched the existing product portfolio and instrument application, used online marketing to strengthen the brand and product concept promotion, and accelerated the process of localisation. At the same time, based on investors' confidence in orthopedics products, strategic layout and expectations of huge growth potential in the future, the orthopedics devices business raised RMB580 million and attracted a number of well-known strategic investors, which will provide necessary funding support to the Group's new product development and market expansion, and drive the orthopedics business to a new stage of rapid growth.

During the Reporting Period, the international (non-China) orthopedics business recorded revenue of US$76.8 million, representing a decrease of 24.2% compared to the same period last year (excluding the impact of foreign exchange). Almost all overseas regions showed higher-than-expected momentum at the beginning of the year. But the overall business performance was later affected by the pandemic. There were signs of recovery since May, and North America recorded growth in June as compared with the same month last year. During the pandemic, the Group completed the design, development and submission of registration of several new products. Among these, GLADIATOR™ cementless femoral stems obtained FDA approval in the United States, and the PROCOTYL™ P acetabular cup system obtained CE certification in the European Union. The new generation Evolution™ NitrX™ Medial-Pivot Knee for patients allergic to certain metal ions was certified and launched in the United States and Canada in 2019, and obtained EU CE certification in the first half of 2020. ICE instruments for supporting the EVOLUTION™ total knee replacement system were also launched globally, and will help to further reduce costs. The Group also launched the Anterior PATH™ minimally invasive surgical technique for the very first time, serving as an effective supplement to the Group's SuperPATH™ minimally invasive posterior approach to total hip replacement, and will be promoted together with existing hip joint products.

During the Reporting Period, the orthopedics business in China recorded revenue of US$9.8 million, representing a decrease of 12.0% over the same period last year (excluding the impact of foreign exchange). This was mainly due to delays of elective surgeries. In response to the rapid development of domestic orthopedics medical devices, the Group obtained two made-in-China knee joint registration certificates in 2019. Sales of these products increased rapidly after their launch. The made-in-China Goral™ Total Hip Arthroplasty System ("Goral™ System") also obtained a registration certificate during the first half of the year, and officially launched clinical implants, further diversifying the existing product portfolio and accelerating the localisation process. The steady growth in revenue from the spine and trauma business was mainly due to the launches of the Piscis™II Interbody Fusion System and the Takin™II Canulated Spine Minimal Invasive System in China bringing new driving forces, which further increased the number of hospitals covered. Growth was maintained in the orthopedic instrument business during the same period, helping to further reduce costs. Meanwhile, the Group trial-produced Hybrid ICE knee joint instruments for the overseas orthopedics business, supported CE registration, and developed sports medicine devices. The Global Supply Center (GSC) maintained stable operations for global instrument supply and reduced instrument costs through the effective allocation of global resources.

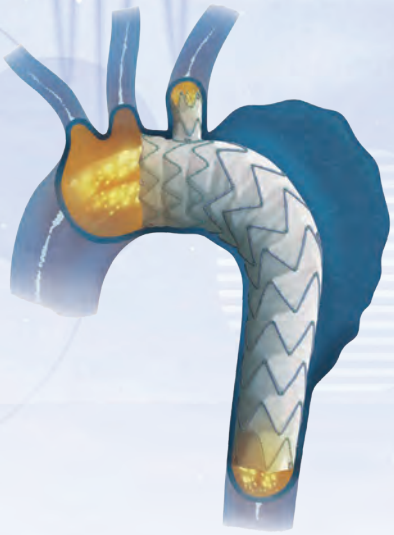
Cardiac Rhythm Management Business

During the Reporting Period, the CRM business realised revenue of US$82.7 million, representing a decrease of 20.2% (excluding the impact of foreign exchange) as compared with the corresponding period last year. Though many regions around the world were affected by COVID-19, R&D projects proceeded in an orderly manner and growth was achieved in the number of implanted domestic pacemakers. In July 2020, the Group raised US$105 million to fund for the CRM business, which will be used to accelerate implementation of the development plan for the clinical application of world-class CRM products, treat more patients, and create more growth catalysts for a sustained development of the business segment.

During the Reporting Period, the international (non-China) CRM business realised revenue of US$79.9 million. In January and February of 2020, the performance was stable and positive. From mid-March, COVID-19 imposed severe challenges. Thus revenue decreased by 20.3% over the same period last year (excluding the impact of foreign exchange). The Group responded to the pandemic by conducting online academic conferences, organising online sales training, and pushed forward its research and development projects, making substantial progress including the release of preclinical results of animal models for the innovative ultra-thin left ventricular lead Axone™, the start of preclinical research for the Invicta™ defibrillation lead, submission of CE registration information for the new generation of pacemakers with Bluetooth technology and wireless remote monitoring function, including the Alizea™, Borea™ and Celea™ projects.

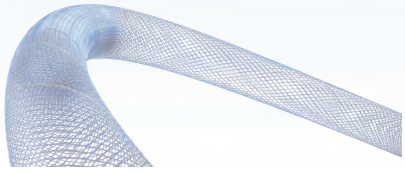
During the Reporting Period, the CRM business in China realised revenue of US$2.8 million, representing a decrease of 16.0% (excluding the impact of foreign exchange) as compared with the corresponding period last year. Although the implantations during the first quarter were affected by the postponement of elective surgeries, the second quarter started to see recovery, with monthly implantations increasing steadily. This was mainly attributable to improved brand recognition and consumer trust in world-class high-quality domestic pacemakers. The Group's continued development of new hospitals also increased implantations and further accelerated domestic production since its launch as well as dominated the market in domestic products. Clinical applications of the Beflex™ active pacing lead were speeded up, which contributed additional revenue for this segment. In terms of product R&D, the Group submitted registration information for the Kora 100 pacemaker with out-of-chest MRI compatibility.

Endovascular and Peripheral Vascular Devices Business



During the Reporting Period, the Group's endovascular and peripheral vascular devices business recorded revenue of US$30.5 million, reflecting a stable year-on-year growth of 25.0% (excluding the impact of foreign exchange). Thoracic aorta products maintained a relatively rapid growth in revenue as thoracic aorta operations were mainly emergency operations and the COVID-19 impact was relatively mild. Revenue from sales of abdominal aorta products declined due to the pandemic, as abdominal aorta operations were mainly elective ones. During the Reporting Period, Castor™ Branched Aortic Stent-Graft System ("Castor™") – the world's first thoracic branch stent – maintained rapid growth with its outstanding clinical performance and application in more than 400 hospitals across China. The Minos™ Abdominal Aortic Aneurysm and Delivery System ("Minos™") steadily accelerated the process of bidding and entering hospitals since its launch. In addition, in the field of peripheral arterial diseases treatment the Group's Reewarm™ PTX drug balloon dilatation catheter obtained an National Medical Products Administration ("NMPA") registration certificate and is set to make an additional contribution to sales. After obtaining EU CE certification in 2019, Minos™ completed its first clinical implantation in multiple countries overseas during the Reporting Period. The Hercules™ Low Profile Aneurysm and Delivery System also obtained EU CE certification, which further improved this segment's international business product line.

Neurovascular Devices Business



During the Reporting Period, the Group's neurovascular devices business recorded revenue of US$10.9 million, representing a year-on-year decrease of 9.0% (excluding the impact of foreign exchange). This was mainly due to the fact that common diagnosis and treatment operations with neurovascular devices severely contracted since the COVID-19 outbreak and sales of the Apollo™ intracranial artery stent system declined. The Tubridge™ vascular reconstruction device ("Tubridge™") continued to expand its market coverage and is currently used by approximately 130 hospitals. The Fastrack™ microcatheter system ("Fastrack™") was licensed on the market in 2019 and subsequently launched in several provinces and cities. Several products under development will further enrich the neurovascular devices line in the future.

Heart Valve Business

During the Reporting Period, the heart valve business recorded revenue of US$5.2 million. The Group continued to implement targeted sales plans and market strategies to promote the launch of VitaFlow™ in various provinces and cities, and facilitate its business development in new hospitals, especially medium and large hospitals and the number of hospitals covered increased rapidly. Certain hospitals or departments currently only adopt the Group's products, demonstrating our competitive advantage and wide recognition by industry experts and doctors. The Group also organised several online academic conferences to enhance the academic influence of its heart valve products.

The Reporting Period saw the completion of a new series of financing of US$130 million for the heart valve business and the participation of a number of investors. The new financing will bring more resources for the R&D, production and market expansion of its heart valve business, and further enhance the segment's competitiveness.

Surgical Robot Business

During the Reporting Period, through independent research and development and overseas investment, the Group made gradual progress in building a multi-field surgical robot group with global presence and the ongoing projects have advanced as planned. In the field of surgery with conventional endoscopy, the Group's self-developed DFVision™ 3D Electronic Laparoscope entered the special approval procedure for innovative medical devices ("Green Path") and launched clinical trials for registration in 2019. The preparation of information for registration started in the first half of the year. In the field of surgery with laparoscopic robots, the Group's self-developed Toumai™ Laparoscopic Surgical Robot also entered the Green Path and launched clinical trials for registration in 2019. The clinical trial was ongoing during the first half of the year. In joint replacement, the Group's self-developed Skywalker™ Orthopedic Surgery Navigation and Positioning System entered the Green Path and completed a robot-assisted total knee replacement surgery, marking the first-in-man ("FIM") clinical trial of Skywalker™ to be enrolled for the first time. Upon its launch, the product will improve the Group's overall industrial plan in the field of orthopedics by virtue of the most cutting-edge treatment concepts and advanced instruments, and the Group's unique medial-pivot knee design concept, and with its core advantages in innovative design and industry-leading manufacturing capabilities, it will provide more high-quality and comprehensive orthopedic medical solutions to patients worldwide. As to natural cavity surgery, the Group has completed the first robot-assisted bronchoscopy alveolar lavage was completed during the Reporting Period for the diagnosis and treatment of COVID-19. It can physically isolate medical staff from the surgical infection environment through remote control, reduce the risk of medical staff infection, and help improve the diagnosis and cure rates. Additionally, the Group further expanded its robotics business territory through investment. In the field of vascular interventional surgery, the Group invested in Robocath, a vascular interventional robot company, with which it will establish a joint venture in China for distribution, manufacturing and localisation development in the greater China region. The Group also invested in NDR Medical Technology Private Limited, a percutaneous navigation robot company, to further accelerate the Group's presence in the fields of respiratory and urinary intervention.

Progress in Major Research and Development

A total of 4 Class III medical device products gained NMPA approval up to now and two entered the Green Path. Since the establishment of Green Path, a total of 20 products under the Group or its related companies have been approved to enter as at 30 June 2020. The Group also has several products that have obtained certification in the international market.

For the cardiovascular devices business, Firekingfisher Rapamycin-Eluting CoCr Coronary Stent System with upgraded delivery system on the basis of Firebird2™ obtained NMPA approval in July 2020. The Group has a number of upgraded products under development to enrich the product line and better meet market needs. Paclitaxel drug-coated balloon, rapamycin drug-coated balloons and rotational atherectomy catheter are also under development. In the overseas markets, the Group obtained 17 registration certificates in 8 countries or regions in the first half of the year, continuously expanding its global business footprint. During the PCR e-Course hosted by the organizers of EuroPCR 2020, the Company released the latest three-year follow-up data for the TARGET All Comers ("TARGET AC") clinical trial and two-year data for the Dual-Antiplatelet Therapy ("DAPT") subgroup for its Firehawk™ stent. The results proved that Firehawk™ 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. The over one-year target lesion revascularisation failure ("TLF") rates were lower and similar in both groups, and the very late stent thrombosis rates in this real-world population study were lower in Firehawk™ group. Two-year data for the DAPT subgroup of TARGET AC study showed that the TLF rate in the DAPT interrupted treatment subgroup in the Firehawk™ group showed a lower trend than the control group. The three-year follow-up data of TARGET AC clinical trial was published online in EuroIntervention, an international medical journal.

In respect to the orthopedics devices business, in the field of joints and overseas markets, the GLADIATOR™ cementless Femoral Stems obtained FDA approval, the PROCOTYL™ P acetabular cup system has obtained the European Union CE certification. The Group made further advancements to the PRIME™ Acetabular Cup system with the submission of the multi-hole version of the shell along with a constrained liner to FDA for review. A variety of femoral heads of PROFEMUR™ TL2 femoral stems obtained CE certificates. In addition, the group also launched the Anterior PATH™ minimally invasive surgical technique. The new generation Evolution™ NitrX™ Medial Pivot Knee for patients with allergies to certain metallic ions also obtained the EU CE certification. For the Evolution™ total knee replacement system, the Group introduced supporting ICE tools to reduce costs. For the PRC market, the made-in-China Goral™ Total Hip Arthroplasty System obtained a NMPA registration certificate. The system can be used in combination with the Company's unique SuperPATH™ total hip arthroplasty and showed excellent clinical results, and completed the first case during the reporting period. In July 2020, the Group's self-developed Tibia Resection Alignment System won a Reddot Award 2020 Best of the Best. The system features newly designed artificial knee replacement surgical instruments to help doctors perform tibial osteotomy alignment more quickly, and to accurately adjust the joints' position for better postoperative clinical results. In the field of spinal trauma, the Piscis™ II Injectable Artificial Bone Fusion Cage and Takin™ II Hollow Spine Minimally Invasive System were launched in China. In the field of sports medicine, Omnicuff™, the new generation of rotator cuff repair instruments under MinInvasive invested by the Group, obtained a NMPA registration certificate in July 2020.

In the CRM business, the Group released pre-clinical research data for the animal model of the self-developed Axone™ Lead. The three-month follow-up data showed that the product has good position fixation stability, electrical parameter performance and biocompatibility. The research data was published in the electronic catalogue of the 2020 Annual Meeting of American Heart Rhythm Society in the form of academic posters. Axone™'s diameter is just one-quarter of that of the standard left ventricular lead on the market, making it more conducive to passing through very narrow and tortuous veins. It is expected to provide a more optimal cardiac resynchronisation treatment solution for patients with heart failure. Invicta™ defibrillation lead has initiated preclinical studies. The new generation pacemakers equipped with Bluetooth technology and wireless remote monitoring functions, namely Alizea™, Borea™ and Celea™ , have submitted CE registration data.

In the neurovascular devices business, the Tigertriever™ clot retriever ("Tigertriever™") of Rapid Medical invested by MP Neuro, a subsidiary of the Group, has entered the Green Path. There is no similar clot retrieval product currently in the China market, and MP Neuro will be entitled to exclusive dealership rights for Tigertriever™ in greater China. MP Neuro's self-developed clot retriever is also at the clinical stage. In the future, MP Neuro's will implement a dual product combination strategy. Through more comprehensive product specifications and a wider range of lesion locations, it will provide doctors and patients with more choices and create an integrated neurovascular solution.

In the endovascular devices business, the Group's self-developed Reewarm™ PTX Drug Balloon Dilation Catheter obtained an NMPA registration certificate, and the Hercules™ Low Profile Aneurysm and Delivery System obtained EU CE certification.

In the heart valve business, the Group's self-developed VitaFlow™ Transcatheter Aortic Valve and its Delivery System ("TAVI") ("VitaFlow™") obtained a certificate for launch in July in Argentina and was approved for a global market launch. The Group released the first three-year clinical data for VitaFlow™ applicable to patients with severe aortic valve calcification in China. The data showed that compared with clinical studies of other products, its all-cause mortality was significantly lower, and the severe vascular complication rate was significantly lower in the severe group. The three-year clinical data confirmed the safety and efficacy of VitaFlow™ for the treatment of patients with severe aortic calcification.

In the surgical robot business, the Group's self-developed Skywalker™ Orthopedic Surgery Navigation and Positioning System entered the Green Path and completed its first robot-assisted total knee replacement surgery, marking the first-in-man ("FIM") clinical trial of Skywalker™ to be enrolled for the first time.

2. FINANCIAL REVIEW

Overview

Faced with an increasingly fierce competition in the rapidly growing medical device industry in China and abroad and the impact of the COVID-19 pandemic, the revenue of the Group decreased by 21.8% in US$ for the six months ended 30 June 2020 as compared to the six months ended 30 June 2019. The Group continued to provide a diversified product portfolio and pursue the Group's globalization strategy with non-China sales contributing 56.0% 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

	Six months ended		Percent change	
US$'000	**30 June 2020**	30 June 2019	in US$	excluding the foreign exchange impact
Cardiovascular devices business	**88,369**	129,067	(31.5%)	(29.1%)
Orthopedics devices business	**86,619**	113,430	(23.6%)	(22.8%)
CRM business	**82,699**	106,579	(22.4%)	(20.2%)
Endovascular and peripheral vascular devices business	**30,549**	25,567	19.5%	25.0%
Neurovascular devices business	**10,916**	12,399	(12.0%)	(9.0%)
Heart valve business	**5,155**	–	n.a.	n.a.
Surgical devices business	**2,139**	2,142	(0.1%)	4.1%
Other business *(*Note)*	**476**	3,423	(86.1%)	(85.1%)
Total	**306,922**	392,607	(21.8%)	(19.7%)

**Note:*

1. Other business did not meet the quantitative thresholds for determining reportable segments. For the six months ended 30 June 2019, revenue of other business was attributable to electrophysiology devices business. Shanghai MicroPort EP Medtech Co., Ltd. ("MP EP") was restructured in 2019 whereby the Group ceased to control over MP EP which became an equity-accounted investee of the Group.

The Group's revenue for the six months ended 30 June 2020 was US$306.9 million, decreasing by 21.8% compared to US$392.6 million for the six months ended 30 June 2019. The Group's reported revenue was impacted by translation from functional currencies of the Group's subsidiaries to US$, the presentation currency of the Group, due to the appreciation or depreciation of US$ against functional currencies. Excluding the foreign exchange impact, the Group's revenue declined 19.7%. Such decrease was primarily driven by the impact of the COVID-19 pandemic, which resulted in the postponement of outpatient visits and surgeries in medical institutions, hence the decrease of the Group's revenue as compared to the six months ended 30 June 2019. The following discussion is based on the Group's major business segments.

– Cardiovascular Devices Business

The Group's cardiovascular devices business recorded a revenue of US$88.4 million for the six months ended 30 June 2020, representing a decrease of 29.1% excluding the foreign exchange impact or a decrease of 31.5% in US$ compared to the six months ended 30 June 2019. Such decrease was mainly attributable to the postponement of outpatient visits and surgeries in medical institutions due to the impact of the COVID-19 pandemic, resulting in a year-on-year decrease in the number of implants.

– Orthopedics Devices Business

	Six months ended		Percent change	
US$'000	**30 June 2020**	30 June 2019	in US$	excluding the foreign exchange impact
Orthopedics Devices Business	**86,619**	113,430	(23.6%)	(22.8%)
– US	**36,448**	45,107	(19.2%)	(19.2%)
– Europe, Middle East and Africa	**15,885**	29,131	(45.5%)	(44.5%)
– Japan	**16,841**	17,743	(5.1%)	(6.5%)
– the PRC	**9,824**	11,547	(14.9%)	(12.0%)
– Others	**7,621**	9,902	(23.0%)	(20.0%)

The Group's orthopedics devices business recorded a revenue of US$86.6 million for the six months ended 30 June 2020, representing a decrease of 22.8% excluding the foreign exchange impact or 23.6% in US$ compared to the six months ended 30 June 2019. Such decrease was mainly attributable to the postponement of outpatient visits and surgeries in medical institutions due to the impact of the COVID-19 pandemic, resulting in a year-on-year decrease in the number of implants.

– CRM Business

	Six months ended		Percent change	
US$'000	**30 June 2020**	30 June 2019	in US$	excluding the foreign exchange impact
CRM Business	**82,699**	106,579	(22.4%)	(20.2%)
– US	**442**	1,307	(66.2%)	(66.2%)
– Europe, Middle East and Africa	**74,689**	92,813	(19.5%)	(18.0%)
– Japan	**3,376**	5,845	(42.2%)	(44.3%)
– the PRC	**2,830**	3,481	(18.7%)	(16.0%)
– Others	**1,362**	3,133	(56.5%)	(23.9%)

CRM business recorded a revenue of US$82.7 million for the six months ended 30 June 2020, representing a decrease of 20.2% excluding the foreign exchange impact or 22.4% in US$ over the six months ended 30 June 2019. Such decrease was mainly attributable to the postponement of outpatient visits and surgeries in medical institutions due to the impact of the COVID-19 pandemic, resulting in a year-on-year decrease in the number of implants.

– **Endovascular and Peripheral Vascular Devices Business**

The Group's endovascular and peripheral vascular devices business achieved a revenue of US$30.5 million for the six months ended 30 June 2020, representing a growth of 25.0% excluding the foreign exchange impact or a growth of 19.5% in US$ compared with the six months ended 30 June 2019. Such growth was mainly attributable to the following factors: (i) the Group's main products, Hercules™ Low Profile and Castor™, are thoracic aorta products and were mildly impacted by the COVID-19 pandemic as thoracic aorta operations were mainly emergencies; (ii) positive market recognition and enhanced competitiveness of the Group's endovascular products in aortic aneurysm and endovascular treatment market attributable from Castor™, the world's first thoracic branch stent-graft system.

– **Neurovascular Devices Business**

The Group's neurovascular devices business recorded a revenue of US$10.9 million for the six months ended 30 June 2020, representing a decline of 9.0% excluding the foreign exchange impact or a decline of 12.0% in US$ compared to the six months ended 30 June 2019. Such decrease was mainly attributable to the contraction of elective common diagnosis and treatment operations due to the impact of the COVID-19 pandemic, resulting in a year-on-year decrease in the number of implants.

– **Heart Valve Business**

The Group's heart valve business recorded a revenue of US$5.2 million for the six months ended 30 June 2020. The VitaFlow™ valve system was approved for launch in the second half of 2019 and the Group continued to implement targeted sales plans and market strategies to promote the launch and highlight the competitive advantages. The VitaFlow™ valve system quickly gained market share with positive market recognition.

– **Surgical Devices Business**

The Group's surgical devices business recorded a revenue of US$2.1 million for the six months ended 30 June 2020, representing a growth of 4.1% excluding the foreign exchange impact or a decline of 0.1% in US$.

– **Other Business**

The Group's other business recorded a revenue of US$0.5 million for the six months ended 30 June 2020, representing a decrease of 85.1% excluding the foreign exchange impact or a decrease of 86.1% in US$ compared to the six months ended 30 June 2019. Other business did not meet the quantitative thresholds for determining reportable segments.

Cost of Sales

For the six months ended 30 June 2020, the Group's cost of sales was US$89.3 million, representing a 19.5% decrease as compared to US$111.0 million for the six months ended 30 June 2019. Such decrease was primarily attributable to the decreased sales volume of the major businesses.

Gross Profit and Gross Profit Margin

As a result of the foregoing factors, the Group's gross profit decreased by 22.7% from US$281.6 million for the six months ended 30 June 2019 to US$217.6 million for the six months ended 30 June 2020. Gross profit margin is calculated as gross profit divided by revenue. The Group's gross profit margin decreased to 70.9% for the six months ended 30 June 2020 as compared to 71.7% for the six months ended 30 June 2019, primarily attributable to the increase in unit manufacturing costs due to decreased production of major businesses as a result of the impact of the COVID-19 pandemic.

Other Net Income

The Group recorded other net income of US$30.8 million for the six months ended 30 June 2020, representing a 257.7% increase as compared to US$8.6 million for the six months ended 30 June 2019. The increase was mainly attributable to (i) the increase in government grant; (ii) refund from an arbitration over the purchase price for the acquisition of the CRM business from LivaNova in 2018. In March 2020, the arbitrator appointed by the Group and LivaNova determined that LivaNova shall refund a total of approximately US$16.4 million as the Adjustment Amount to the Group. The Adjustment Amount was fully received by the Group and recognised in profit or loss directly for the six months ended 30 June 2020.

Research and Development Costs

Research and development costs increased by 7.1% from US$68.0 million for the six months ended 30 June 2019 to US$72.8 million for the six months ended 30 June 2020. Such increase was primarily due to the increased investments in the on-going and newly kicked off research and development projects.

Distribution Costs

Distribution costs decreased by 11.5% from US$126.5 million for the six months ended 30 June 2019 to US$112.0 million for the six months ended 30 June 2020. Such decrease was primarily attributable to the corresponding decrease in marketing activities and sales commission due to the impact of the COVID-19 pandemic.

Administrative Expenses

Administrative expenses increased by 64.8% from US$55.0 million for the six months ended 30 June 2019 to US$90.6 million for the six months ended 30 June 2020. The increase was mainly attributed to the impact of the incentive shares granted to certain employees (including an executive director) pursuant to the Share Award Scheme of the Group.

Other Operating Costs

Other operating costs increased by 64.0% from US$5.9 million for the six months ended 30 June 2019 to US$9.6 million for the six months ended 30 June 2020. The increase was mainly due to the increased professional fees.

Finance Costs

Finance costs increased from US$9.6 million for the six months ended 30 June 2019 to US$16.1 million for the six months ended 30 June 2020. The increase was mainly attributable to the accrued finance cost of the voting redeemable preferred shares issued by the Group's heart valve business.

Income Tax

Income tax decreased from US$26.4 million for the six months ended 30 June 2019 to US$13.6 million for the six months ended 30 June 2020, which was primarily due to the decrease in profit before tax.

No deferred tax assets were recognised for certain loss-making subsidiaries as at 30 June 2020.

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 2020, the Group had US$471.3 million of cash and cash equivalents on hand, as compared to US$280.1 million as of 31 December 2019. The increase was mainly attributable to the introduction of new strategic investors and the completion of a new round of equity financing in the heart valve business and orthopedics devices 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$358.8 million as of 30 June 2020 and US$403.3 million as of 31 December 2019. As of 30 June 2020, the gearing ratio of the Group, calculated as total bank borrowings and convertible bonds divided by total equity, decreased to 46.1% from 61.7% as at 31 December 2019.

Net Current Assets

The Group's net current asset as at 30 June 2020 was US$579.8 million, as compared to US$309.2 million as at 31 December 2019.

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 2020, the Group recorded net exchange loss of US$1.4 million, as compared to a net exchange gain of US$0.02 million for the six months ended 30 June 2019. The Group has been actively monitoring its foreign exchange risk and implemented relevant hedging arrangements to manage foreign exchange risk.

Capital Expenditure

During the six months ended 30 June 2020, the Group's total capital expenditure amounted to approximately US$64.2 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 2020, the Group had set pledge on bank deposits and mortgage on its right-of-use assets, buildings held for own use and trade receivables for securing bank loans with a carry value of US$85.5 million.

As at 30 June 2020, a bank loan amounting to US$80.0 million in connection with the acquisition of the CRM Business was secured by buildings held for own use and the equity interests of the Company's three subsidiaries and guaranteed by MP Shanghai.

Interim Dividend

The Directors did not recommend the payment of an interim dividend to the Shareholders for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

3. HUMAN RESOURCES AND TRAINING

As of 30 June 2020, the Group had 6,707 employees, of whom 1,715 or 25.6% were overseas employees in the Asia Pacific region, Europe, the Middle East, Africa, North America and Australia. The expansion of the Group's global footprint will contribute to its future growth and increase the diversity of its workforce.

In 2020, the Group launched the "C-999" job certificate project based on the job position management system (the two-way eighteenth-level employee career development tower and the job competency model). The project detailed the specific training needs of employees of different ranks and functions, and through more targeted training plans, effectively helped employees accelerate their growth in their positions to ensure the effective implementation of the corporate talent strategy.

4. PROSPECTS

As a leading, innovative high-end medical device group, the Company will strive to implement its globalisation and diversification strategies and continue to innovate, optimise and improve its existing product line. The Company will vigorously lead its way in domestic production and provide more innovative high-end medical solutions for 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 2020, 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:

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

Name of Director/Chief Executive	No. of Shares	Note	Capacity	Nature of interest	Approximate percentage of interest in the Company
Zhaohua Chang	73,780,205	1	Beneficial owner	Long position	4.25%
Jonathan H. Chou	1,000,000	2	Beneficial owner	Long position	0.06%

Notes:

(1) Zhaohua Chang is interested in (i) 56,903,417 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"; (ii) 16,876,788 shares by virtue of the shares awarded to him under the Share Award Scheme of the Company, the vesting of which are subject to the satisfaction of certain conditions.

(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".

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

Name of Director/Chief Executive	Name of associated corporation	No. of shares	Note	Capacity	Nature of interest	Approximate percentage of interest in the associated corporation
Zhaohua Chang	MicroPort CardioFlow Medtech Corporation	300,000	1	Beneficial owner	Long position	0.30%

(1) Zhaohua Chang is interested in the underlying shares of the associated corporation by virtue of the options granted to him under the share option scheme of that associated corporation.

Save as disclosed above, as at 30 June 2020, 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 2020, 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	22.05
Otsuka Medical Devices Co., Ltd.	382,994,120	1	Beneficial owner	Long position	22.05
Maxwell Maxcare Science Foundation Limited	240,495,872	2	Interest of controlled corporation/ Beneficial owner	Long position	13.85
We'Tron Capital Ltd.	237,355,999	2	Beneficial owner	Long position	13.67
Shanghai We'Tron Capital Corp.	237,355,999	2	Interest of controlled corporation	Long position	13.67
Shanghai Zhangjiang (Group) Co., Ltd.	221,748,050	3	Interest of controlled corporation	Long position	12.77
Shanghai Zhangjiang Science and Technology Investment Co.	221,748,050	3	Interest of controlled corporation	Long position	12.77
Shanghai Zhangjiang Haocheng Venture Capital Co., Ltd.	221,748,050	3	Interest of controlled corporation	Long position	12.77
Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd.	221,748,050	3	Interest of controlled corporation	Long position	12.77
Shanghai Zhangjiang Science and Technology Investment (Hong Kong) Company Limited	221,748,050	3	Interest of controlled corporation	Long position	12.77
Shanghai ZJ Hi-Tech Investment Corporation	221,748,050	3	Interest of controlled corporation/ Beneficial owner	Long position	12.77
Shanghai ZJ Holdings Limited	221,748,050	3	Interest of controlled corporation	Long position	12.77
Shanghai Zhangjiang Health Solution Holdings Limited	214,705,470	3	Beneficial owner	Long position	12.36
Hillhouse Capital Advisors, Ltd.	153,694,000		Investment manager	Long position	8.85
Gaoling Fund, L.P.	147,009,000		Beneficial Owner	Long position	8.47
Carlyle Asia Partners, IV L.P.	108,238,011	4	Interest of controlled corporation	Long position	6.23
	37,056,193	4	Interest of controlled corporation	Short position	2.13
Erudite Holding Limited	108,238,011	4	Interest of controlled corporation	Long position	6.23
	37,056,193	4	Interest of controlled corporation	Short position	2.13
Erudite Parent Limited	71,181,818	4	Beneficial Owner	Long position	4.10
Erudite Investment Limited	37,056,193	4	Beneficial Owner	Long position	2.13
	37,056,193	4	Beneficial Owner	Short position	2.13
China Renaissance Holdings Limited	95,949,033	5	Interest of controlled corporation	Long position	5.53
CR Investments Corporation	95,949,033	5	Interest of controlled corporation	Long position	5.53
Grand Eternity Limited	95,949,033	5	Interest of controlled corporation	Long position	5.53
Helix Capital Partners	95,949,033	5	Interest of controlled corporation	Long position	5.53
Starwick Investments Limited	95,949,033	5	Beneficial Owner	Long position	5.53
East Image Limited	95,949,033	5	Interest of controlled corporation	Long position	5.53
East Mega Limited	95,949,033	5	Interest of controlled corporation	Long position	5.53
Zhang Junjie	95,949,033	5	Interest of controlled corporation	Long position	5.53

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 237,355,999 Shares held by We'Tron Capital Limited. Maxwell Maxcare Science Foundation Limited is also the beneficial owner of 3,139,873 Shares.

(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	12.36
Shanghai ZJ Hi-Tech Investment Corporation	7,042,580	0.41
Total	221,748,050	12.77

(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 short position. Carlyle Asia Partners IV, L.P. holds 93.66% of Erudite Holding Limited. Therefore, Carlyle Asia Partners IV, 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) China Renaissance Holdings Limited holds 100% interests of CR Investments Corporation, which in turn is interested in 100% of Grand Eternity Limited. Grand Eternity Limited and Zhang Junjie hold 51% and 49% interests of Helix Capital Partners respectively. Zhang Junjie also holds 100% interests of East Mega Limited. Each of Helix Capital Partners and East Mega Limited holds 50% voting management shares of Starwick Investments Limited respectively. East Image Limited is interested in 92.96% non-voting participating shares issued by Starwick Investments Limited. Starwick Investments Limited holds 95,949,033 Shares in long position.

Save as disclosed above, as at 30 June 2020, 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2020, 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 15 to the unaudited interim financial report as set out from page 55 to page 56 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 2020.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the six months ended 30 June 2020, 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 for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (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 had complied with the requirements as set out in the Model Code throughout the period of the six months ended 30 June 2020.

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.

The Trustee of the Share Award Scheme did not purchase any Shares during the six months ended 30 June 2020.

OTHER INFORMATION

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 2020, the total aggregate share options that may be granted under the Pre-IPO Share Option Scheme is 167,701,870 Shares, which represented 9.66% 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 Nil.

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 SCHEMES

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

The purpose of the 2010 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 2010 Share Option Scheme will link the value of the Company with the interests of participants, enabling participants and the Company to develop together and promoting the Company's corporate culture.

The Directors 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 2010 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 2010 Share Option Scheme of the Company shall not exceed 10% of the aggregate Shares in issue as at the date when the Shares were first listed on the Stock Exchange, which was 140,411,234 Shares. The Company may at any time refresh this 10% limit, subject to compliance with the Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding 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 2010 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 2010 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 2010 Share Option Scheme, provided that it shall not be lower than the highest of: (i) the closing price of the Shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of the offer of a grant; (ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of the offer of a grant; and (iii) the nominal value of a share on the date of grant.

On 31 March 2020, the Company granted in aggregate 1,763,222 options under the 2010 Share Option Scheme to 33 eligible participants at the exercise price of HK$17.54 per Share. As at 30 June 2020, the total outstanding options that has been granted under the 2010 Share Option Scheme is 120,876,027.

As the 2010 Share Option Scheme was nearing the expiry of its term, the shareholders of the Company has resolved at the annual general meeting held on 18 June 2020 to adopt a new share option scheme (the "New Share Option Scheme") with largely similar terms as that of the 2010 Share Option Scheme. Upon the adoption of the New Share Option Scheme on 18 June 2020, the 2010 Share Option Scheme was cancelled. Options that have been granted under the 2010 Share Option Scheme prior to its cancellation shall remain valid in accordance with its terms.

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

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

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

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

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

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

As at 30 June 2020, no options have been granted under the New Share Option Scheme since its adoption.

SUBSIDIARY'S SHARE OPTION SCHEME

MicroPort CardioFlow Medtech Corporation

MicroPort CardioFlow Medtech Corporation (the "**Subsidiary**") is a company established in the Cayman Islands and is indirectly owned as to 50.06% by the Company.

On 13 March 2020, the shareholders of the Company have resolved at the extraordinary general meeting of the Company to approve the adoption of a share option scheme (the "**Subsidiary Scheme**") for the Subsidiary. The purpose of the Subsidiary Scheme is to provide incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of, the Subsidiary and its subsidiaries (the "**Subsidiary Group**") and for such other purposes as the Board may approve from time to time.

Under the Subsidiary Scheme, the directors of the Subsidiary may, at their discretion, grant options to any full-time or part time employee, any director including executive director, non-executive director and independent non-executive director of the Subsidiary Group; and any director (including executive, non-executive and independent non-executive directors) or employee (whether full time or part-time) of the Company whom the board of the Subsidiary, at its absolute discretion, considered had or will contribute to the development of the Subsidiary Group.

The Subsidiary Scheme does not stipulate either a minimum period for which an option must be held or any performance targets a grantee is required to achieve before an option may be exercised. However, under the Subsidiary Scheme, the board of the Subsidiary may at its discretion specify any conditions which must be satisfied before the option may be exercised.

The aggregate number of shares in the Subsidiary (the "**Subsidiary Shares**") which may be issued upon exercise of all options to be granted under the Subsidiary Scheme and any new subsidiary scheme of the Subsidiary which may be adopted thereafter must not, in aggregate, exceed 5% of the total number of Subsidiary Shares in issue as at the date of adoption of the Subsidiary Scheme or any new subsidiary share option scheme (as the case may be). The maximum aggregate number of Subsidiary Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Subsidiary Scheme and any other share option schemes of the Subsidiary, must not, in aggregate, exceed 30% of the total number of Subsidiary Shares in issue from time to time. As at the date of the adoption of the Subsidiary Scheme, the Subsidiary had 98,750,000 Subsidiary Shares in issue, the total number of Subsidiary Shares which may be issued upon the exercise of all options to be granted under the Subsidiary Scheme would be 4,937,500 Subsidiary Shares.

The maximum number of shares in respect of which options may be granted to each grantee in any 12-month period cannot exceed 1% of the total number of the issued share of the Subsidiary. The exercise price of the option shall be a price determined by the board of the Subsidiary at its sole and absolute discretion. If the Subsidiary is separately listed on the Stock Exchange, the exercise price of the options shall be subject to the requirements of the Listing Rules.

The Subsidiary Scheme shall be valid and effect for a period of 10 years from the date of its adoption. On 31 March 2020, an aggregate of 4,135,750 options have been granted by the Subsidiary under the Subsidiary Scheme to 178 grantees at the initial exercise price of US$3.2 per Subsidiary Share, which is subject to a further adjustment in accordance with relevant requirements under Chapter 17 of the Listing Rules.

During the six months ended 30 June 2020, 1,763,222 share options were granted and the status of the share options granted up to 30 June 2020 is as follows:

Category of participants	As at 31 Dec 2019	Granted during the Period	Exercised during the Period	Expired during the Period	Cancelled during the Period	As at 30 Jun 2020	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)
Directors												HKD15.92
Zhaohua Chang	1,250,000	–	1,250,000	–	–	–	9 July 2010	9 July 2010 – 9 July 2014	9 July 2011 – 8 July 2020	USD0.3062	N/A	
	13,500,000	–	625,000	–	–	12,875,000	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	
	–	80,306	–	–	–	80,306	31 Mar 2020	31 Mar 2025	31 Mar 2025 – 30 Mar 2030	HKD17.54	HKD17.54	
Jonathan H. Chou	1,000,000	–	–	–	–	1,000,000	2 3 Jan 2019	2 3 Jan 2019 – 23 Jan 2023	2 3 Feb 2019 – 22 Jan 2029	HKD7.730	HKD7.730	
In Aggregate	59,698,111	80,306	1,875,000	–	–	57,903,417						
Business associates												HKD17.28
	500,000	–	500,000	–	–	–	14 Jun 2007	24 Sep 2010 – 24 Sep 2014	24 Sep 2011 – 23 Sep 2020	USD0.3062	N/A	
	300,000	–	–	–	–	300,000	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	
In Aggregate	1,300,000	–	500,000	–	–	800,000						

Notes: 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.

OTHER INFORMATION

Category of participants	As at 31 Dec 2019	Granted during the Period	Exercised during the Period	Expired during the Period	Cancelled during the Period	As at 30 Jun 2020	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)
Employees												HKD13.75
	370,000	–	370,000	–	–	–	8 Jul 2010	1 Aug 2010 – 1 Aug 2014	1 Aug 2011 – 7 Jul 2020	USD0.3062	N/A	
	22,000	–	22,000	–	–	–	8 Jul 2010	8 Jul 2010 – 8 Jul 2014	8 Jul 2011 – 7 Jul 2020	USD0.3062	N/A	
	1,000,000	–	1,000,000	–	–	–	9 Jul 2010	9 Jul 2010 – 9 Jul 2014	9 Jul 2011 – 8 Jul 2020	USD0.3062	N/A	
	5,619,900	–	2,105,000	–	–	3,514,900	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 – 7 Sep 2017	7 Sep 2013 – 6 Sep 2022	HKD3.330	HKD3.330	
	7,076,000	–	4,049,000	–	–	3,027,000	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	
	630,000	–	–	–	–	630,000	20 Jan 2015	20 Jan 2015 – 20 Jan 2019	20 Jan 2016 – 19 Jan 2025	HKD3.210	HKD3.170	
	2,300,000	–	880,000	–	–	1,420,000	20 Jan 2015	20 Jan 2015 – 20 Jan 2020	20 Jan 2016 – 19 Jan 2025	HKD3.210	HKD3.170	
	3,120,000	–	2,080,000	–	–	1,040,000	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	
	16,490,000	–	4,000,000	–	–	12,490,000	30 Mar 2016	30 Mar 2016 – 30 Mar 2021	30 Mar 2017 – 29 Mar 2026	HKD3.482	HKD3.360	
	300,000	–	100,000	–	–	200,000	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	
	14,940,102	–	–	–	317,506	14,622,596	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	
	1,362,500	–	737,500	–	–	625,000	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	
	500,000	–	–	–	–	500,000	30 Aug 2019	30 Aug 2019 – 30 Aug 2024	30 Aug 2020 – 29 Aug 2029	HKD6.95	HKD6.95	
	–	1,337,691	–	–	–	1,337,691	31 Mar 2020	31 Mar 2025	31 Mar 2025 – 30 Mar 2030	HKD17.54	HKD17.54	
	–	200,000	–	–	–	200,000	31 Mar 2020	31 Mar 2021 – 31 Mar 2025	31 Mar 2021 – 30 Mar 2030	HKD17.54	HKD17.54	
	–	145,225	–	–	–	145,225	31 Mar 2020	31 Mar 2022 – 31 Mar 2024	31 Mar 2022 – 30 Mar 2030	HKD17.54	HKD17.54	
In Aggregate	76,250,700	1,682,916	15,443,500	–	317,506	62,172,610						
Total	137,248,811	1,763,222	17,818,500	–	317,506	120,876,027						

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period of the six months ended 30 June 2020, 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 separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. 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 also assumed the position of the chief executive officer of the Company. Nevertheless, the Board will continue to review the efficacy of the Group's corporate governance structure to assess whether the separation of the positions of chairman and chief executive officer of the Company is necessary.

Pursuant to the Code Provision A.4.1, all the non-executive directors should be appointed for a specific term, subject to re-election. The Company has entered into a letter of appointment with all Non-executive Directors (including Independent Non-executive Directors) of the Company for a term of three years on 18 June 2020, except Mr. Chunyang Shao, an Independent Non-executive Directors of the Company, who was appointed under a specific term of three years commencing from 23 September 2019. The Company has also entered into a letter of appointment with Dr. Yasuhisa Kurogi, who was elected a Non-executive Director of the Company on 18 June 2020, under a term of three years. The Company, therefore, has complied with Code Provision A.4.1 during the period from 18 June 2020 to 30 June 2020.

INTERIM DIVIDEND

The Directors did not recommend the payment of an interim dividend to the Shareholders for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

INDEPENDENT REVIEW OF AUDITOR

The interim financial report for the six months ended 30 June 2020 is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements No. 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be sent to the Shareholders.

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 2020 and considered that the results complied with relevant accounting standards, rules and regulations and appropriate disclosure have been duly made.

OTHER INFORMATION

CHANGES IN DIRECTORS' INFORMATION

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

Name of Directors	Details of change
Dr. Zhaohua Chang	Renewed the service agreement with the Company for a term of three years commencing from 18 June 2020
Mr. Norihiro Ashida	Entered into a letter of appointment with the Company for a term of three years commencing from 18 June 2020
Mr. Hiroshi Shirafuji	Retired as a non-executive Director of the Company on 18 June 2020
Mr. Hongliang Yu	Entered into a letter of appointment with the Company for a term of three years commencing from 18 June 2020
Dr. Yasuhisa Kurogi	Elected as a non-executive Director of the Company on 18 June 2020
Mr. Jonathan H. Chou	Entered into a letter of appointment with the Company for a term of three years commencing from 18 June 2020
Dr. Guoen Liu	Entered into a letter of appointment with the Company for a term of three years commencing from 18 June 2020

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

Placing

On 22 June 2020, the Company entered into a placing agreement with J.P. Morgan Securities Plc (as placing agent) pursuant to which the Company placed 65,958,000 new Shares (the "Placing Shares") to more than six independent investors at the placing price of HK$23.50 per Share (the "Placing"). The Placing Shares represent approximately 3.80% of the issued share capital of the Company as at the date of the placing agreement and approximately 3.66% of the issued share capital of the Company as enlarged by the Placing. The Placing Shares have a nominal value of US$659.58 and a market value of approximately HK$1,606 million based on the closing price of the Shares of HK$24.35 on 22 June 2020. The net issue price of the Placing Shares is HK$23.36 per Share. The net proceeds from the Placing in the amount of approximately HK$1,541 million were intended to be applied for the repayment of bank loans, funding potential business development and investments in the future, and as general working capital of the Group. As at 30 June 2020, the Placing has not been completed yet.

OTHER

Set out below is a breakdown of the other operating costs of the Company for the year ended 31 December 2019:

	2019 USD'000
Legal and professional fee	5,289
Redundancy cost	1,887
Donations	780
Others	582
Total	8,538

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

Shanghai, The PRC
27 August 2020

INDEPENDENT AUDITOR'S REPORT

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 33 to 62 which comprises the consolidated statement of financial position of MicroPort Scientific Corporation (the "Company") as of 30 June 2020 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, 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 2020 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

27 August 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2020 (unaudited)
(Expressed in United States dollars)

	Note	Six months ended 30 June 2020 US$'000	2019 US$'000
Revenue	*3*	**306,922**	392,607
Cost of sales		**(89,334)**	(110,969)
Gross profit		**217,588**	281,638
Other net income	*4*	**30,808**	8,613
Research and development costs		**(72,803)**	(67,968)
Distribution costs		**(111,972)**	(126,465)
Administrative expenses		**(90,614)**	(54,974)
Other operating costs	*5(c)*	**(9,611)**	(5,860)
(Loss)/profit from operations		**(36,604)**	34,984
Finance costs	*5(a)*	**(16,071)**	(9,560)
Gain on disposal of subsidiaries		**–**	63,105
Share of losses of equity-accounted investees		**(2,522)**	(1,318)
(Loss)/profit before taxation	*5*	**(55,197)**	87,211
Income tax	*6*	**(13,565)**	(26,362)
(Loss)/profit for the period		**(68,762)**	60,849
Attributable to:			
Equity shareholders of the Company		**(65,562)**	65,476
Non-controlling interests		**(3,200)**	(4,627)
(Loss)/profit for the period		**(68,762)**	60,849
(Loss)/earnings per share	*7*		
– Basic (in cents)		**(3.90)**	4.15
– Diluted (in cents)		**(3.94)**	3.50

The notes on pages 40 to 62 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 14(a).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2020 (unaudited)
(Expressed in United States dollars)

	Six months ended 30 June	
	2020	2019
	US$'000	US$'000
(Loss)/profit for the period	**(68,762)**	60,849
Other comprehensive income for the period, net of tax		
Item that will not be reclassified to profit or loss:		
Remeasurement of net defined benefit liabilities	**(17)**	(842)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements, net of nil tax	**(10,664)**	(1,830)
Other comprehensive income for the period	**(10,681)**	(2,672)
Total comprehensive income for the period	**(79,443)**	58,177
Attributable to:		
Equity shareholders of the Company	**(74,940)**	63,092
Non-controlling interests	**(4,503)**	(4,915)
Total comprehensive income for the period	**(79,443)**	58,177

The notes on pages 40 to 62 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2020 (unaudited)
(Expressed in United States dollars)

	Note	At 30 June 2020 US$'000	At 30 June 2020 US$'000	At 31 December 2019 US$'000	At 31 December 2019 US$'000
Non-current assets					
Investment properties			**5,127**		5,222
Other property, plant and equipment	*8*		**424,215**		428,786
			429,342		434,008
Intangible assets	*8*		**127,008**		125,811
Goodwill			**161,278**		160,520
Equity-accounted investees			**66,591**		54,183
Other financial assets			**20,420**		20,125
Deferred tax assets			**10,738**		13,171
Prepayments for non-current assets			**10,034**		7,551
Other non-current assets	*9*		**46,061**		41,628
			871,472		856,997
Current assets					
Inventories		**225,897**		192,321	
Trade and other receivables	*10*	**227,517**		266,789	
Pledged deposits and time deposits		**3,045**		1,767	
Cash and cash equivalents		**471,273**		280,077	
Derivative financial assets		**430**		–	
		928,162		740,954	
Current liabilities					
Trade and other payables	*11*	**218,993**		283,780	
Contract liabilities		**8,241**		9,522	
Interest-bearing borrowings	*12*	**100,910**		32,092	
Convertible bonds	*13*	**–**		83,107	
Lease liabilities		**11,035**		10,178	
Income tax payable		**9,135**		13,122	
		348,314		431,801	
Net current assets			**579,848**		309,153
Total assets less current liabilities			**1,451,320**		1,166,150

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2020 (unaudited)
(Expressed in United States dollars)

	Note	At 30 June 2020 US$'000	At 30 June 2020 US$'000	At 31 December 2019 US$'000	At 31 December 2019 US$'000
Non-current liabilities					
Interest-bearing borrowings	*12*	**257,912**		288,107	
Lease liabilities		**41,853**		44,527	
Deferred income		**23,480**		24,895	
Contract liabilities		**22,326**		21,463	
Other payables	*11*	**310,416**		116,789	
Deferred tax liabilities		**3,529**		3,600	
Derivative financial liabilities		**13,692**		12,804	
			673,208		512,185
Net assets			**778,112**		653,965
Capital and reserves	*14*				
Share capital			**17**		16
Reserves			**629,168**		519,008
Total equity attributable to equity shareholders of the Company			**629,185**		519,024
Non-controlling interests			**148,927**		134,941
Total equity			**778,112**		653,965

Approved and authorised for issue by the board of directors on 27 August 2020.

Zhaohua Chang
Chairman

Jonathan H. Chou
Director

The notes on pages 40 to 62 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2020 (unaudited)
(Expressed in United States dollars)

	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	–	–	–	–	–	(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
Changes in equity interests of non-controlling shareholders of subsidiaries	–	–	–	6,894	–	–	6,894	1,580	8,474
Disposal of a subsidiary	–	–	–	–	–	–	–	(1,618)	(1,618)
Acquisitions of assets by issuing shares of a subsidiary	–	–	–	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	–	–	–	(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	–	–	–	(3,335)	–	–	(3,335)	–	(3,335)
Dividends approved in respect of the previous year	–	–	–	–	–	(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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2020 (unaudited)
(Expressed in United States dollars)

		Attributable to equity shareholders of the Company								
	Note	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 2020		**16**	**362,507**	**(45,884)**	**65,788**	**45,455**	**91,142**	**519,024**	**134,941**	**653,965**
Changes in equity for the six months ended 30 June 2020:										
Loss for the period		–	–	–	–	–	(65,562)	(65,562)	(3,200)	(68,762)
Other comprehensive income		–	–	(9,365)	(13)	–	–	(9,378)	(1,303)	(10,681)
Total comprehensive income		–	–	(9,365)	(13)	–	(65,562)	(74,940)	(4,503)	(79,443)
Changes in equity interests of non-controlling shareholders of subsidiaries		–	–	–	65,688	–	–	65,688	21,497	87,185
Conversion of convertible bonds	*13*	1	92,125	–	(8,926)	–	–	83,200	–	83,200
Equity-settled share-based transactions		–	–	–	3,720	–	–	3,720	538	4,258
Shares issued under share option scheme	*14(b)*	–	11,170	–	(2,809)	–	–	8,361	–	8,361
Shares granted under share award scheme	*14(c)*	–	–	–	39,899	–	–	39,899	–	39,899
Change in carrying amount of share repurchase obligations of a subsidiary	*11*	–	–	–	(4,044)	–	–	(4,044)	–	(4,044)
Dividends approved in respect of the previous year	*14(a)*	–	(11,723)	–	–	–	–	(11,723)	–	(11,723)
Dividends to holders of non-controlling interests		–	–	–	–	–	–	–	(3,546)	(3,546)
Appropriation of surplus reserve		–	–	–	–	7,131	(7,131)	–	–	–
Balance at 30 June 2020		**17**	**454,079**	**(55,249)**	**159,303**	**52,586**	**18,449**	**629,185**	**148,927**	**778,112**

The notes on pages 40 to 62 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2020 (unaudited)
(Expressed in United States dollars)

	Note	Six months ended 30 June 2020 US$'000	2019 US$'000
Operating activities			
Cash generated from operations		**19,581**	20,136
Income tax paid		**(14,308)**	(11,292)
Income tax refund received		**3,176**	2,413
Net cash generated from operating activities		**8,449**	11,257
Investing activities			
Payments for purchase of property, plant and equipment and intangible assets		**(64,195)**	(62,202)
Payments for the investments in equity-accounted investees and other non-current financial assets		**(13,280)**	(7,944)
Proceed from an arbitration in relation to an acquisition in previous year	*4*	**16,420**	–
Loans to related parties		**(11,114)**	–
Proceeds from disposal of partial equity interests in a subsidiary	*15(a)*	**30,000**	–
Uplift of structured deposits with banks		**231,775**	–
Placement of structured deposits with banks		**(231,775)**	–
Proceeds from disposal of subsidiaries, net of cash disposed		**–**	31,028
Other cash flows arising from investing activities		**4,308**	16,049
Net cash used in investing activities		**(37,861)**	(23,069)
Financing activities			
Capital element of lease rentals paid		**(5,070)**	(5,445)
Interest element of lease rentals paid		**(1,215)**	(1,049)
Repayments of interest-bearing borrowings		**(53,996)**	(26,703)
Proceed from preferred shares issued by a subsidiary	*15(a)*	**100,000**	–
Proceeds from other interest-bearing borrowings, net of transaction costs		**93,182**	29,986
Payment for repurchase of shares under share award scheme	*14(c)*	**–**	(17,632)
Capital contributions from non-controlling interests	*15*	**87,842**	3,056
Other cash flows arising from financing activities		**199**	(6,225)
Net cash generated from/(used in) financing activities		**220,942**	(24,012)
Net increase/(decrease) in cash and cash equivalents		**191,530**	(35,824)
Cash and cash equivalents at 1 January		**280,077**	130,054
Effect of foreign exchange rate changes		**(334)**	1,144
Cash and cash equivalents at 30 June		**471,273**	95,374

The notes on pages 40 to 62 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 27 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 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 2019 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 32.

The financial information relating to the financial year ended 31 December 2019 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 2019 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2020.

2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendments to HKFRS 16, *Covid-19-Related Rent Concessions*

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKFRS 3, *Definition of a Business*

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The amendments to HKFRS 3 do not have 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.

Amendments to HKFRS 16, *Covid-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

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. No operating segments have been aggregated to form the following reportable segments.

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(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	
	2020	2019
	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	**306,786**	387,590
– Revenue from post-sales services (Note)	**–**	4,874
	306,786	392,464
Revenue from other sources		
– Gross rentals from investment properties	**136**	143
	306,922	392,607

	Six months ended 30 June	
	2020	2019
	US$'000	US$'000
Disaggregate by geographical location of external customers		
– the People's Republic of China (the "PRC") (country of domicile)	**135,076**	177,866
– North America	**41,926**	50,284
– Europe	**92,557**	122,780
– Asia (excluding the PRC)	**30,391**	31,772
– South America	**4,542**	4,542
– Others	**2,430**	5,363
	171,846	214,741
	306,922	392,607

Note: The Group did not further recognise the revenue from post-sales services in the first half year of 2020 due to the limited follow-ups because of the lock-down and uncertainties of the follow-up practice model brought by the COVID-19 outbreak.

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

	At 30 June 2020									
	Cardiovascular devices business US$'000	Orthopedics devices business US$'000	Cardiac rhythm management business US$'000	Endovascular and peripheral vascular devices business US$'000	Neurovascular devices business US$'000	Heart valve business US$'000	Surgical devices business US$'000	Surgical robot devices business US$'000	Others# US$'000	Total US$'000
Reportable segment assets	514,270	471,418	357,357	180,056	51,025	165,553	21,901	25,650	54,136	1,841,366
Reportable segment liabilities	88,891	246,947	237,392	17,890	21,547	192,721	15,973	4,685	278	826,324

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

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

	Six months ended 30 June 2019 (Re-presented)									
	Cardiovascular devices business US$'000	Orthopedics devices business US$'000	Cardiac rhythm management business US$'000	Endovascular and peripheral vascular devices business US$'000	Neurovascular devices business US$'000	Heart valve business US$'000	Surgical devices business US$'000	Surgical robot devices business US$'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	(11,007)	(2,393)	(2,912)	(2,114)	28,108

	At 31 December 2019 (Re-presented)									
	Cardiovascular devices business US$'000	Orthopedics devices business US$'000	Cardiac rhythm management business US$'000	Endovascular and peripheral vascular devices business US$'000	Neurovascular devices business US$'000	Heart valve business US$'000	Surgical devices business US$'000	Surgical robot devices business US$'000	Others[#] US$'000	Total US$'000
Reportable segment assets	513,440	420,770	341,016	168,139	50,996	76,638	23,315	15,814	47,316	1,657,444
Reportable segment liabilities	112,014	226,645	212,613	16,109	17,590	57,392	16,137	3,981	397	662,878

[#] 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, diabetes and endocrinal devices business, etc. None of those segments individually met any of the quantitative thresholds for reportable segments.

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2020	2019
	US$'000	US$'000
Reportable segment net (loss)/profit	**(17,994)**	30,222
Other losses	**(6,935)**	(2,114)
Share awards scheme (Note)	**(35,281)**	(3,375)
Other equity-settled share-based payment expenses	**(3,381)**	(3,683)
Unallocated exchange gain/(loss)	**193**	(290)
Gain on disposal of subsidiaries, net of tax	**–**	55,843
Unallocated expenses, net	**(5,364)**	(15,754)
Consolidated (loss)/profit for the period	**(68,762)**	60,849

Note: The amount of share award scheme includes the impact of restricted share units granted to one executive director amounting to US$32,747,000.

4 OTHER NET INCOME

	Six months ended 30 June	
	2020	2019
	US$'000	US$'000
Government grants	**12,815**	9,763
Interest income on bank deposits and structured deposits	**2,611**	570
Interest income on financial assets carried at amortised cost	**423**	438
Net gain on disposal of property, plant and equipment (note 8)	**555**	898
Net foreign exchange (loss)/gain	**(1,375)**	24
Net realised and unrealised losses on financial instruments carried at fair value through profit or loss	**(792)**	(874)
Refund from an arbitration in relation to an acquisition in previous year (Note)	**16,420**	–
Others	**151**	(2,206)
	30,808	8,613

Note: Under the term of a stock and asset purchase agreement dated 8 March 2018 in relation to the acquisition of the cardiac rhythm management ("CRM") business from LivaNova PLC ("LivaNova"), the purchase price consideration is subject to an adjustment after the initial closing (the "Adjustment Amount"). In March 2020, the arbitrator appointed by the Group and LivaNova determined that LivaNova shall refund a total of US$16.4 million as the Adjustment Amount to the Group. The Adjustment Amount was fully received by the Group and recognised in profit or loss directly for the six months ended 30 June 2020.

5 (LOSS)/PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2020	2019
	US$'000	US$'000
(a) Finance costs		
Interest on the convertible bonds	**93**	1,847
Interest on other interest-bearing borrowings	**6,125**	5,488
Interest on preferred shares issued by MicroPort CardioFlow Medtech Corporation (Note)	**7,450**	–
Interest on lease liabilities	**1,247**	1,049
Others	**1,127**	443
Total interest expense on financial liabilities not at fair value through profit or loss	**16,042**	8,827
Changes in the fair value of interest rate and cross currency swaps	**29**	–
Interest accrued on advance payments from customers	**–**	854
Less: Interest expense capitalised into properties under development (at a rate of 4.7% per annum)	**–**	(121)
	16,071	9,560

Note: The amount represents changes in the value of preferred shares issued by MicroPort CardioFlow Medtech Corporation ("MP CardioFlow Cayman", a subsidiary of the Group) during the period (note 11).

	Six months ended 30 June	
	2020	2019
	US$'000	US$'000
(b) Other items		
Amortisation of intangible assets	**5,700**	4,327
Depreciation		
– owned property, plant and equipment	**20,654**	16,496
– right-of-use assets	**6,541**	5,815
Research and development costs (other than amortisation)	**70,466**	66,036
Provision of inventories write-down	**2,623**	870
Impairment losses		
– intangible assets	**1,835**	–
– trade and other receivables	**587**	315

5 (LOSS)/PROFIT BEFORE TAXATION (CONTINUED)

	Six months ended 30 June	
	2020	2019
	US$'000	*US$'000*
(c) Other operating costs		
Legal and profession fee	**6,451**	2,177
Impairment loss of intangible assets (note 5(b))	**1,835**	–
Donations	**884**	209
Equity-settled share-based payment expenses	**–**	3,172
Others	**441**	302
	9,611	5,860

6 INCOME TAX

	Six months ended 30 June	
	2020	2019
	US$'000	US$'000
Current tax – the PRC corporate income tax ("CIT")	**10,150**	24,608
Current tax – other jurisdictions	**964**	913
	11,114	25,521
Deferred taxation	**2,451**	841
	13,565	26,362

Pursuant to the CIT Law of the PRC, during the six months ended 30 June 2020, all of the Company's PRC subsidiaries are liable to PRC CIT at a rate of 25% except for eight entities entitled to a preferential income tax rate of 15% as they are certified as "High and New Technology Enterprise" ("HNTE"). According to Guoshuihan 2009 No. 203, if an entity is certified as an HNTE, it is entitled to a preferential income tax rate of 15% during the certified period.

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

7 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of US$65,562,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: profit of US$65,476,000) and the weighted average of 1,681,821,000 ordinary shares in issue during the six months ended 30 June 2020 (six months ended 30 June 2019: 1,579,002,000 ordinary shares).

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of US$68,397,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: profit of US$62,581,000) and the weighted average number of ordinary shares of 1,737,673,000 shares for the six months ended 30 June 2020 (six months ended 30 June 2019: 1,789,073,000 ordinary shares) after adjusting the effects of share repurchase obligation that may be settled in ordinary shares of the Company.

8 OTHER PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment with a cost of US$6,967,000 (six months ended 30 June 2019: US$16,437,000), incurred construction costs for buildings of US$17,346,000 (six months ended 30 June 2019: US$14,444,000) and capitalised development costs of US$9,332,000 (six months ended 30 June 2019: US$9,546,000).

Items of property, plant and equipment with a net book value of US$2,566,000 were disposed of during the six months ended 30 June 2020 (six months ended 30 June 2019: US$3,271,000), resulting in gains on disposal of US$555,000 (six months ended 30 June 2019: gains on disposal of US$898,000).

9 OTHER NON-CURRENT ASSETS

	At 30 June 2020 US$'000	At 31 December 2019 US$'000
Security deposits (i)	**17,917**	17,755
Income tax recoverable (ii)	**10,244**	13,095
Loan to a related party (iii)	**7,798**	–
Valued-added tax recoverable	**6,454**	7,699
Others	**3,648**	3,079
	46,061	41,628

(Expressed in United States dollars unless otherwise indicated)

9 OTHER NON-CURRENT ASSETS (CONTINUED)

Note i:

In order to secure future leasing of certain buildings from Shanghai Weichuang Investment Management Co., Ltd. (the "Landlord"), the Group entered into an agreement (the "Lease Security Agreement") with the Landlord in December 2017.

Pursuant to the Lease Security Agreement, the Landlord agreed to lease out certain buildings for five years starting from 2020 (the "Lease") when it has completed the constructions of those buildings. The annual rental charges for those buildings are preliminarily agreed as RMB56.4 million, subject to further adjustment based on the prevailing property market condition when the Lease commences. Both parties also agree to enter into a lease agreement (the "Future Lease Agreement") setting out the final annual rental charges, guarantee deposit amount and lease period prior to the commencement of the Lease. To secure the Lease, the Group paid security deposits totalling RMB112.8 million (the "Security Deposit"), representing two years' lease rental, to the Landlord in 2018. Pursuant to the Lease Security Agreement, the payment of the guarantee deposits and final annual rental charges, those amounts of which are yet to be agreed in the Future Lease Agreement, could be firstly deducted from the Security Deposit. The Group is liable for a compensation in the amount of 20% of the Security Deposit if the Group cancels the Lease without obtaining consent from the Landlord. The Group is entitled to a fee (the "Fee Income") from the Landlord during the period from the payment date of the Security Deposit through the commencement of the Lease. The Fee Income is calculated as the amount of Security Deposits multiplied by bank borrowing rate floated upward 10% in that period and could be used to offset the Group's payment obligation of final annual rental charges under the Lease. Due to the COVID-19 pandemic, the construction was delayed and was expected to be completed in 2021.

Note ii:

Income tax recoverable primarily represents a tax credit totalling US$14,507,000 (31 December 2019: US$16,695,000) 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 2020, the France CIR are classified as current and non-current receivables amounting US$4,263,000 (31 December 2019: US$3,600,000) and US$10,244,000 (31 December 2019: US$13,095,000), respectively.

Note iii:

In May 2020, MicroPort (Shanghai) MedTech Investment Co., Ltd. ("MP Investment", a wholly-owned subsidiary of the Group) agreed to provide a 5-year secured term loan with a principal amount of RMB55.2 million to Shanghai Hopeway Biotechnology Co., Ltd. ("Hopeway Biotech"). Loan to Hopeway Biotech disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

Name of borrower	Hopeway Biotech
Relationship with the Company	Wholly-owned by Dr. Zhaohua Chang, chairman and an executive director of the Company
Terms of the loan	
– duration and repayment terms	Repayable in May 2025
– loan amount	RMB55,207,000
– interest rate	5% p.a., payable at maturity
– security	Hopeway Biotech pledged its equity interest in Suzhou MicroPort Orthopedics Scientific (Group) Co., Ltd. ("Suzhou MP Orthopedics") as security
Balance of the loan at 30 June 2020	
– at 1 January 2020	Nil
– at 30 June 2020	RMB55,207,000 (equivalent to US$7,798,000)
Maximum balance outstanding	
– during the first half of 2020	RMB55,207,000 (equivalent to US$7,798,000)

There was no amount due but unpaid, nor any loss allowance made against the principal amount of or interest on the above loan at 30 June 2020.

10 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 2020 US$'000	At 31 December 2019 US$'000
Within 1 month	**92,104**	98,515
1 to 3 months	**34,916**	82,625
3 to 12 months	**29,146**	23,419
More than 12 months	**6,205**	6,099
	162,371	210,658
Other debtors	**32,559**	31,013
Income tax recoverable (note 9(ii))	**7,005**	3,765
Deposits and prepayments	**25,582**	21,353
	227,517	266,789

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

11 TRADE AND OTHER PAYABLES

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

	At 30 June 2020 US$'000	At 31 December 2019 US$'000
Current		
Within 1 month	**39,342**	52,173
1 to 3 months	**15,359**	15,495
Over 3 months but within 6 months	**4,766**	1,921
Over 6 months but within 1 year	**434**	2,862
Over 1 year	**9,114**	17,669
Trade payables	**69,015**	90,120
Dividends payables to ordinary shareholders (note 14(a))	**11,806**	83
Share repurchase obligations	**–**	46,099
Other payables and accrued charges	**138,172**	147,478
	218,993	283,780
Non-current		
Share repurchase obligation (Note)	**276,294**	89,701
Defined benefit retirement obligation	**8,919**	9,046
Other payables	**25,203**	18,042
	310,416	116,789

Note:

During the six months period ended 30 June 2020, MP CardioFlow Cayman completed the series D financing (note 15(a)).

As at 30 June 2020, MP CardioFlow Cayman issued 24,212,383 voting redeemable series B preferred shares (the "CardioFlow Series B Preferred Shares"), 11,250,000 voting redeemable series C preferred shares (the "CardioFlow Series C Preferred Shares") and 11,670,455 voting redeemable series D preferred shares (the "CardioFlow Series D Preferred Shares") to several investors, respectively.

11 TRADE AND OTHER PAYABLES (CONTINUED)

Movement of the preferred shares represents as follows:

	CardioFlow Series B Preferred Shares US$'000	CardioFlow Series C Preferred Shares US$'000	CardioFlow Series D Preferred Shares US$'000	Total US$'000
As at 1 January 2020	89,701	46,099	–	135,800
Issuance during the period, net of transaction costs	–	–	129,000	129,000
Charge to equity	4,044	–	–	4,044
Charge to finance costs (note 5(a))	–	3,327	4,123	7,450
As at 30 June 2020	93,745	49,426	133,123	276,294
Representing				
Non-current portion	93,745	49,426	133,123	276,294

As at 30 June 2020, these preferred shares were classified as non-current liabilities as the Group did not have any obligation to redeem these preferred shares within twelve months after the reporting period.

12 INTEREST-BEARING BORROWINGS

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

	At 30 June 2020 US$'000	At 31 December 2019 US$'000
Within 1 year or on demand	**100,910**	32,092
After 1 year but within 2 years	**23,440**	57,606
After 2 years but within 5 years	**234,472**	230,501
	257,912	288,107
	358,822	320,199

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

	At 30 June 2020 US$'000	At 31 December 2019 US$'000
Bank loans		
– secured	**165,449**	127,602
– unsecured	**193,373**	192,597
	358,822	320,199

At 30 June 2020, the bank facilities drawn down by the Group of US$85,481,000 (31 December 2019: US$43,753,000) were secured by pledged deposits, right-of-use assets, buildings held for own use/construction in progress and trade receivables with net book values of US$1,132,000, US$3,905,000, US$58,524,000 and US$4,294,000, respectively (31 December 2019: US$1,147,000, US$4,010,000, US$51,090,000 and nil, respectively).

At 30 June 2020, a bank loan of the Company amounting to US$79,968,000 (31 December 2019: US$83,849,000) borrowed in connection with the acquisition of CRM business was secured by buildings held for own use with net book values of US$60,418,000 and the equity interests of the Company's three subsidiaries and guaranteed by Shanghai MicroPort Medical (Group) Co., Ltd. The bank loan bears an interest rate of London Interbank Offered Rate ("LIBOR") plus 3.5% per annum and shall be repaid by instalments within five years since 30 April 2018.

13 CONVERTIBLE BONDS

As at 31 December 2019, the outstanding convertible bonds issued by the Company represented the convertible bonds due in May 2020 (the "2014 Convertible Bonds") with a principal amount of US$84,410,468.

In February 2020, the 2014 Convertible Bonds in the aggregate outstanding amount of US$84,410,468 were fully converted to 95,949,033 ordinary shares of the Company at a conversion price of HK$6.84 per share. As at 30 June 2020, the Group has no outstanding convertible bonds.

14 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

At the meeting of the board of directors of the Company (the "Board") held on 30 March 2020, the Board recommended the payment of a final dividend of HK$5.3 cents per ordinary share of the Company for the year ended 31 December 2019 (the "2019 Final Dividend") by way of cash, with an option to elect receiving new fully paid shares of the Company in lieu of cash. The 2019 Final Dividend was approved at the annual general meeting of the Company held on 18 June 2020. Accordingly, a liability of US$11,723,000 has been recognised as at 30 June 2020.

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

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

Apart from the outstanding share options carried forward from 2019, during the six months ended 30 June 2020, a total of 1,763,222 share options were granted under the Company's share option scheme.

The amount payable by each grantee on acceptance of the offer for the option granted is US$1.00. These options granted will vest in instalments over the vesting period from 31 March 2021 to 31 March 2025, and will be exercisable until 30 March 2030. The exercise price is HK$17.54.

During the six months ended 30 June 2020, 17,818,500 share options of the Company were exercised (six months ended 30 June 2019: 1,220,000) with a weighted average exercise price of HK$3.66 (equivalent to approximately US$0.47) (six months ended 30 June 2019: HK$3.41 (equivalent to approximately US$0.49)) and the total number of ordinary shares of the Company increased by 17,818,500 for the six months ended 30 June 2020 (six months ended 30 June 2019: 1,220,000 ordinary shares).

(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 2020, the Company granted 19,924,925 shares (six months ended 30 June 2019: 10,399,854) at a fair value of US$39,899,000 (six months ended 30 June 2019: US$9,059,000) to the Group's executives and employees.

14 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(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.

(e) Subsidiaries share option scheme and performance stock units (equity-settled)

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

In March 2020, 4,135,750 share options were granted under the CardioFlow SOS. These options granted will vest in instalments and will be exercisable until 30 March 2030. The initial exercise price is US$3.2, which is subject to adjustment in accordance with terms and requirements of the agreement, including but not limited to that (i) alteration to the capital structure, arising from capitalisation issue, rights issue, consolidation, subdivision or reduction of the share capital in accordance with the legal requirements or requirements of the Stock Exchange and (ii) the exercise price of share options granted within six months before a lodgement of the listing application in the Stock Exchange shall be adjusted to the price not lower than the respective issue price of the initial public offering by MP CardioFlow Cayman.

During the six months ended 30 June 2020, MicroPort Cardiac Rhythm Management Limited ("MP CRM", the holding company of the Group's CRM business) has adopted a long-term incentive plan (the "CRM LTI Plan"), pursuant to which, the Group granted performance-based restricted share units (the "RSUs") to the eligible participants of the Group who has contributed or will contribute to the development of CRM business. Each RSU will be settled by one ordinary share of either MP CRM or the Company, as the case may be.

During the six months ended 30 June 2020, the Group granted in aggregation 2,749,549 RSUs, of which, 2,399,983 and 349,566 RSUs will be settled by ordinary shares of MP CRM and the Company, respectively. These RSUs will vest in instalments from 31 March 2021 to 31 March 2024.

15 DISPOSALS

(a) MP CardioFlow Cayman

In April 2020, the Group entered into agreements with several investors in relation to MP CardioFlow Cayman's series D financing, pursuant to which, these investors agreed to (i) subscribe for 8,977,273 CardioFlow Series D Preferred Shares at an aggregated cash consideration of US$100 million and (ii) acquire 2,693,182 ordinary shares of MP CardioFlow Cayman held by the Group at an aggregated cash consideration of US$30 million. The shares acquired from the Group were converted to CardioFlow Series D Preferred Shares immediately.

As at 30 June 2020, the Group's voting rights in MP CardioFlow Cayman were diluted to approximately 50.06% and retained control over MP CardioFlow Cayman.

15 DISPOSALS (CONTINUED)

(a) MP CardioFlow Cayman (continued)

As disclosed in note 11, the CardioFlow Series D Preferred Shares were treated as liabilities of MP CardioFlow Cayman. The amount of US$10,809,000, being the carrying amount of net assets in the proportion of the deemed disposed equity interest in MP CardioFlow Cayman as at the date of disposal, was credited to "capital reserve" account of the Group.

(b) Suzhou MP Orthopedics

On 13 May 2020, the Group entered into agreements with certain investors, pursuant to which, these investors agreed to contribute in aggregate RMB580 million (equivalent to US$81,525,000) to the capital of Suzhou MP Orthopedics. Among these investors, entities held by employees of the Group (the "Employee Investors") contributed in aggregate RMB100 million (equivalent to US$14,033,000), of which RMB55 million (equivalent to US$7,741,000) was from Hopeway Biotech which pledged its equity interests in Suzhou MP Orthopedics as security for a loan from MP investment (note 9). The contributions paid by the Employee Investors including Hopeway Biotech were determined at the same rate as agreed between the Group and the non-employee investors.

Upon the completion of the transaction, the Group's effective interest in Suzhou MP Orthopedics was diluted from 100% to 85.17% and Suzhou MP Orthopedics remained a subsidiary of the Group.

As of 30 June 2020, the abovementioned equity transaction was completed. Such disposal of partial equity interest in Suzhou MP Orthopedics was treated as a transaction within its shareholders in their capacity as equity holders. Accordingly, the amount of US$47,681,000 being the difference between the cash contributions made by these investors of RMB574,057,000 (equivalent to US$80,685,000) and the carrying amount of net assets in proportion of the disposed equity interests in Suzhou MP Orthopedics as at the date of disposal was credited to capital reserve of the Group.

(c) Other transaction

During the six months ended 30 June 2020, partnership firms subscribed for newly issued share capital of MicroPort MedBot (Shanghai) Co., Ltd. ("MedBot") at a cash consideration of RMB46,240,000 (equivalent to US$6,500,000) under the Group's ESPP (see note 14(d)). After completion of the transaction, the Group's equity interest in MedBot would be decreased to 64.77%.

16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

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

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

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

		Fair value measurements as at 30 June 2020 categorised into		
	Fair value at 30 June 2020 US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000
Recurring fair value measurement				
Financial assets:				
Unlisted debt and equity securities	**20,420**	**–**	**–**	**20,420**
Derivative financial instruments				
– Interest rate and cross currency swaps	**430**	**–**	**430**	**–**
Financial liabilities:				
Put option written to				
– SRL Put Option	**(11,185)**	**–**	**–**	**(11,185)**
– Witney ("Witney Put Option")	**(2,048)**	**–**	**–**	**(2,048)**
Derivative financial instruments				
– Interest rate swaps	**(459)**	**–**	**(459)**	**–**

16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

(i) Fair value hierarchy (continued)

		Fair value measurements as at 31 December 2019 categorised into		
	Fair value at 31 December 2019 US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000
Recurring fair value measurement				
Financial assets:				
– Unlisted equity security	20,125	–	–	20,125
Financial liabilities:				
– SRL Put Option	(11,162)	–	–	(11,162)
– Witney Put Option	(1,642)	–	–	(1,642)

During the six months ended 30 June 2020 and 2019, 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.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of interest rate swaps is the estimated net present value at the end of the reporting period that the Group would receive and pay according to the swap's terms, taking into account current interest rates and the current creditworthiness of the swap counterparties.

The fair value of interest rate and cross currency swaps is the estimated net present value at the end of the reporting period that the Group would receive and pay according to the swap's terms, taking into account current interest rates and the current creditworthiness of the swap counterparties, and current and forward foreign exchange rate.

16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

(iii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable
Unlisted debt and equity securities	Recent transaction price	N/A
	Equity allocation model	Expected volatility of 34.63% to 36.57% and expected probability of event of 50% (Note a)
SRL Put Option	Black-Scholes option pricing model	Expected probability of event of 50% and expected volatility of 39.80%, taking into account the historical volatility of the comparable companies (Note b)
Witney Put Option	Black-Scholes option pricing model	Expected probability of event of 50% and expected volatility of 35.91%, taking into account the historical volatility of the comparable companies (Note b)

Note a As at 30 June 2020, it is estimated that with all other variables held constant, an increase/decrease in the expected probability of event by 10% would have increased/decreased the Group's loss by US$235,000/US$185,000 and an increase/decrease in the expected volatility by 5% would have decreased/increased the Group's loss by US$2,000/US$29,000.

Note b As at 30 June 2020, it is estimated that with all other variables held constant, an increase/decrease in the expected probability of event by 5% would have increased/decreased the Group's loss by US$1,803,000/US$1,803,000 and an increase/decrease in the expected volatility by 5% would have increased/decreased the Group's loss by US$644,000/US$618,000.

(iv) Reconciliation of Level 3 fair value measurements

	Financial assets US$'000	Financial liabilities US$'000
At 1 January 2020	**20,125**	**(12,804)**
Acquisition/issuance of financial instruments	**600**	**–**
Changes in fair value recognised in profit or loss during the period	**(363)**	**(429)**
Exchange adjustments	**58**	**–**
At 30 June 2020	**20,420**	**(13,233)**

16 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 2019 and 30 June 2020.

17 COMMITMENTS

Capital commitments outstanding at 30 June 2020 not provided for in the interim financial report are set out as below:

	At 30 June 2020 US$'000	At 31 December 2019 US$'000
Contracted for	**8,712**	12,876
Authorised but not contracted for	**149,383**	174,170
	158,095	187,046

18 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) On 2 July 2020, the Company completed a placing of 65,598,000 new ordinary shares of the Company under general mandate at a price of HK$23.5 per share to several placees procured by a placing agent.

(b) On 3 July 2020, the Group entered into agreements with two investors in connection with the series B financing of MP CRM, pursuant to which, these investors agreed to subscribe for 28,252,054 series B preferred shares of MP CRM in the aggregate amount of US$75 million and the Group also subscribed for 15,113,303 series B preferred shares of MP CRM at a consideration of US$30 million.

(c) On 22 July 2020, certain investors including the Group agreed to contribute in aggregate RMB130 million to the capital of Shanghai Horizon Medical Technology Co., Ltd. ("Horizon Medical", an equity-accounted investee of the Group). Upon the completion of the capital contribution, the Group's equity interest in Horizon Medical will increase from 40% to approximately 44%.

(d) On 24 July 2020, the Group entered into agreements with Hopeway Biotech and Shanghai Lianghong Enterprise Consulting Centre Limited Partnership ("Shanghai Lianghong"), pursuant to which, (i) Hopeway Biotech and Shanghai Lianghong agreed to contribute RMB115,000,000 and RMB35,000,000, respectively, to the capital of MicroPort NeuroTech (Shanghai) Co., Ltd. ("MP Neuro"); (ii) the Group agreed to provide a loan with a principal amount of RMB115,000,000 to Hopeway Biotech; and (iii) the Group agreed to continue to supply raw materials, including medical devices and equipment, to MP Neuro. Upon the completion of the capital contribution, the Group's equity interest in MP Neuro will be diluted from 83% to approximately 69.89%.

(e) On 5 August 2020, certain investors agreed to contribute an aggregate amount of RMB300 million to the capital of Shanghai MicroPort EP Medtech Co., Ltd. ("MP EP", an equity-accounted investee of the Group). Upon the completion of the capital contribution, MP EP would be still the Group's equity-accounted investee.

19 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	Six months ended 30 June	
	2020	2019
	US$'000	US$'000
Salaries and other benefits	**1,752**	1,406
Discretionary bonuses	**–**	1,550
Retirement scheme contributions	**23**	46
Equity-settled share-based payment expenses	**37,796**	3,027
Cash-settled share-based payment expenses	**205**	–
	39,776	6,029

(b) Other transactions with related parties

During the six months ended 30 June 2020 and 2019, 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 Lifesciences Co., Ltd. ("MP Lifesciences")	Equity-accounted investee of the Group
MP EP (Note)	Equity-accounted investee of the Group
Horizon Medical	Equity-accounted investee of the Group
Hopeway Biotech	Entity wholly-owned by Dr. Zhaohua Chang

Note: Upon the completion of the MP EP's disposal during the six months ended 30 June 2019, MP EP become an equity-accounted investee of the Group. The transaction with MP EP since the date of the disposal were disclosed as related party transactions.

19 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	
	2020	2019
	US$'000	US$'000
Sales of goods to:		
Thai Otsuka	**1,753**	1,997
Otsuka Philippines	**400**	323
Otsuka Indonesia	**128**	578
Otsuka Pakistan	**60**	255
KISCO Co., Ltd.	**–**	291
MP EP	**222**	33
	2,563	3,477

	Six months ended 30 June	
	2020	2019
	US$'000	US$'000
Loans to equity-accounted investees	**3,316**	1,380
Loans to Hopeway Biotech (note 9)	**7,798**	–
Loans repaid by equity-accounted investees	**300**	1,485

As disclosed in notes 9 and 15(b), Suzhou MP Orthopedics issued new share capital to Hopeway Biotech.

20 IMPACTS OF COVID-19 PANDEMIC

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position.

The Group has been closely monitoring the impact of the developments on the Group's business. As far as the Group's business are concerned, COVID-19 pandemic has caused decline in the number of outpatient visits and surgeries in medical institutions, resulting in a decrease in the recorded revenue during the six months ended 30 June 2020. The Group has put in place contingency measures and will keep those measures under review as the situation evolves.