



MicroPort Scientific Corporation

微创醫療科學有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00853)

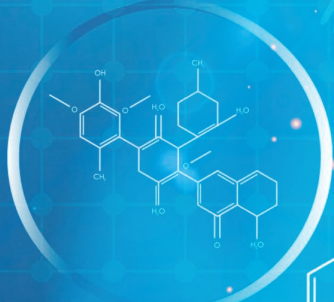
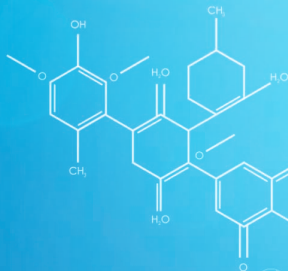


2023
ANNUAL REPORT



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CORPORATE INFORMATION

HONORARY CHAIRMAN

Mr. Hiroshi Shirafuji (*with effect from 13 January 2023*)

DIRECTORS EXECUTIVE DIRECTOR

Dr. Zhaohua Chang (*Chairman of the Board*)

NON-EXECUTIVE DIRECTORS

Mr. Hiroshi Shirafuji (*appointed on 19 June 2023*)

Mr. Norihiro Ashida

Ms. Weiqin Sun (*appointed on 30 August 2023*)

Dr. Qiyi Luo (*appointed on 30 August 2023*)

Mr. Bo Peng (*appointed on 10 November 2023*)

Dr. Yasuhisa Kurogi (*retired on 19 June 2023*)

Mr. Hongliang Yu (*resigned on 30 August 2023*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jonathan H. Chou

Dr. Guoen Liu

Mr. Chunyang Shao

COMPANY SECRETARY

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

AUTHORIZED REPRESENTATIVES

Dr. Zhaohua Chang

Ms. Yuen Wing Yan Winnie

AUDIT COMMITTEE

Mr. Jonathan H. Chou (*Chairman*)

Mr. Norihiro Ashida

Mr. Chunyang Shao

REMUNERATION COMMITTEE

Dr. Guoen Liu (*Chairman*)

Dr. Zhaohua Chang

Mr. Jonathan H. Chou

NOMINATION COMMITTEE

Mr. Chunyang Shao (*Chairman*)

Dr. Guoen Liu

Ms. Weiqin Sun (*appointed on 30 August 2023*)

Mr. Hongliang Yu (*resigned on 30 August 2023*)

STRATEGIC COMMITTEE

Dr. Zhaohua Chang (*Chairman*)

Mr. Hiroshi Shirafuji (*appointed on 19 June 2023*)

Mr. Jonathan H. Chou

Ms. Weiqin Sun (*appointed on 30 August 2023*)

Dr. Qiyi Luo (*appointed on 30 August 2023*)

Mr. Bo Peng (*appointed on 10 November 2023*)

Dr. Yasuhisa Kurogi (*retired on 19 June 2023*)

Mr. Hongliang Yu (*resigned on 30 August 2023*)

REGISTERED OFFICE

PO Box 309, Umland House

Grand Cayman, KY1-1104

Cayman Islands

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

1601 Zhangdong Road

Zhangjiang Hi-Tech Park

Shanghai 201203

The PRC

PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place

348 Kwun Tong Road

Kowloon

Hong Kong

AUDITOR

KPMG

Public Interest Entity Auditor registered in accordance with the

Accounting and Financial Reporting Council Ordinance

LEGAL CONSULTANT

Sidley Austin

SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

COMPANY WEBSITE

www.microport.com

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

China Construction Bank Corporation Shanghai Pudong Branch

Bank of China Limited Shanghai Zhangjiang Sub-Branch

China Minsheng Banking Corporation Limited

Bank of America

BNP Paribas

SECURITIES CODES

Stock: 00853.HK

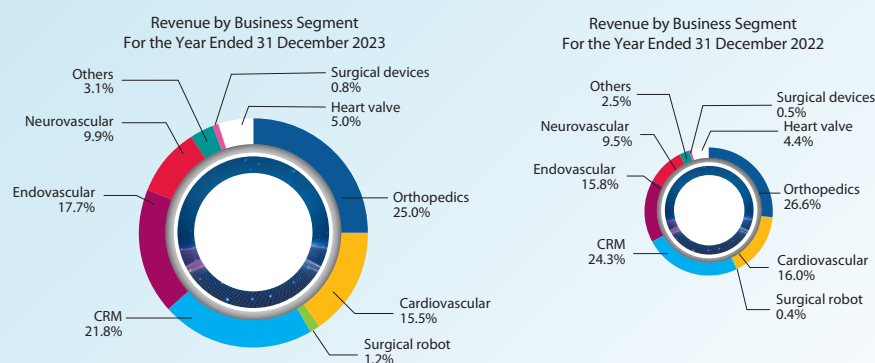
Bonds: 40720.HK

40168.HK

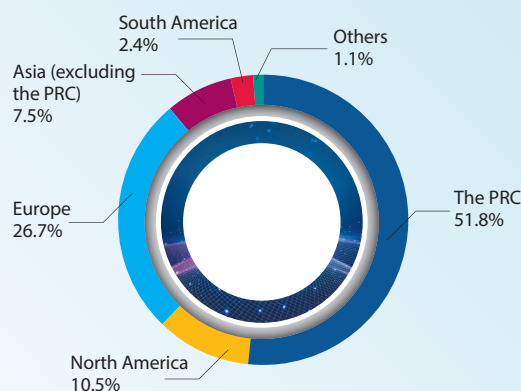
FINANCIAL HIGHLIGHTS

	Financial Year Ended		
	2023 US\$'000	2022 US\$'000	Change %
Revenue	950,725	840,831	Increased by 13.1%
Gross profit	532,098	501,771	Increased by 6.0%
Loss for the year	(649,157)	(588,115)	Increased by 10.4%
Loss attributable to equity shareholders of the Company	(477,629)	(436,515)	Increased by 9.4%
Loss per share –			
Basic (in cents)	(26.19)	(24.08)	Increased by 8.8%
Diluted (in cents)	(27.17)	(24.94)	Increased by 8.9%
Non-HKFRS adjusted net loss for the year	(434,553)	(502,478)	Decreased by 13.5%

Revenue Analysis



Revenue by Geographical Region For the Year Ended 31 December 2023



FIVE YEARS' FINANCIAL SUMMARY

	2023 US\$'000	2022 US\$'000	2021 US\$'000	2020 US\$'000	2019 US\$'000
Revenue	950,725	840,831	778,639	648,732	793,493
(Loss)/profit for the year	(649,157)	(588,115)	(351,295)	(223,348)	29,009
Assets					
Non-current assets	1,921,958	2,054,851	1,993,762	989,270	856,997
Current assets	2,010,447	1,939,234	2,386,767	1,479,863	740,954
Total assets	3,932,405	3,994,085	4,380,529	2,469,133	1,597,951
Liabilities					
Current liabilities	1,271,084	662,125	546,757	519,379	431,801
Non-current liabilities	1,258,324	1,539,292	1,616,280	561,808	512,185
Total liabilities	2,529,408	2,201,417	2,163,037	1,081,187	943,986
Total equity	1,402,997	1,792,668	2,217,492	1,387,946	653,965

COMPANY PROFILE

MicroPort Scientific Corporation (the “Company” or “MicroPort”) and its subsidiaries (collectively the “Group”) is a leading medical device group focusing on innovating, manufacturing and marketing high-end medical devices globally. With a diversified product portfolio now being used in over 20,000* hospitals in the world, the Group maintains world-wide operations in a broad range of business segments including cardiovascular devices, orthopedics devices, cardiac rhythm management (“CRM”), endovascular and peripheral vascular devices, neurovascular devices, heart valve, surgical robot, surgical devices 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 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 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, Suzhou, Jiaying, Shenzhen in China, Memphis in the United States, Clamart in France, Saluggia in Italy and Dominican Republic, and a strong focus on technological innovation with over 10,000* patents (including applications), 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 Lives.

** Note: Such numbers include the numbers of equity-accounted investees of the Group.*

CHAIRMAN'S STATEMENT

The year 2023 was a year filled with challenges. Overseas, the lingering effects of the pandemic, coupled with geopolitical factors, have led to disruptions in the global supply chain. Domestically, since the second half of 2023, the healthcare industry has intensified compliance controls, resulting in temporary negative impacts to hospital surgeries. In response to the complex external environment, we have actively adjusted our business strategies and implemented various cost control measures, thus achieved organizational efficiency enhancements.

During the year ended 31 December 2023 (the "reporting period"), the group has achieved a global revenue of US\$950.7 million, representing a year-on-year increase of 15.8%^{Note}. In particular, the heart valve business, the endovascular and peripheral vascular devices business, and the neurovascular devices business have recorded rapid revenue growth of 32.5%, 32.2%, and 21.6%, respectively. Alongside the accelerated commercialization of our core products, the surgical robot business has recorded a remarkable growth of 258.4%. We have established a comprehensive platform for international expansion and have intensified our efforts to promote our competitive products overseas. During the reporting period, our overseas business has achieved revenue of US\$57.1 million, representing a 53.9% increase compared to the same period last year. Our integrated global coordinated operations will help us to create a sustainable, tiered, and series-based product portfolio, thereby enhancing the core competitiveness of the MicroPort brand on a global scale.

During the reporting period, impacted by multiple factors including provisions for impairment, the Group has recorded a net loss of US\$649.1 million, which has increased compared to the previous year. After excluding one-time, non-cash impacts, the non-HKFRS adjusted net loss was US\$434.6 million, representing a 13.5% reduction compared to the same period last year. We place a high priority on rational cost control, and have implemented a series of cost cut measures, during the reporting period, the combined ratio of R&D and administrative expenses has decreased by 18 percentage points compared to the same period last year. By focusing solely core projects and adopting a value-oriented approach to controlling investments, R&D expenses reduced by 9.6%; to ensure that resource allocation aligns with strategic objectives, we have effectively streamlined our organizational structure, resulting in an 18.5% year-on-year decrease in administrative costs; additionally, we have increased our investment in marketing, so as to enhance the group's profitability, leading to a 2.0% year-on-year increase in sales and marketing expenses.

In terms of the Cardiovascular business, we remain steadfast in our commitment to delivering comprehensive solutions for coronary artery diseases on a global scale. Our market share for coronary stent categories continues to lead in China and ranks among Top 2 globally. During the reporting period, we have achieved a 16.2% increase in global revenue and turned to profit at the net profit level. Driven by the accelerated sales of our high-end products, our overseas revenue saw a year-on-year increase of 71.3%, and the gross margin for this segment rose by 4 percentage points. Domestically, benefiting from channel synergy, our revenue from access products has increased by 66.9%. Over the past year, we have obtained registrations for five high-end access products. We are also actively advancing research and the registration process for our active products. The Rotational Atherectomy System has submitted its application for NMPA registration, the clinical follow-up for the shockwave balloon has been completed, and enrollment for the first-in-man study of the piezoelectric guidewire has now completed. Additionally, several innovative products in our pipeline are rapidly advancing through clinical trials.

In terms of the Orthopedic business, we have achieved a year-on-year revenue increase of 7.3% globally. This growth has been facilitated by our ongoing efforts to enhance global production collaboration and implement various cost-saving measures. During the reporting period, we have successfully narrowed global net loss by 9.7%. Domestically, benefiting from the increased sales of our core products, we have achieved a 33.8% year-on-year revenue growth; by promoting the integration of the orthopedic supply chain and improving production efficiency, the gross margin of the segment has also increased 9 percentage points. Overseas, we faced challenges due to a shortage of raw materials, which led to a shortfall in meeting the end-demand since the second half of 2023. However, through orderly scheduling of inventory products, as well as proactively developing diversified suppliers, we have essentially resolved our backlog. Our supply chain has now stabilized and returned to normal levels. Moving forward, we will remain committed to intensifying our efforts in advancing global cooperative production projects and driving a gradual reduction in production costs.

In terms of Cardiac Rhythm Management business, as overseas supply of upstream components has tightened, resulting in a severe shortage in the production capacity of pacemaker and defibrillator leads. This situation has impacted our global revenue, resulting in a 1.0% decrease year-on-year. Through a series of proactive measures, we have seen a rebound in the overseas production of leads since September 2023. We have been focusing on advancing global registration of our high-end products, and successfully launched our new generation of premium products in the United States, Europe, Japan, and other regions, followed by a gradual market promotion. Domestically, during the reporting period, our revenue grew by 25.7%; with bids winning of our pacemaker product portfolio in multiple provincial volume-based procurements, our future revenue growth may further enhanced, thus consolidate our market leadership in domestic production. On the regulatory front, the new generation full-body MRI

CHAIRMAN'S STATEMENT

applicable ENO™ series pacemakers and its compatible leads have been approved domestically, the commercialization of new products will offer more advantageous options for domestic patients.

In terms of the Endovascular and Peripheral Vascular devices business, benefiting from the launching of new products and the continuous intensification of overseas marketing efforts, we have achieved a 32.2% increase in revenue and a 2 percentage points improvement in net profit margin. Specifically, overseas revenue has risen by 51.2% year-on-year, with our product sales now spanning across 31 overseas countries and regions. On the research and development front, our Castor® branched aortic stent-graft system has been granted the first customized registration certificate in China, and we have submitted five innovative products for NMPA registration.

In terms of the Neurovascular devices business, the revenue increased by 21.6%, with a 5 percentage points increase in the gross margin and a 49.5% increase in non-HKFRS adjusted net profit. Domestically, by persistently expanding our channel coverage, our overall market share has reached 8.2%. To date since the beginning of 2023, we have obtained approval for 5 new products, and our Acute Ischemic Stroke product portfolio has been continuously refined. In terms of global expansion, our products have been commercialized in a total of 17 overseas countries. We have transitioned to direct sales in Ireland and the UK, and are continuously improving operational efficiency.

In terms of the Heart Valve business, we have achieved a 32.5% increase in revenue, with optimization across several financial metrics. Specifically, the gross margin has improved by 4 percentage points, while the combined R&D and administrative expense ratios have decreased by 26 percentage points, and the sales expense ratio has increased by 2 percentage points. We have accelerated the global commercialization of our TAVI products, with cumulative hospitals penetration exceeding 650, and seen a 90% year-on-year increase in overseas implantations. In January 2024, the Heart Valve business has integrated the Left Atrial Appendage device business, achieving a strategic restructuring of the structural heart disease business. This will enhance business synergy and bolster the competitive edge of this business segment in the market.

In terms of the Surgical Robot business, our revenue increased by 258.4%; at the same time, operational efficiency has also continued to improve. During reporting period, our core product, Toumai® has obtained 11 new bids, completed the installation of 10 units, and secured its 1st overseas order by year-end 2023, marking a new breakthrough in globalization. In 2023, with the Mona Lisa prostate biopsy robot obtained NMPA approval and completed first sale, and the R-ONE® vascular interventional surgical robot, which obtained approval and two orders, our commercialized robotic product portfolio has now covered four major fields, including laparoscopy, orthopedics, pan vascular, and percutaneous puncture.

We remain committed to the rapid and effective development of high-end medical devices that lead the industry. Since the beginning of 2023, our group and associated companies have had a total of 44 products that have either received their initial Class III registration, or have completed significant registration changes from the NMPA, 19 products approved by the FDA, and 20 products granted the CE certification, all of which represent an increase in numbers. As the number of marketed products grows steadily, the advantages of our group's product portfolio become more pronounced. We will fully explore the potential for information sharing and complementary strengths in marketing on a global scale, and continue to strengthen the integration of channel resources, to further enhance hospital entry and output. Subsequently, the incremental revenue from new products will continue to contribute new momentum to the overall growth of the group.

We are committed to our belief of "Breaking Barriers to Help Billions of People to Live Beyond 115 Years", and actively pursue our mission of "Providing Trustworthy and Universal Access to State-of-the-art Solutions of Prolonging and Reshaping Lives" for society, and promote our medical devices and disease solutions to every corner of the world. We adhere to the concept of green and sustainable development, and promote the comprehensive process of the medical industry and society. We provide robust medical security for patients and contribute to the construction of a more diverse and inclusive society.

In the future, we will stay true to the original aspiration, strive to realise the vision of solving clinical pain points and filling medical gaps, and actively fulfill our corporate mission. Meanwhile, close attention will be paid to the demands of stakeholders. We will insist on "people-orientation" and seek steady development to create long-term common value for our stakeholders while providing cutting-edge medical solutions to patients worldwide in the post-pandemic era.

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

Dr. Zhaohua Chang

Chairman

28 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

In 2023, the global economy has gradually recovered from the recession, and there is a combination of positive and risky global economies under the sustained high interest rate environment. In China, the high-quality development has been solidly promoted, and the economy has been rebounded and improved while the industrial foundation for developing new quality productivity has been constantly consolidated. In the medium to long term, under the global trend of population ageing, the “silver economy” will become a new business model and continuously contribute new growth points to the medical industry.

In China, the recovery of market demands has provided a strong support for the development of the industry, and various supportive policies have promoted the upgrading of the medical device industry from top to bottom: from the top-level design dimension, the executive meetings of the State Council have successively considered and approved the Action Plan for the High-quality Development of the Pharmaceutical Industry (2023-2025) and the Action Plan for the High-quality Development of the Medical Device Industry (2023-2025), focusing on improving the resilience and modernization level of the pharmaceutical industry and medical device industry, and creating a better ecological environment that encourages and supports innovation in the medical device industry; at the execution level, medical insurance departments across the country have also continued to improve diversified payment mechanisms, comprehensively promoting the hospital admission and rational use of innovative medical devices. In December 2023, the National Healthcare Security Administration has further clarified in its response letter that it “encourages the inclusion of new technologies, drugs and devices into the scope of security, and fully considers their application in the reform of medical insurance payment methods such as DRG/DIP”. The complete combination of the payment of medical insurances, the promotion of commercial insurances and the optimization of pricing will accelerate the commercialization of innovative medical devices, and leading enterprises are expected to benefit in multiple aspects, thereby continuously improving industrial concentration and market competitiveness.

In terms of reportable segments based on financial report, the Group features a total of eight major business segments, including cardiovascular devices business, orthopedics devices business, CRM business, endovascular and peripheral vascular devices business, neurovascular devices business, heart valve business, surgical robot business and surgical devices business. As of the end of the Reporting Period, the Group (also through its associates) had over 10,000 patents (including those under application) around the world, and its products were being used in over 20,000 hospitals in more than 100 countries and regions around the world. The Group also offered over 600 medical solutions to patients worldwide, covering the human circulatory system, nervous system, kinetic system, endocrine system, urinary system and reproductive system. As a leading global enterprise of innovative high-end medical devices, the Group continuously promoted the rapid development of its global business, with a number of innovative products approved in domestic and overseas markets for launch during the Reporting Period, delivering a steady stream of new driving forces for the high-quality and sustainable growth of its business.

During the Reporting Period, the Group continued to promote the compliant and stable development of various businesses. Despite the impact of multiple unfavorable factors in China and abroad, and benefiting from the efficient product promotion and market development, the market share continued to grow rapidly, and the Group achieved revenue of US\$950.7 million for its global operations, representing a significant increase of 15.8% excluding the foreign exchange impact as compared to the corresponding period of last year; among which, with the prominent brand effect brought about by the matrix-style export, revenue from the export business amounted to US\$57.1 million, representing a steady increase of 53.9% excluding the foreign exchange impact as compared to the corresponding period of last year. Among all business segments, the Group’s heart valve business, endovascular and peripheral vascular devices business, neurovascular devices business and cardiovascular devices business realized a rapid growth in revenue, representing an increase of 32.5%, 32.2%, 21.6% and 16.2% respectively excluding the foreign exchange impact as compared to the corresponding period of last year; benefiting from the rapid growth in sales volume of core products, revenue from the surgical robot business also increased significantly by 258.4% excluding the foreign exchange impact as compared to the corresponding period of last year, continuously consolidating its advantageous market position.

MANAGEMENT DISCUSSION AND ANALYSIS

Focusing on improving operational efficiency, the Group has solidly promoted diversified cost control measures. During the Reporting Period, the sum of R&D, management and sales expenses in the total expenses recorded a significant year-on-year decrease of 22.1 percentage points. Faced with various challenges, the Group actively made strategy adjustments so as to strengthen its resource focus, enhance resource synergy and implement input-output control, and controlled the rhythm of investment with the value-oriented approach. During the Reporting Period, by taking the proactive cost control measures to prioritize and focus on core projects, R&D expenses decreased by 9.6% year on year. With the aim of continuously optimizing the human resources system to ensure that its resource allocation match its strategic goals, the Group effectively streamlined its organizational structure and significantly improved its operational efficiency during the Reporting Period, with its management expenses being decreased by 18.5% year on year. In terms of marketing, the Group fully explored the potential of information sharing and complementary advantages. At the same time, with the steady increase in the number of products launched and the prominent product portfolio advantage, the competitive strength was further enhanced. In the future, by continuously strengthening the integration of channel resources and promoting to tap the potential within hospitals, the hospital admission efficiency and output in a single hospital are expected to continue to steadily increase.

During the Reporting Period, by actively implementing resource focus and cost control measures, the Group recorded non-HKFRS adjusted net loss of US\$434.6 million, representing a decrease of 13.5% as compared to 2022. Moving forward, the Group will attach great importance to the health of financial statements and the adequacy of cash flow, and is committed to significantly reducing losses and achieving breakeven in the coming years.

Cardiovascular Devices Business

The cardiovascular devices business offers integrated solutions for the treatment of coronary artery-related diseases, and develops, manufactures and commercializes industry-leading coronary stents and related delivery systems, along with balloon catheters, passive accessories, active devices and other products. It is committed to providing more high-quality and affordable integrated solutions for worldwide patients with coronary heart disease through continuous innovation.

Cardiovascular diseases are the leading causes of human death and health loss, and its social burden has been increasing year by year with the acceleration of the population ageing process; meanwhile, factors such as the increasing comorbidities and rising incidence of complications have also made the diagnosis and treatment of this disease a global challenge. In recent years, coronary interventional surgeries have become increasingly precise and efficient, the precision medical concept represented by intracavity imaging technology has become a new diagnosis and treatment trend, innovative treatment methods represented by active intervention provide new choices for complex lesions, and surgical robots strengthen the equipment connectivity, helping surgeries become more digital, precise and intelligent. With the support of multiple innovative technologies, the global cardiovascular interventional end market will expand steadily.

As of the end of the Reporting Period, the cardiovascular business segment of the Group had a total of 6 drug-eluting stents and 4 balloon products on sale, and became the global leader in the area of coronary interventional treatment. During the Reporting Period, benefiting from the continuous increase in the penetration rate for the international market and the incremental contribution brought by new products, the Group's cardiovascular business recorded global operating revenue of US\$147.2 million, representing a significant increase of 16.2% excluding the foreign exchange impact as compared to the corresponding period of last year.



MANAGEMENT DISCUSSION AND ANALYSIS

In the overseas market, benefiting from the increase in market shares, this business segment achieved sales revenue of US\$36.5 million, representing a significant increase of 71.3% excluding the foreign exchange impact as compared to the corresponding period of last year; in terms of regions, Asia (excluding China) and South America recorded a significant increase in revenue, representing a year-on-year increase of 114.2% and 44.7% respectively excluding the foreign exchange impact. During the Reporting Period, the Group continued to promote overseas channel expansion and uncharted market exploitation, and newly developed channel distributors in 11 countries and regions; as of the end of the Reporting Period, the sales of coronary stent products covered a cumulative of 80 overseas markets and a cumulative of 70 overseas markets for balloon products, and the market share in accessible markets also continued to grow while the regional coverage accelerated. As the Group was committed to building a diversified product matrix around the world, during the Reporting Period, the stent products newly obtained 10 initial registrations in 8 countries or regions, and were registered and launched in a cumulative of 44 countries or regions; while the balloon products newly obtained 9 initial registrations in 5 countries or regions, and were registered and launched in a cumulative of 38 countries or regions. Leveraging its strength in multi-product portfolio, products in this field achieved a gradient coverage of the demand in various markets, and benefiting from the increase in the sales volume of high-end products and the rapid increase in the market share in countries with high unit prices, the gross profit margin for the segment increased by 4 percentage points year on year during the Reporting Period. Meanwhile, by strengthening the end-to-end channel inventory management and continuously optimizing the inventory structure, the Group's production costs and shipping expenses also achieved a decrease.

In China, this business segment achieved sales revenue of US\$110.7 million, representing an increase of 6.1% excluding the foreign exchange impact as compared to the corresponding period of last year. During the Reporting Period, the Group further consolidated its dominant market position in the field of cardiovascular interventions, and the market share of multiple products achieved stable growth. Meanwhile, by fully leveraging its channel synergies in the field of cardiovascular intervention, and with the continuous enrichment of the product matrix launched, revenue from access consumables increased significantly by 66.9% year on year. As of the end of the Reporting Period, the Group's drug-eluting stent products covered a cumulative of approximately 3,500 hospitals in the PRC market, with over 300 hospitals newly developed during the Reporting Period; its balloon products covered over 1,500 hospitals nationwide, with nearly 100 hospitals newly covered during the Reporting Period. Since its launch in 2017, the "Swallow Program", which focuses on developing the uncharted healthcare markets in lower-tier regions, has formed a network covering over 3,000 hospitals in over 1,000 county-level administrative areas nationwide and covered the minimally invasive business in over 1,500 county-level hospitals, saving the lives of a cumulative of more than 400,000 patients. Through the promotion of medical education, the construction of internet systems for lower-tier hospitals, improvement on patient management and referral capabilities and other methods, the program is committed to helping county-level hospitals increase their ability in precision interventional treatment, enabling patients in lower-tier regions to enjoy high-quality and affordable high-end medical solutions. In the future, the Group will continue to actively fulfill its social responsibility, implement and promote the implementation of medical and healthcare reform policies, simultaneously promote the extension of products and services, and continuously enhance the integrated comprehensive solution for coronary heart disease. With the gradual launch and commercialization of high value-added products, the profitability of the segment will be enhanced continuously, and increase in both revenue and profit is expected.

MANAGEMENT DISCUSSION AND ANALYSIS

Orthopedics Devices Business

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

During the Reporting Period, despite the impact of supply factors on production and delivery for overseas business, benefiting from the rapid growth of the domestic business, the global orthopedics business recorded revenue of US\$237.3 million, representing an increase of 7.3% excluding the foreign exchange impact as compared to the corresponding period of last year. Meanwhile, by continuously promoting the global production cooperation and implementing various cost reduction and efficiency increase initiatives, the net loss of the global orthopedics business decreased by 9.7% year on year.

In China, the orthopedics business recorded revenue of US\$27.3 million during the Reporting Period, representing a significant year-on-year increase of 33.8% excluding the foreign exchange impact. In terms of the joint business, with the release of demand for elective surgeries, the Group recorded a significant increase of 96% in its implantation volume of joints in all categories during the Reporting Period. Among them, the Group quickly took over the uncharted market released by the contraction of foreign brands with its imported knee joint products relying on its outstanding product attraction advantages, resulting in a significant year-on-year increase of 203% in shipment volume and a doubling of market share, and significantly strengthening its competitive advantage. In order to promote the stable business growth, the Group continued to optimize its channel construction and regional coverage, so the number of distributors increased by 38% year on year during the Reporting Period, and the hospital coverage rate also increased significantly accordingly. In terms of spine and trauma business, affected by factors such as the decrease in centralized procurement price and the provision for impairment of inventory, the revenue of target products decreased during the Reporting Period. By continuously improving production efficiency, optimizing the utilization of resources and promoting the integration of the orthopedic supply chain, the Group achieved a steady reduction in the cost of key products. During the Reporting Period, the gross profit margin of the segment significantly increased by 9 percentage points, and the production capacity of key products increased significantly.

In the overseas market, with the post-pandemic recovery and increased acceptance of treatment concepts, the demand for the Group's terminal products has risen rapidly. However, since the second quarter, the Group's core products have experienced supply shortages due to upstream material supply issues; leveraging on active development of diversified suppliers since the second half of 2023, the Group's insufficient inventory has gradually narrowed, and a decline has shown in the number of backlogged orders. Through orderly scheduling and allocating inventory products, the international (non-China) orthopedic business recorded revenues of US\$210.0 million during the Reporting Period, achieving a growth of 4.6% excluding the foreign exchange impact compared to the corresponding period. Moving forward, the Group will fully leverage manufacturing synergies, continue to intensify the advancement of global collaborative production projects in the supply chain, and further resist potential supply risks while reducing supply costs. By actively promoting SkyWalker® Robot and Evolution® Medial-Pivot Knee System within the robot segment for knee replacement surgery solutions at various academic conferences, such combination has continuously attracted the attention of overseas surgeons, contributing incremental orders for the segment. During the Reporting Period, despite being affected by supply shortages, driven by the increase in the number of surgical robot installations, the Group's knee sales achieved a year-on-year increase of 11%, indicating that the effectiveness of the above promotion strategy had been increasingly proved. Moving forward, dedicating to providing patients with more precise and personalized joint replacement surgery solutions, the segment will continue to align with industry trends, thereby enhancing the quality of life for patients' post-surgery.



MANAGEMENT DISCUSSION AND ANALYSIS

CRM Business

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

During the Reporting Period, due to overseas supply factors, the CRM business achieved global revenue of US\$207.0 million, representing a decrease of 1.0% excluding the foreign exchange impact as compared to the corresponding period of last year.

In the overseas market, the tight supply of upstream components has led to a serious shortage of production capacity for pacing and defibrillation leads, and overall sales of terminal products have been restricted. During the Reporting Period, the international (non-China) CRM business achieved revenue of US\$190.8 million, representing a year-on-year decrease of 2.8% excluding the foreign exchange impact. In order to comprehensively solve the shortage problem of terminals and channels and strengthen the stability of the supply chain, the Group actively deployed actions during the Reporting Period, and the production of leads has rapidly rebounded since September. In terms of product promotion, Bluetooth® pacemakers recorded a significant year-on-year increase of 27.0% in sales during the Reporting Period; despite of the adverse impact resulting from leads supply issues, the Implantable Cardioverter-Defibrillators ("ICDs") still achieved a year-on-year increase of 7.9% in sales. During the Reporting Period, the Group increased its geographic expansion efforts for key products: in the United States, Alizea™ and Celea™, the implantable Bluetooth® pacemakers equipped with the AutoMRI™ technology, and the accompanying products achieved registration milestones successfully; in Japan, alongside the approval for market release of several high value-added products, including GALI™ SonR® Cardiac Resynchronization Therapy and Defibrillation Device ("CRT-D") and NAVIGO™ 4LV Left Ventricular Pacing Leads, the new generation of high-voltage products had been completed; in Europe, TALENTIA™ and ENERGIA™ series of ICDs and CRT-Ds were approved for launch successively in 2024, relying on the Group's self-developed low-energy consumption technology, these devices have the longest projected service life in the industry currently. The increasingly extensive product portfolio will help with global promotion and add new momentum to sustainable business growth.

In China, the CRM business recorded revenue of US\$16.2 million, representing a significant year-on-year increase of 25.7% excluding the foreign exchange impact. During the Reporting Period, benefiting from the formal implementation of the volume-based procurement of the Guangdong-led alliance for medical consumables of heart pacemakers in four provinces, the Group won the bids for six single-chamber and dual-chamber pacemaker products through differentiated combinations, helping to expand the domestic market. Among them, with the product attraction advantages such as small size, automation, physiology and long lifespan, Rega® increased its sales volume rapidly, resulting in a year-on-year increase of 49.7% in the revenue of domestic pacemaker portfolios, and further solidifying the leading position with the largest market share among domestic brands. During the Reporting Period, the Group's pacemaker products were selected for volume-based procurement in the 3+N Beijing-Tianjin-Hebei Alliance and Anhui Province, and the subsequent implementation of volume-based procurement will further enhance the terminal penetration rate of the Group's products, helping the domestic brands increase their market influence. In terms of registration, in January 2024, as the new generation ENO™ pacemaker compatible with 1.5T/3.0T whole-body MRI examination and the Vega™ Pacing Leads have been approved for launch by the National Medical Products Administration ("NMPA"), the intergenerational differences between the Group's and foreign products will be reduced significantly, bringing more advantageous new choices to domestic patients. In terms of production and supply, the Group continued to improve the automation and digitization of production lines to satisfy the market demand in a timely manner with guaranteed quality and quantity, promote the construction of local supply chains and enhance the supply chain's resilience to risks.



MANAGEMENT DISCUSSION AND ANALYSIS

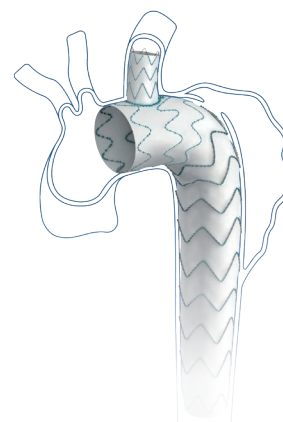
Endovascular and Peripheral Vascular Devices Business

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

During the Reporting Period, benefiting from the continuous increase in the marketing efforts of new products and in overseas markets, the endovascular and peripheral vascular devices business achieved revenue of US\$168.0 million, representing an increase of 32.2% excluding the foreign exchange impact as compared to the corresponding period of last year; achieved a net profit of US\$69.1 million, representing a year-on-year increase of 31.7%; and recorded an increase of 1.8 percentage points in net profit margin, with its profitability continuously strengthened.

In China, the Group has established a broad and lower-tier marketing channel layout. Relying on the outstanding product attraction advantages, multiple products enjoy leading market shares and are the first to benefit from market expansion. The Group has increased its hospital coverage of various products year by year, and accelerated the increase in terminal usage and implantation volume: as of March 2024, the Castor[®] Branched Aortic Stent Graft and Delivery System ("Castor[®] Branched Stent") covered a cumulative of over 1,000 terminal hospitals; the Minos[®] Abdominal Aortic Stent Graft and Delivery System ("Minos[®] Abdominal Aortic Stent") covered a cumulative of over 800 terminal hospitals; and the Reewarm[®] PTX Drug Balloon Dilation Catheter covered a cumulative of over 900 hospitals. In terms of new products, the Talos[®] Thoracic Stent Graft System ("Talos[®] Stent") and Fontus[®] Branched Surgical Stent Graft System ("Fontus[®] Surgical Stent") rapidly increased their hospital admission numbers and terminal implantation volumes, and steadily improved the sales revenue and profit of the Company since they were launched in the market. Benefiting by many factors, the Group will continue its rapid growth trend and further strengthen its market competitiveness in the field of aortic and peripheral vascular interventions.

In the overseas market, by continuously increasing the marketing efforts, the segment recorded sales revenue of US\$11.5 million during the Reporting Period, representing a significant year-on-year increase of 51.2%, and the proportion of overseas revenue continued to increase. The Group has formed a considerably complete product line in the field of aortic intervention. As of March 2024, sales of products in this segment have covered 31 countries, with business expanded to regions such as Europe, Latin America and other countries and regions in the Asia Pacific region. In terms of products: the Castor[®] Branched Stent has been clinically applied in 16 countries around the world, the Minos[®] Abdominal Aortic Stent has been clinically applied in 19 countries around the world, and the Hercules[®] Low Profile Straight Tube Stent Graft and Delivery System ("Hercules[®]-LP Straight Tube Stent") has been clinically applied in 21 countries around the world. The Reewarm[®] PTX Drug Balloon was officially launched into the international market during the Reporting Period and currently has been successfully approved for launch in Brazil and Colombia. Continuously exporting new products with excellent clinical performance will help the Group form a sustainable, tiered, and serial product portfolio, so as to enhance the Company's core brand competitiveness and sustainable development capabilities globally.



MANAGEMENT DISCUSSION AND ANALYSIS

Neurovascular Devices Business

The neurovascular devices business specializes in providing overall solutions for the treatment of cerebrovascular diseases, including hemorrhagic stroke, cerebral atherosclerotic stenosis and acute ischemic stroke, and in the R&D, production and commercialization of neurovascular therapeutic and access devices.

During the Reporting Period, the neurovascular devices business recorded revenue of US\$93.9 million, representing a year-on-year growth of 21.6% excluding the foreign exchange impact; thanks to actively implementing the supply chain improvement and cost-saving measures, both the gross profit margin and operational efficiency continued to improve. During the Reporting Period, the business recorded non-HKFRS adjusted net profit of US\$27.7 million, representing a year-on-year increase of 49.5%, with its profitability significantly enhanced; and achieved a net profit of US\$19.1 million, representing a significant increase and a turnaround to profit from loss incurred in the corresponding period of last year.

In China, as the sales of various products which were leaders in market shares continued to increase and the newly launched product categories also bring incremental contribution, the Group has further consolidated its leading position in the neurovascular device field due to multiple factors. Along with the release of numerous clinical and follow-up data, the market promotion of Bridge[®] Rapamycin Target Eluting Vertebral Artery Stent System ("Bridge[®] Vertebral Artery Stent") is gradually entering a mature stage, and the recognition from surgeons on such product has increased continuously. During the Reporting Period, the Bridge[®] Vertebral Artery Stent newly penetrated into approximately 500 hospitals, with a cumulative penetration of over 1,000 hospitals. In light of the favorable commercialization policies such as the volume-based procurement and bid-winning, the NUMEN[®] Coil Embolization System ("NUMEN[®] Coil") has significantly accelerated its marketing promotion, realizing a rapid increase in its implantation volume and hospital coverage, and newly penetrated into over 350 hospitals during the Reporting Period, realizing a steady increase in its market share. The core product Tubridge[®] Flow-Diverting Stent ("Tubridge[®] Stent") has accelerated its promotion in surgical procedures in lower-tier regions, and newly penetrated into approximately 250 hospitals during the Reporting Period, continuing to show a significant increase in sales. The Group is committed to fully leveraging channel synergy among products, and the U-track[®] Intracranial Support Catheter System also recorded a significant increase in sales during the Reporting Period as a result of the strategy of bundle sale with Tubridge[®] Stent and NUMEN[®] Coil. The Group actively promoted the development of uncharted hospitals and the exploration of lower-tier markets, and this segment newly penetrated into approximately 450 hospitals during the Reporting Period, with a cumulative penetration of over 3,000 hospitals. Focusing on serving stroke patients in the lower-tier markets, the "Eagle & Swallows" team has newly penetrated into approximately 200 lower-tier hospitals, with a cumulative penetration of over 800 hospitals in 250 lower-tier cities and counties, further consolidating the competitive advantage of this segment in lower-tier markets.

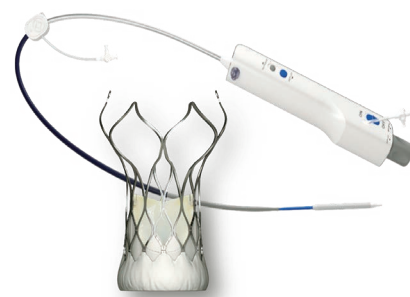
In overseas markets, the commercialization process of the Group significantly accelerated during the Reporting Period, and the segment recorded sales revenue of US\$4.5 million, representing a significant increase of 44.6% as compared to last year, with sales in the Asia Pacific region, Europe, the Middle East and Africa ("EMEA") and Latin America all recording an exponential growth, among which the hospital admission of products was promoted rapidly in Japan, with a penetration of over 90 hospitals in the first year of commercialization, driving a significant year-on-year increase in revenue of the Asia Pacific region; benefiting from a series of positive market initiatives such as realizing the complete coverage of the medical insurance of France, achieving breakthroughs in the African market and establishing direct sales channels in the United Kingdom and Ireland, the sales of NUMEN[®] Coil products in the EMEA region also recorded a significant increase. During the Reporting Period, as the Group continued to deepen its regional expansion and channel coverage, its products newly penetrated into 11 overseas countries and regions, and realized their commercial implantation in a cumulative of 18 countries and regions, covering 8 overseas markets around the world which ranked among the top 10 in terms of neurovascular surgery volume. Meanwhile, the Group continued to enrich its overseas product portfolio, with 4 products being registered in overseas markets for the first time during the Reporting Period: Tubridge[®] Stent was successively approved for launch in Argentina and Brazil, Neurohawk[®] Intracranial Thrombectomy Stent and the access products including X-track[®] Distal Access Catheter and Fastrack[®] Microcatheter were also approved for launch in Argentina. In the future, the Group will continue to promote innovative products in the global market and provide more high-quality comprehensive solutions for patients with cerebrovascular diseases worldwide.



MANAGEMENT DISCUSSION AND ANALYSIS

Heart Valve Business

As of the end of the Reporting Period, the Group's heart valve business includes four certified products: VitaFlow[®] Transcatheter Aortic Valve Implantation and Delivery System ("VitaFlow[®]"), VitaFlow Liberty[®] Transcatheter Aortic Valve Implantation and Retrievable Delivery System ("VitaFlow Liberty[®]") (including the procedural accessory products as their offerings), Alwide[®] Plus Balloon Catheter and AccuSniper[™] Double-Layer Balloon Catheter ("AccuSniper[™]"), and various transcatheter aortic valve implantation ("TAVI") products, transcatheter mitral valve ("TMV") products, transcatheter tricuspid valve ("TTV") products and procedural accessory products at different development stages. Apart from its self-developed product portfolio, the Group also promoted its cooperation with business partners on certain TMV and TTV products, and has the exclusive right to commercialise these products in the PRC.



During the Reporting Period, benefiting from the release of the cumulative demand for elective surgeries and the rapid expansion of the terminal market, the heart valve business recorded revenue of US\$47.1 million, representing a significant increase of 32.5% excluding the foreign exchange impact as compared to the corresponding period of last year; thanks to the accelerated development and localization of diversified raw material suppliers and the steady decrease in production costs, the gross profit margin increased by 3.8 percentage points year on year. Meanwhile, the Group focused on implementing resource focus and cost control measures. Accordingly, its operational efficiency significantly improved, and the sum of the proportion of research and development costs, distribution costs and administrative expenses over revenue decreased by 24.1 percentage points year on year.

In China, the Group has accelerated the integration of its advantageous resources in the pan-cardiac treatment field to continuously promote high-quality hospital admissions. During the Reporting Period, driven by the increase in the market share of key regions and the rapid expansion of surgical procedures to lower-tier regions, this segment achieved a significant increase of 45% in implantation volume as compared to the corresponding period of last year. In terms of market expansion, this business newly penetrated into 117 domestic hospitals during the Reporting Period, and the total hospital admission number increased by approximately 27% year on year. Meanwhile, by focusing on consolidating patient discovery and surgical support in existing surgical centers, the implantation volume and sales increased rapidly in a cumulative of over 500 surgical centers covered. The Group has always regarded the cultivation of qualified TAVI hospitals and independent surgeons as a key element in its marketing strategy, and the number of domestic independent surgeons has further increased to over 260 during the Reporting Period, which will continue to assist in the penetration of TAVI surgical procedures. In order to better promote the tapping of potentials in lower-tier regions, the business team continued to strengthen collaboration with the coronary business and the "Rosefinch Swallow" team, promoted the screening and referral of grassroots patients, and conducted a series of medical education and marketing activities so as to break geographical restriction and further promote the popularization of TAVI treatment solutions.

In the overseas market, the Group continued to promote global registration and market expansion: during the Reporting Period, the VitaFlow Liberty[®] was newly approved for registration in Thailand, Russia and Indonesia; as of the end of the Reporting Period, TAVI products entered a cumulative of nearly 100 hospitals in Argentina, Colombia, Thailand and Russia, with nearly 20 independent surgeons. The Group gave full play to channel synergy among different businesses, and relying on the extensive overseas sales network covered by the coronary team, the VitaFlow[®] and VitaFlow Liberty[®] recorded 120 cases of commercial implantation during the Reporting Period, with revenue being significantly increased by 59% year on year. In terms of registration, during the Reporting Period, the Alwide[®] Plus was approved for registration in Thailand, Russia, Indonesia and Saudi Arabia, the VitaFlow Liberty[®] and the Alwide[®] Plus entered a critical review stage for its CE Mark, and the VitaFlow Liberty[®] and Alwide[®] Plus also made progress to the next stage for their registration in emerging markets such as India, Korea and Mexico. As the products have been gradually registered in overseas markets, the Group will continue to expand its business map based on its existing sales network and accelerate the development of global business.

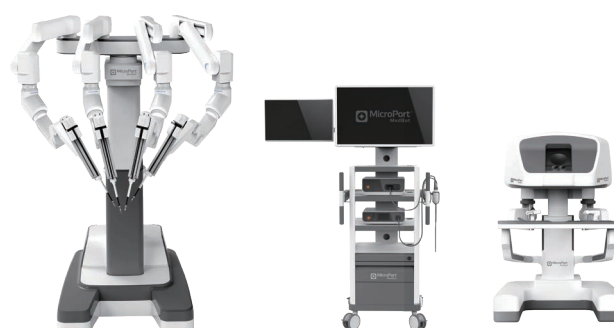
In January 2024, the heart valve business acquired 51% equity interest in Shanghai MicroPort CardioAdvent Co., Ltd. (上海佐心醫療科技有限公司) ("MP CardioAdvent"), so as to integrate the Group's left atrial appendage related medical device business, achieve a strategic reorganization for the Group's structural heart disease business, further enhance business synergy, and enhance the market competitiveness of this business segment.

MANAGEMENT DISCUSSION AND ANALYSIS

Surgical Robot Business

The surgical robot business is dedicated to innovatively providing robotic intelligent surgical total solutions that can prolong and reshape life by addressing the cutting-edge development needs of minimally invasive surgeries. Relying on its strong industrial operation ability, since its establishment, the Group has focused on the R&D of five core underlying technologies in relation to surgical robots, including robot ontology, control algorithm, electrical engineering, image-based navigation and precision imaging, with its differentiation covering the whole life cycle of surgical robot development.

The Group is the only company in the global surgical robot industry with a product portfolio covering five major and fast-growing surgical specialties, namely laparoscopic, orthopedic, panvascular, natural orifice and percutaneous surgical procedures, and as of the end of the Reporting Period, there were innovative products approved for launch for 80% of its business. Thanks to the comprehensive global promotion of core products, the number of orders and sales amount in the surgical robot business have continued to grow rapidly, and the business segment recorded revenue of US\$11.0 million during the Reporting Period, representing a significant year-on-year increase of 258.4% excluding the foreign exchange impact. Adhering to the business-focused strategy and with the primary goal of promoting sustainable growth, the Group continued to improve its internal management quality and operational efficiency, resulting in a year-on-year decrease in net loss during the Reporting Period.



In China, the Group has successively achieved registration milestones, so as to accelerate the commercialization process: as the multi-department application of the core product Toumai® Four-Arm Laparoscopic Surgical Robot (“Toumai”) was approved during the Reporting Period, the Group actively took over the growing demand for procurement of laparoscopic surgical robots since the implementation of the “14th Five-Year Plan”. By providing one-stop services including clinical education and training, customer service and clinical support in a quality manner, the bid-winning number and sales revenue of Toumai® have increased rapidly, and winning bids in several leading 3A hospitals has also comprehensively demonstrated the absolute dominant position of Toumai® among domestic laparoscopic surgical robots. The Group has made a differentiated layout for puncture robots in the field of orifices, and the Mona Lisa Robotic Prostate Puncture Positioning System (“Mona Lisa”) was approved for launch by the NMPA during the Reporting Period, and has achieved the commercialization milestone so far. Meanwhile, R-ONE® Vascular Interventional Surgical Robot (“R-ONE”), which is laying out in the panvascular field, has accumulated multiple potential orders in a short period of time relying on its strong synergy with the coronary segment since it has been approved at the end of the year, demonstrating its good commercialization potential. The Group has continuously explored the direction of 5G telemedicine, and achieved the joint application of multiple surgical robot products including Toumai®, SkyWalker® and R-ONE® with the 5G technology. As of March 2024, Toumai® has completed over 120 cases of 5G remote human clinical surgery exploration worldwide, with a success rate of 100%, successfully achieving multiple breakthroughs in aspects such as the farthest surgical distance, the most complex surgical procedure, and the highest number of records of being the first in the world; at present, the Group has initiated NMPA registration for clinical enrollment for its Toumai® Remote Endoscopic Surgical System. In the future, the Group will continuously enhance its brand influence and clinical service quality, practice the belief of “Making surgery easier, safer, and less invasive”, and promote the deep development of minimally invasive surgery towards intelligence and affordability.

During the Reporting Period, the business accelerated the promotion of the “globalization” strategy, and comprehensively and quickly promoted the improvement of sales for multiple products by leveraging the extensive overseas sales network of the Group. As of March 2024, thanks to its strong synergy with the Medial-Pivot Knee System in the orthopedic business, the SkyWalker® Orthopedic Surgical Robot (“SkyWalker”) achieved a cumulative order delivery of 15 units overseas, and completed over 100 robotic-assisted surgeries. During the Reporting Period, the one-year follow-up results for the clinical study on the first total knee replacement surgery with the assistance of SkyWalker® were published in internationally renowned journals, and through conducting a head-to-head control study with a large number of samples, it was verified that the SkyWalker® performed comparably to the leading international orthopedic surgical robot products, and achieved a world-class level of clinical efficacy. The Toumai® has had an exciting start for its overseas market exploration, and secured its first sales order abroad during the Reporting Period, achieving a “zero breakthrough” in terms of the export of domestic laparoscopic surgical robots. In March 2024, Toumai® successfully assisted in completing the first overseas radical prostatectomy, demonstrating that the Group’s innovative strength and training service system met the requirements of overseas clinical applications. With multiple products achieving overseas milestones successively, increasingly comprehensive surgical robot solutions will help provide high-quality and reliable medical technology services to more doctors and patients worldwide, further strengthening the Group’s brand influence.

MANAGEMENT DISCUSSION AND ANALYSIS

Emerging Business Segments

In addition to the rapid development of established business segments, and being committed to building a business loop covering the entire human life cycle from prevention and diagnosis to treatment and rehabilitation, the Group focused on laying out emerging businesses with high growth potential. During the Reporting Period, the Group also continued to streamline project management by way of carefully managing its overall operation, in order to lay a solid foundation for subsequent performance growth and profitability improvement.

In the interventional imaging field, the Group is dedicated to the research and development, production and supply chain integration of medical imaging equipment related to operating and catheterization rooms. During the Reporting Period, the ArgusClarity[®] Intravascular Optical Coherence Tomography (“OCT”) Imaging System accelerated its hospital penetration progress through its channel synergy with the coronary segment, representing a year-on-year increase of nearly 80% in the cumulative hospital penetration number, driving a significant increase of over 400% in equipment volume and a significant increase in catheter shipments. The Group’s Soul-Man[™] Medical X-ray Angiography System jointly developed with Siemens based on digital subtraction angiography (“DSA”) technology successfully completed the installation of three devices and recognized to achieve revenue during the Reporting Period. Meanwhile, the Group’s self-developed intravascular ultrasound (“IVUS”) imaging system and supporting catheters successfully passed the type testing, and the registration applications for such product were submitted to NMPA and FDA respectively. In the future, the Group will continue to be committed to creating the world’s leading imaging equipment products and platforms, and providing assistance for the establishment of integrated catheterization rooms.

In the field of non-vascular interventions, the Group is committed to providing integrated solutions for the endoscopic diagnosis and treatment. During the Reporting Period, by actively implementing team adjustments and increasing market access efforts, the number of distributors in this segment recorded an exponential growth, and products of the Group newly penetrated into approximately 280 hospitals, with a cumulative penetration of nearly 650 hospitals. The Group has formed a closed loop for its urinary stone consumables product line at present, and during the Reporting Period, benefiting from the increase in surgical volume in existing hospitals and the incremental contribution brought by newly penetrated hospitals, the implantation volume in hospitals also doubled. Meanwhile, the Group achieved a milestone breakthrough in the field of respiratory endoscopy. In January 2024, the electronic thoracic endoscope was officially approved for launch by the NMPA and is expected to address existing clinical pain points such as significant surgical trauma and inconvenient handle operation by adopting the world’s first gun-shaped handle design. In the future, the Group will continue to improve its diversified strategic deployment in the fields such as urology, respiration, digestion and gynecology, better meeting the expectations of doctors and patients for high-quality medical solutions.

Research and Development (“R&D”)

During the Reporting Period, the R&D programs of the Group achieved fruitful results. In China, the Group and its associated companies had a total of 33 products which have obtained the Class III medical devices registration certificates issued by the NMPA or completed significant registration changes thereof, and one product was admitted in the National Innovative Medical Device Special Review and Approval Procedure (the “Green Path”), reaching a total of 30 “Green Path” products, and ranking the first in the medical device industry for nine consecutive years. In the overseas market, during the Reporting Period, a total of 15 products of the Group and its associated companies have obtained approval from the U.S. FDA and 14 products obtained CE Mark in the European Union.

During the Reporting Period, the Group and its associated companies were approved to make registration and changes thereof for, including but not limited to, the multidisciplinary registration of Toumai[®] Laparoscopic Surgical Robot and the registration of Columbus[®] 3D EP Navigation System V4, and completed the initial registration of R-ONE[®] Vascular Interventional Surgical Robot, IceMagic[®] Cryoablation Product Series, SkyWalker[®] Hip and Knee Joint Replacement Surgical Robot, Tigertriever[®] Revascularization Device, WAVE-track[™] Intracranial Aspiration Catheter, AccuSniper[™] Double-layer Balloon Catheter, Interline[™] Guide Catheter, etc.. In the overseas market, the Group and its associated companies newly obtained approvals for major products such as Alizea[™] and Celea[™] implantable Bluetooth pacemakers together with their accessory products, DFVision[®] 3D Electronic Laparoscope, TrueForce[®] Single-use Strain Gauge Magnetic-locating Ablation Catheter and AncherV[™] Anchor Balloon. The Group has actively promoted the market development and access for various newly approved products, and will continue to strengthen the marketing strategy of its product portfolios being admitted to hospitals with multiple products achieving sales breakthroughs during the Reporting Period, and fully leverage the advantages of “group-style” operation to dilute sales costs and accelerate the turnaround to profit from loss.

MANAGEMENT DISCUSSION AND ANALYSIS

In addition, since the beginning of 2024, the Group has also received approval for launch for certain major products, such as ENO™ MRI Compatible Pacemaker and Vega™ Implantable Cardiac Pacing Lead, AnchorMan® Left Atrial Appendage Closure Device, Evolution® Revision CCK Knee System, NeuroGuard® Neurovascular Balloon Guide Catheter, Bilumos® Dual-chamber Microcatheters, TALENTIA™ and ENERGIA™ series of ICDs and CRT-Ds, etc., which are expected to become new growth engines. The Group will continue to efficiently advance the expansion and promotion of launched products in domestic and overseas markets, fully unleash the platform synergies through the high-value global product layout, and drive the continuous improvement of the value of the Company while providing more overall high-quality medical solutions for patients.

HUMAN RESOURCES AND TRAINING

As of 31 December 2023, the Group had a total of 8,230 employees around the world, of which 1,912 or 23.23% were overseas employees in the Asia Pacific region, Europe, the Middle East, Africa, North America, South America and Australia.

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

PROSPECTS

With the deepening of population ageing in the world, the improved living standards of the people and the economic growth of the developing countries, the global market demand for medical devices has steadily increased. As for the PRC market, thanks to the economic and social development, the health awareness among its people has been raised significantly, and the reform of the medical system has also brought policy bonuses. The medical device market in China has huge development opportunities. In order to seize the development opportunities and enhance our core competitiveness in the increasingly fierce market competition, we will continue to implement positive business strategies, including but not limited to the following:

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

MANAGEMENT DISCUSSION AND ANALYSIS

- Deepening the reform of our management system. In order to further enhance the competitiveness and risk prevention capability of the Company, we will constantly improve the system development and enhance the efficiency of internal governance by integrating resources and streamlining processes, thereby maintaining the unique entrepreneurial vitality, flexibility and efficiency of MicroPort® to the greatest extent while rapidly expanding the scale of the Company.

FINANCIAL REVIEW

Overview

Despite facing the impact of complex and changing unfavorable factors in China and abroad, the revenue of the Group for the year ended 31 December 2023 increased by 15.8% excluding the foreign exchange impact or increased by 13.1% in US\$ as compared to the year ended 31 December 2022. The Group persisted in continuously providing a diversified product portfolio and continuously carrying out its globalization strategy, with non-China sales contributing to 48.2% of the total revenue. The Group aimed to continuously bring its innovations, technologies and services to millions of global patients and become a patient-oriented global leading enterprise in high-tech medical segments represented by minimal invasive treatment and other emerging medical markets.

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

Revenue

US\$'000	Year ended 31 December		Percent change	
	2023	2022	in US\$	excluding the foreign exchange impact
Cardiovascular devices business	147,236	134,130	9.8%	16.2%
Orthopedics devices business	237,340	223,555	6.2%	7.3%
CRM business	207,016	204,239	1.4%	(1.0%)
Endovascular and peripheral vascular devices business	167,983	133,179	26.1%	32.2%
Neurovascular devices business	93,885	79,900	17.5%	21.6%
Heart valve business	47,134	36,808	28.1%	32.5%
Surgical robot business	11,015	3,092	256.2%	258.4%
Surgical devices business	7,581	4,511	68.1%	75.9%
Other business (Note)	31,535	21,417	47.2%	70.8%
Total	950,725	840,831	13.1%	15.8%

Note:

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

The Group's revenue for the year ended 31 December 2023 was US\$950.7 million, representing an increase of 13.1% as compared to US\$840.8 million for the year ended 31 December 2022. The Group's reported revenue was impacted by the appreciation or depreciation of US dollars against functional currencies in the process of converting from non-dollar functional currencies of the Group's subsidiaries to US dollars, the presentation currency of the Group. Excluding the foreign exchange impact, the Group's revenue increased by 15.8%. Such increase was mainly attributable to the rapid market penetration and the revenue contribution from new products. The following discussion was made based on the Group's major business segments.

MANAGEMENT DISCUSSION AND ANALYSIS

– Cardiovascular devices business

The cardiovascular devices business recorded revenue of US\$147.2 million for the year ended 31 December 2023, representing an increase of 16.2% excluding the foreign exchange impact or an increase of 9.8% in US\$ as compared to the year ended 31 December 2022. Such increase in revenue was mainly attributable to (i) the accelerated development of overseas markets in key regions of Asia Pacific, EMEA and Latin America, through bid wins, agent model optimization, sales channel expansion and product iteration; (ii) continued China market growth attributable to increases in both the volume and the centralized procurement price of coronary stents.

– Orthopedics devices business

US\$'000	Year ended 31 December		Percent change	
	2023	2022	in US\$	excluding the foreign exchange impact
Orthopedics devices business	237,340	223,555	6.2%	7.3%
– US	90,132	87,282	3.3%	3.3%
– Europe, Middle East and Africa	69,868	63,888	9.4%	7.6%
– Japan	29,551	30,848	(4.2%)	2.6%
– The PRC	27,298	21,129	29.2%	33.8%
– Others	20,491	20,408	0.4%	3.7%

The orthopedics devices segment recorded revenue of US\$237.3 million for the year ended 31 December 2023, representing an increase of 7.3% excluding the foreign exchange impact or an increase of 6.2% in US\$ as compared to the year ended 31 December 2022. Such increase in revenue was mainly attributable to the widespread recognition of the Group's unique knee prosthesis design among clinicians and patients in China and abroad and its promotion and application through combining with the new technologies such as surgical robots and navigation systems.

– CRM business

US\$'000	Year ended 31 December		Percent change	
	2023	2022	in US\$	excluding the foreign exchange impact
CRM business	207,016	204,239	1.4%	(1.0%)
– Europe, Middle East and Africa	175,170	172,191	1.7%	(1.7%)
– The PRC	16,175	13,139	23.1%	25.7%
– Japan	9,756	12,308	(20.7%)	(15.4%)
– Others	5,915	6,601	(10.4%)	(8.6%)

The CRM business recorded revenue of US\$207.0 million for the year ended 31 December 2023, representing a decrease of 1.0% excluding the foreign exchange impact or an increase of 1.4% in US\$ as compared to the year ended 31 December 2022. The new generation of pacemakers and defibrillators featuring Bluetooth connectivity and MRI compatibility was widely recognized by clinicians and patients in China and abroad since launch. However, in the overseas market, the tight supply of upstream components led to temporary product availability issues for pacing and defibrillation leads, which had an adverse impact on the implant volume during the year ended 31 December 2023. In order to comprehensively solve the shortage problem of terminals and channels and strengthen the stability of the supply chain, the Group actively deployed actions during the Reporting Period, and the production of leads has rapidly rebounded since September. The China CRM business sustained its growth momentum, achieving a notable 25.7% year-over-year revenue growth excluding the foreign exchange impact through rapid market penetration.

MANAGEMENT DISCUSSION AND ANALYSIS

– *Endovascular and peripheral vascular devices business*

The endovascular and peripheral vascular devices business recorded revenue of US\$168.0 million for the year ended 31 December 2023, representing an increase of 32.2% excluding the foreign exchange impact or an increase of 26.1% in US\$ as compared to the year ended 31 December 2022. Such increase was mainly attributable to (i) the recovery of surgical demand and the continuous expansion of the business during the Reporting Period, resulting in the steady sales increase of old products and the rapid growth in hospital admission and implantation volume of new products Talos[®] Thoracic Stent Graft System and Fontus[®] Branched Surgical Stent Graft System; (ii) the rapid growth of overseas revenue due to continued efforts on innovative products sales on the international market.

– *Neurovascular devices business*

The neurovascular devices business recorded revenue of US\$93.9 million for the year ended 31 December 2023, representing an increase of 21.6% excluding the foreign exchange impact or an increase of 17.5% in US\$ as compared to the year ended 31 December 2022. Such increase was mainly attributable to (i) the continuous penetration of uncharted hospitals and sinking markets, the further consolidation of competitive advantages, and the significant sales growth of various products with leading market shares (including Tubridge[®] Flow-Diverting Stent, Bridge[®] Rapamycin Target Eluting Vertebral Artery Stent System and NUMEN[®] Coil Embolisation System); (ii) the acceleration of hospital admission and the increase in revenue contribution of products newly approved in 2022 (including Neurohawk[®] Intracranial Thrombectomy Stent and Diveer[®] Intracranial Balloon Dilatation Catheter).

– *Heart valve business*

The heart valve business recorded revenue of US\$47.1 million for the year ended 31 December 2023, representing an increase of 32.5% excluding the foreign exchange impact or an increase of 28.1% in US\$ as compared to the year ended 31 December 2022. Such increase was mainly attributable to (i) the continuous progress of Transcatheter Aortic Valve Implantation (“TAVI”) products in terms of hospital admission in the domestic market, which drove the rapid increase in implantation volume and revenue; (ii) the increase of approximately 90% in the overseas implantation volume as the TAVI products entered nearly 100 hospitals in Argentina, Colombia, Thailand and Russia through overseas market expansion.

– *Surgical robot business*

The surgical robot business recorded revenue of US\$11.0 million for the year ended 31 December 2023, representing an increase of 258.4% excluding the foreign exchange impact or an increase of 256.2% in US\$ as compared to the year ended 31 December 2022. It was mainly attributable to the continuous sales increase resulting from the comprehensive commercialization process of Toumai[®] Four-Arm Laparoscopic Surgical Robot, SkyWalker[®] Joint Replacement Surgical Robot and DFVision[®] 3D Electronic Laparoscope.

– *Surgical devices business*

The surgical devices business recorded revenue of US\$7.6 million for the year ended 31 December 2023, representing an increase of 75.9% excluding the foreign exchange impact or an increase of 68.1% in US\$ as compared to the year ended 31 December 2022.

– *Other business*

The Group's other business recorded revenue of US\$31.5 million for the year ended 31 December 2023, representing an increase of 70.8% excluding the foreign exchange impact or an increase of 47.2% in US\$ as compared to the year ended 31 December 2022. Such increase was mainly attributable to the contribution of the exponential growth in sales revenue from interventional imaging, non-vascular intervention and other emerging business segments of the Group. The revenue of other business did not meet the quantitative thresholds for determining reportable segments.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

For the year ended 31 December 2023, the Group's cost of sales was US\$418.6 million, representing an increase of 23.5% as compared to US\$339.1 million for the year ended 31 December 2022. Such increase was mainly attributable to the increase in sales volume of the major business.

Gross Profit and Gross Profit Margin

As a result of the foregoing factors, the Group's gross profit increased by 6.0% from US\$501.8 million for the year ended 31 December 2022 to US\$532.1 million for the year ended 31 December 2023. Gross profit margin is calculated as gross profit divided by revenue. The Group's gross profit margin for the year ended 31 December 2023 decreased to 56.0% as compared to the gross profit margin of 59.7% for the year ended 31 December 2022, which was mainly attributable to unfavorable sales mix and increased manufacturing cost caused by inflation.

Other Net Income

Other net income increased by 1.0% from US\$36.2 million for the year ended 31 December 2022 to US\$36.5 million for the year ended 31 December 2023. It mainly comprises government grants, interest income, as well as gains or losses on asset disposals, foreign exchange, etc.

Research and Development Costs

Research and development costs decreased by 9.6% from US\$419.8 million for year ended 31 December 2022 to US\$379.4 million for the year ended 31 December 2023. Such decrease resulted from the proactive cost control and resource focus measures taken by the Group to prioritize and focus on core projects and improve R&D efficiency.

Distribution Costs

Distribution costs increased by 2.0% from US\$328.2 million for the year ended 31 December 2022 to US\$334.9 million for the year ended 31 December 2023. Such increase was attributable to the corresponding increase in market development, product promotion activities and sales commissions for each major business in line with the increase of revenue.

Administrative Expenses

Administrative expenses decreased by 18.5% from US\$247.5 million for the year ended 31 December 2022 to US\$201.7 million for the year ended 31 December 2023. Such decrease was mainly attributable to the Group's effective cost controls and the leverage of global resources to further enhance operating efficiencies across the Group.

Other Operating Costs

Other operating costs increased by 242.4% from US\$49.3 million for the year ended 31 December 2022 to US\$168.7 million for the year ended 31 December 2023. Such change was mainly attributable to the increase in provision for impairment of goodwill and equity-accounted investees during the Reporting Period.

Finance costs

Finance costs increased by 22.5% from US\$78.4 million for the year ended 31 December 2022 to US\$96.0 million for the year ended 31 December 2023. Such increase was mainly attributable to an increase in the accrued interest of the convertible bonds issued by the Company, as well as the increase in interest-bearing borrowings during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax

Income tax increased from US\$6.6 million for the year ended 31 December 2022 to US\$22.6 million for the year ended 31 December 2023. Such change was mainly attributable to the increase in profit before tax earned by the PRC subsidiaries of the Group.

Non-HKFRS Measures

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

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

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

	Year ended 31 December	
	2023	2022
	US\$'000	US\$'000
Net loss	(649,157)	(588,115)
Add/(less):		
– Share-based compensation expenses	39,659	72,803
– Gain on disposal of subsidiaries and equity-accounted investees	(18,154)	(46,374)
– Net realised and unrealised loss on financial instruments carried at FVPL	13,001	751
– Impairment losses of non-current assets	155,975	23,499
– Interest expenses on preferred shares issued by subsidiaries	24,123	34,958
Non-HKFRS adjusted net loss for the year	(434,553)	(502,478)

Capital Management

The primary goal of the Group's capital management is to maintain the Group's stability and growth, safeguard its normal operations and maximize shareholders' value. The Group reviews and manages its capital structure on a regular basis, and makes timely adjustments to it in light of changes in economic conditions. To maintain or realign the capital structure, the Group may raise capital by way of bank loans or issuance of equity or convertible bonds.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

As at 31 December 2023, the Group had US\$1,019.6 million of cash and cash equivalents, as compared to US\$1,203.0 million as at 31 December 2022. Such decrease was mainly attributable to: (i) the increase in the Group's pledged deposits and time deposits; (ii) operating expenditure on the research and development, registration, commercialization and other activities actively carried out for businesses such as surgical robots and heart valves by leveraging independent financing channels; and (iii) capitalized expenditure of the Group. The Board's approach to managing liquidity of the Group is to ensure sufficient liquidity at any time to meet its matured liabilities in order to avoid any unacceptable losses or damage to the Group's reputation.

Borrowings and Liabilities to Assets Ratio

Total borrowings of the Group, including interest-bearing borrowings and convertible bonds, as at 31 December 2023 were US\$1,566.5 million, representing an increase of US\$274.9 million as compared to US\$1,291.6 million as at 31 December 2022. During the Reporting Period, the Liabilities to Assets ratio (calculated as total liabilities divided by total assets) of the Group increased from 55.1% as at 31 December 2022 to 64.3% as at 31 December 2023.

Net Current Assets

The Group's net current assets as at 31 December 2023 were US\$739.4 million, as compared to US\$1,277.1 million as at 31 December 2022.

Foreign Exchange Exposure

The Group is exposed to currency risk primarily from sales, purchases, borrowing and lending which give rises to receivables and payables that are denominated in a foreign currency (mainly RMB, Euro and JPY). For the year ended 31 December 2023, the Group recorded a net exchange loss of US\$7.7 million, as compared to a net exchange gain of US\$4.5 million for the year ended 31 December 2022. The Group did not have any significant hedging arrangements to manage foreign exchange risk but has been actively monitoring and overseeing its foreign exchange risk.

Capital Expenditure

Except for the abovementioned items, the Group's total capital expenditure for the year ended 31 December 2023 amounted to approximately US\$199.1 million, which was used for (i) construction of buildings; (ii) acquiring equipment and machinery; and (iii) expenditures for R&D projects in development stage.

Contingent Liabilities

As at 31 December 2023, the Group did not have material contingent liabilities.

Charge on Assets

As at 31 December 2023, the Group had mortgaged its production buildings held for own use and land use right for the purpose of securing bank loans with a carrying value of US\$120.8 million, and pledged the equity interest held by the Group in Suzhou MicroPort Argus Medtech Co., Ltd., Shanghai Huanbo Digital Technology Co., Ltd., MicroPort Vision Power MedTech (Shanghai) Co., Ltd., Fujian Kerui Pharmaceutical Co., Ltd. and Hemovent GmbH for the purpose of securing bank loans for acquisitions or capital contribution with a carrying value of US\$168.1 million.

FUTURE INVESTMENT PLANS AND EXPECTED FUNDING

Looking ahead, the Group will continue to expand its business in both domestic and overseas markets, explore its potential and create more value for the benefit of its shareholders. The Group will continue to grow and strengthen primarily through self-development. Investment in working capital and capital expenditure will be supported by various sources of financing, including but not limited to cashflows generated from operating activities, bank borrowings and equity financing.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTOR

Dr. Zhaohua Chang (常兆華), born in 1963, is the Chairman, Executive Director and Chief Executive Officer of the Company. He has over 33 years' experience in the medical device industry, and currently also serve as a full professor at School of Medical Device, University of Shanghai for Science and Technology. Before establishing Shanghai MicroPort Medical (Group) Co., Ltd. (上海微創醫療器械(集團)有限公司) in 1998, from 1996 to 1997, Dr. Chang served as Vice President of R&D at Endocare Inc., a NASDAQ listed medical device company based in California, U.S.. From 1990 to 1995, he served as Senior Engineer, Chief Scientist, Director of R&D and Vice President of Engineering at Cryomedical Sciences Inc., a public medical device company in Maryland U.S.. Dr. Chang received his bachelor's degree in refrigeration engineering in 1983 and master's degree in cryogenic engineering in 1985, both from University of Shanghai for Science and Technology. On 3 November 2023, Dr. Chang has been appointed as a non-executive director and the chairman of MicroPort NeuroTech Limited (a company listed on The Stock Exchange of HongKong Limited with stock code: 2172 and being a subsidiary of the Company). He is also currently holding directorships in certain subsidiaries of the Group. In 1992, he received his doctoral degree in Biological Science from State University of New York (Binghamton). Dr. Chang has published extensively in biomedical fields and holds several dozens of patents in the United States and in China.

NON-EXECUTIVE DIRECTORS

Mr. Hiroshi Shirafuji (白藤泰司), born in 1944, is the Honorary Chairman of the Company and a consultant of the Group. Mr. Shirafuji had served as a Non-executive Director of the Company from November 2006 to June 2020, and was appointed as a Non-executive Director on 19 June 2023. Mr. Shirafuji was executive director of Otsuka Medical Devices Co., Ltd. ("OMD") from January 2017 to March 2017. From February 2011 to January 2017, he served as the president and representative director of OMD. Prior to joining OMD in February 2011, he was an executive director responsible for pharmaceuticals marketing at Otsuka Pharmaceutical Co., Ltd. ("Otsuka Pharmaceutical") from 1997 to 1998. Mr. Shirafuji joined Otsuka Pharmaceutical in 1967. Mr. Shirafuji received his bachelor's degree in economics from Doshisha University in Kyoto in 1967.

Mr. Norihiro Ashida (蘆田典裕), born in 1954, is a Non-executive Director of the Company. Mr. Ashida has served as a Director since 1 November 2006. He is currently holding directorship in certain subsidiaries of the Group. Mr. Ashida has served as a director of J-Pharma Co., Ltd. since June 2021. From February 2011 to June 2022, Mr. Ashida successively served as a director and advisor of Otsuka Medical Devices Co., Ltd., a subsidiary of Otsuka Holdings Co., Ltd. ("Otsuka Holdings"). Mr. Ashida was an executive operating officer of Otsuka Holdings and the director of its business development and planning department until 2015. Before joining Otsuka Pharmaceutical in April 2003, he was a general manager of Mizuho Corporate Bank Ltd. from 2002 to 2003. From 1999 to 2002, Mr. Ashida was a general manager of the Industrial Bank of Japan ("IBJ"), where he headed the credit department for western Japan. From 1995 to 1999, Mr. Ashida served as vice president responsible for business development at 3iBJ Ltd., a venture capital firm formed by 3i Group plc and IBJ. From 1989 to 1995, Mr. Ashida was a senior vice president of IBJ (Canada). He joined IBJ in 1977 in its Tokyo branch. Mr. Ashida received his bachelor's degree in economics from the University of Tokyo in 1977.

Ms. Weiqin Sun (孫維琴), born in 1980, was appointed as our Non-executive Director on 30 August 2023. Ms. Sun is currently the deputy general manager (in charge of overall management) of Shanghai Zhangjiang Technology Venture Capital Co., Ltd., the dean of Shanghai Zhangjiang Innovation Institute, and the deputy director of the investment service center of Shanghai Zhangjiang (Group) Co., Ltd. Ms. Sun joined Shanghai Zhangjiang Group in July 2002. She has successively served as the assistant to director of the incubator center of Shanghai Zhangjiang (Group) Co., Ltd., the executive deputy general manager (in charge of overall management), general manager of Shanghai Zhangjiang Business Incubator Management Co., Ltd., assistant general manager, deputy general manager of Shanghai Zhangjiang Technology Venture Capital Co., Ltd.. Ms. Sun graduated from Shanghai University with a bachelor's degree in Chinese language and literature in June 2002, and graduated from Fudan University with a master's degree in business administration in January 2010.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Qiyi Luo (羅七一), born in 1962, was appointed as our Non-executive Director on 30 August 2023. Dr. Luo was the Chief Technology Officer and a member of the Greater China Executive Committee and Intercontinental Cardiac Rhythm Management Committee of the Company. Dr. Luo joined the Group in January 2003, and has been mainly responsible for the technology, and research and development of the Group. Dr. Luo was appointed as a non-executive director and the chairman of MicroPort CardioFlow Medtech Corporation (“CardioFlow”, a subsidiary of the Group listed on the Hong Kong Stock Exchange, stock code: 2160) in August 2019 and January 2020 respectively, and resigned from these positions in August 2023. From June 2019 to August 2023, Dr. Luo also served as a director of Shanghai MicroPort EP MedTech Co., Ltd. (an associate of the Group listed on the Science and Technology Board of Shanghai Stock Exchange, stock code: 688351). Dr. Luo has over 32 years of experience in the medical device industry. He worked as the principal research and development engineer and a senior manufacturing/development engineer at Medtronic AVE Inc. from May 1995 to December 2002. From February 1991 to May 1995, he worked as a supervisor and an engineer of the angioplasty research and development team at Vas-Cath Inc., a subsidiary of C.R. Bard, Inc., a medical device manufacturing company listed on the New York Stock Exchange (ticker symbol: BCR). Dr. Luo received his bachelor’s degree in applied science from Yunnan University of Technology (雲南理工大學) in July 1983, his master’s degree in applied science from Queen’s University in Canada in December 1990 and his doctor’s degree in biomedical engineering from University of Shanghai for Science and Technology (上海理工大學) in March 2015. Dr. Luo has been the inventor or the co-inventor of over 300 patents in China, the United States, Japan and the European Union.

Mr. Bo Peng (彭博), born in 1968, was appointed as our Non-executive Director on 10 November 2023. Mr. Peng was the Chief Marketing Officer of the Company and the chairperson of Greater China Executive Committee of the Company. Mr. Peng joined the Group in 2001, and held various positions including market development manager, director of human resources and senior vice president of domestic sales and marketing department in the Group. Mr. Peng has over 25 years of experience in marketing and sales. From December 2021 to November 2023, Mr. Peng served as a non-executive director and chairperson of MicroPort NeuroTech Limited (a company listed on The Stock Exchange of Hong Kong Limited with stock code: 2172 and being a subsidiary of the Company), and a director and chairperson of Shanghai MicroPort Endovascular MedTech (Group) Co., Ltd. (“EV MedTech”, a company listed on the Science and Technology Innovation Board Market of the Shanghai Stock Exchange with stock code: 688016 and being a subsidiary of the Company). Mr. Peng received his bachelor’s degree in Computer Science from Changchun University of Science and Technology in 1990 and his master’s degree in Business Administration from Shanghai University of Finance and Economics in 2003.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jonathan H. Chou (周嘉鴻), born in 1964, was appointed as our Independent Non-executive Director on 3 September 2010. He is a seasoned finance and operations executive with more than 32 years of professional experience from banking to various senior leadership positions with Fortune 500 companies. These companies include Honeywell International, Tyco (ADT), Lucent Technologies/Bell Labs, and Public Service Enterprise Group. His publicly listed company CFO roles include CFO for Feihe International, where his efforts led to a successful listing on the Main Board of the New York Stock Exchange in 2009. He held the CFO plus other C-level roles from 2010 to 2018 for Kulicke & Soffa Industries, Inc. (NASDAQ: KLIC), a leading provider of semiconductor packaging and electronic assembly solutions supporting the global automotive, consumer, communications, computing, and industrial segments. More recently in January 2021, Mr. Chou was appointed as an independent non-executive director of MicroPort CardioFlow Medtech Corporation, a subsidiary of the Company, which gained successful listing on the Hong Kong Stock Exchange on 4 February 2021. Mr. Chou joined the Singapore headquartered UTAC Group in February 2021 as its CFO. The UTAC Group is an independent provider of assembly and test services for a broad range of semiconductor chips offering a full range of semiconductor assembly and test services. Mr. Chou holds an MBA from Duke University’s Fuqua School of Business and a B.A. from the University at Buffalo.

Dr. Guoen Liu (劉國恩), born in 1957, was appointed as our Independent Non-executive Director on 3 September 2010. Dr. Liu is a noted scholar in the fields of health and development economics, health reform and pharmaceutical economics. Dr. Liu currently serves as Peking University BOYA Distinguished Professor of Economics, Dean of Peking University Institute for Global Health and Development, MOE Yangtze River Scholar professor of economics at the Peking University National School of Development. From 2000 to 2006, Dr. Liu was tenured associate professor of University of North Carolina at Chapel Hill. From 1994 to 2000, Dr. Liu was assistant professor of University of Southern California. Dr. Liu also serves as editor or associate editor in various journals in the field of health economics and pharmaceutical economics. Dr. Liu received his bachelor’s degree in mathematics from Southwest Minzu University in 1981, his master’s degree in statistics from Southwestern University of Finance and Economics in 1985, his Ph.D. in economics from the City University of New York Graduate Center in 1991, and postdoctoral training in health economics from Harvard University in 1994.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chunyang Shao (邵春陽), born in 1964, was appointed as our Independent Non-executive Director on 23 September 2016. Mr. Shao is currently a partner of JunHe LLP and a member of the All China Lawyers Association and Shanghai Bar Association. Mr. Shao specializes in practice such as corporate, foreign investment, real estate, mergers and acquisitions, securities, infrastructure and project finance. From July 1988 to October 1993, Mr. Shao worked in Anhui Foreign Economy Law Office. From November 1995 to March 2002, Mr. Shao worked in the London, Hong Kong and China offices of major international law firms, including in Simmons & Simmons as PRC legal counsel and Sidley Austin as a senior PRC legal consultant. Mr. Shao joined JunHe LLP in April 2002. From August 2018 to September 2021, Mr. Shao was an independent director of Changjiang & Jingong Steel Building (Group) Co., Ltd. (長江精工鋼結構(集團)股份有限公司, a company listed on Shanghai Stock Exchange (stock code: 600496)). Mr. Shao is currently an independent director of Zhejiang Aishida Electric Co., Ltd. (浙江愛仕達電器股份有限公司, a company listed on Shenzhen Stock Exchange (stock code: 002403)), Pharma Resources (Shanghai) Co., Ltd. (上海泓博智源醫藥股份有限公司, a company listed on Shenzhen Stock Exchange, (stock code: 301230)), and Brite Semiconductor (Shanghai) Co., Ltd. (燦芯半導體(上海)股份有限公司, a company listed on STAR market of Shanghai Stock Exchange (stock code: 688691)). Mr. Shao received his bachelor degree in law from East China University of Political Science and Law in 1987, and was admitted to practice PRC law in 1988. From 1993 to 1994, Mr. Shao worked as visiting lawyer in Sino-Britain Young Lawyers' Exchange Program in the UK. In 2002, he received his master degree in law from East China University of Political Science and Law.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there was no information relating to the Directors that is required to be disclosed pursuant to 13.51B(1) of the Listing Rules or any other matters concerning any Director that needs to be brought to the attention of the Shareholders as of the date of this annual report.

SENIOR MANAGEMENT

The Company currently consists of three geographically distinctive operational units which are Greater China Executive Committee ("CEC"), InterContinental Orthopedics Committee ("IOC") and InterContinental CRM Committee ("ICC"). The above committees are under management of Dr. Zhaohua Chang (常兆華), Executive Director, the Founder, Chairman and CEO of the Company. Please refer to the section headed "Directors Executive Director" above for the details of his biography.

GREATER CHINA EXECUTIVE COMMITTEE

Mr. Hongbin Sun (孫洪斌), is the Chief Financial Officer of the Company, the Chairperson in rotating of CEC and a member of ICC. Mr. Sun has over 26 years of finance experience. Mr. Sun was the Director and General Manager of Otsuka China from 2006 to 2010. From 2004 to 2006, he served as a Financial Director of Otsuka China. From 1998 to 2003, Mr. Sun was an Assistant Manager at KPMG's Shanghai Office. Mr. Sun is a member of the Chinese Institute of Certified Public Accountants and is also a Chartered Financial Analyst. Mr. Sun received his bachelor's degree in Economics from Shanghai Jiao Tong University in 1998.

Mr. Jiang Lei (蔣磊), Chairman of the board of directors of Shanghai MicroPort Medical (Group) Co., Ltd., the rotating Co-Chairperson and Chief Marketing Officer of CEC. Mr. Jiang has over 26 years of experience in pharmaceutical and medical device industry. From 1998 to 2006, Mr. Jiang worked in Mitsubishi Chemical in Japan and Abbott Medical Vascular Intervention Department. He joined the Coronary Artery Marketing Department of Shanghai MicroPort Medical (Group) Co., Ltd. in 2006. In 2010, Mr. Jiang was appointed as the Group's National coronary product Sales Director. In 2019, Mr. Jiang was appointed as Advanced Vice President of National Coronary Artery Marketing. In 2020, Mr. Jiang was appointed as Senior Vice President of National Marketing. In 2021, Mr. Jiang was appointed as the President of Shanghai MicroPort Medical (Group) Co., Ltd. In December 2022, Mr. Jiang was appointed as the Chairman of the board of directors of Shanghai MicroPort Medical (Group) Co., Ltd.. Mr. Jiang graduated from Nanjing Medical University in 1998 and obtained an EMBA degree from Shanghai Jiaotong University in 2020.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Jie Zhang (張劼) is a member of CEC and the Chief Technology Officer. As an Outstanding Technical Leader in Shanghai, he also provides in-house mentorship for postgraduates at Zhejiang University, East China University of Science and Technology, and University of Shanghai for Science and Technology. Dr. Zhang joined the Company in 2007. As the principal researcher and key inventor of technologies for the Firehawk® Stent, Dr. Zhang effectively overcame complex technological challenges and secured several invention patents both domestically and internationally. Since joining the Company, Dr. Zhang has played a crucial role in the development of new technologies and products. He has spearheaded R&D efforts across multiple businesses within the Company, while incubating emerging products in the areas of Ophthalmology, Otorhinolaryngology, Dentistry and Medical Cosmetology. Dr. Zhang has amassed multiple innovations over the past 16 years, secured the First Prize of the Shanghai Scientific and Technological Progress Awards and the Silver Prize of the China Patent Award, and now has 53 domestic and international authorized patents. Dr. Zhang received his bachelor's degree in Communication Engineering from Zhejiang University of Technology in 2002, his master's degree in Test and Measurement Technology and Instrumentation in 2007, and his Ph.D. in Biomedical Engineering in 2021, both from University of Shanghai for Science and Technology.

Mr. Yimin Xu (徐益民), is the Senior Executive Vice President of Regulatory Affairs & Property Management of MicroPort Sinica Co., Ltd. and a member of CEC. Prior to current position, Mr. Xu has served as the Vice President of Quality and Regulatory of the Company. He has over 24 years of experience in medical device industry. Prior to joining us in 2000, Mr. Xu served as project manager in Shanghai Zhangjiang Hi-Tech Development Co., Ltd. and Shanghai Zhangjiang Hi-Tech Innovation Centre from 1995 to 2000. Mr. Xu also served as quality engineer in Nanjing No.2 Air Compressor Factory from 1988 to 1992. Mr. Xu received his master's degree in Mechanical and Electronic Engineering from Shanghai Jiao Tong University in 1995.

Dr. Chengyun Yue (樂承筠), is the Executive Vice President of Business Development and Project Management of MicroPort Sinica Co., Ltd. and a member of CEC. Prior to current position, Dr. Yue has served as the Senior Vice President of Business Development and Project Management, Vice President of Planning and Project Management, Senior Director of Project Management Office, and Director of R&D Support of the Company. Before joining the Company, Dr. Yue worked in a Biotech company in Southern California for 7 years for developing islets transplantation product. Dr. Yue received both her bachelor's and master's degree from Nanjing University, Ph.D. in Material Science from University of Alabama, and conducted her postdoctoral research in Biomedical Engineering at the California Institute of Technology.

Mr. Yiyun Que (闕亦雲), is the Executive Vice President of Intelligent Manufacturing & Global Supply Chain of MicroPort Sinica Co., Ltd. and a member of CEC. Prior to current position, Mr. Que served as the First Vice President of Coronary Manufacturing and Engineering, Vice President of Manufacturing and Engineering of the Company and has over 18 years' experience in medical device industry. Prior to joining the company in 2006, Mr. Que served as an engineering manager in Shanghai Lenovo Electronic Co., Ltd. Mr. Que received his bachelor's degree in Industrial Engineering from Sichuan University in 2001 and his master's degree in Biomedical Engineering from University of Shanghai for Science and Technology in 2015.

Ms. Qing Hui (惠青), is the First Vice President of Organization Ability of the Company, a member of CEC and ICC. Ms. Hui joined the Company in July 2019 and has been leading the core function of Organizational Ability in the Headquarters since then. She has also extended leadership roles to other functions and subsidiaries of Information Technology and Medical Artificial Intelligence. Prior to joining the Company, she had worked for Boston Scientific for more than 12 years with various Human Resources leadership roles in different countries and regions including China, Asia Pacific, Middle East and Canada. Before that, she worked for banking and insurance industries for more than 10 years. Ms. Hui received her bachelor's degree in English from Shanghai Polytechnic University in 1992, master's degree in Business Administration from Shanghai University of Finance and Economic in 2002 and executive master's degree in Consulting and Coaching for Change from Institut Européen d'Administration des Affaires ("INSEAD") in 2017.

Ms. He Li, is the board secretary and First Vice President of Securities and Legal Affairs of the Company, a member of CEC. Ms. Li joined the Company in May 2016 and has been the Board Secretary since then. Ms. Li is also responsible for managing the legal affairs of the Company. Prior to joining the Company, Ms. Li had worked for well-known global companies. Ms. Li has over 13 years of experience in accounting, financial analysis, risk control and strategic management and over 14 years of experience in corporate governance. Ms. Li received her bachelor's degree in Accounting from Xiamen University in 1996 and her master's degree in Business Administration from the Sauder School of Economics at the University of British Columbia in 2004.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

INTERCONTINENTAL ORTHOPEDICS COMMITTEE

Mr. Jonathan Chen, is the Chief International Business Officer (“CIBO”) of the Company, Chairperson of ICC and Co-Chairperson of IOC. Prior to current positions, he has served as the Executive Vice President of International Operations and Investor Relations of the Company. Mr. Chen’s primary responsibilities include expanding the Company’s International business in markets of the U.S., Europe, Asia Pacific and South America. Mr. Chen has over 27 years of experience in the medical device industry. Prior to joining the Company, Mr. Chen worked for Angiotech Pharmaceuticals, Inc. for 6 years, where he was Senior Vice President of Business Development & Financial Strategy. He led the management team to build a diversified medical products business through several transformational acquisitions and licensing transactions. Prior to joining Angiotech, Mr. Chen was a life sciences investment banker at Credit Suisse and Alex. Brown & Sons where he advised his clients on equity and debt capital raising as well as on Mergers & Acquisitions transactions. Mr. Chen holds a Bachelor of Arts degree in Economics and a Bachelor of Sciences degree with honors in Biological Sciences from Stanford University.

Mr. Todd Smith, is the Senior Vice President of Finance of MicroPort Orthopedics Inc. and a member of IOC. Following the Company’s asset purchase of Wright Medical Technology’s OrthoRecon Business in January 2014, he had served as Vice President of Finance of MicroPort Orthopedics Inc. Prior to his current position, Mr. Smith had been Wright’s Senior Director of Strategic and Financial Planning from 2011 to 2014; from 2001 to 2010, he served as Wright’s Director and Senior Director of International Finance. Prior to joining Wright, Mr. Smith was the Vice President and Finance Controller of Vision America, Inc. and was an audit staff in the Memphis office of KPMG. He holds a Bachelor of Arts degree at Rhodes College and is a member of the American Institute of Certified Public Accountants (AICPA).

Mr. Patrick Yu (俞天白), is an Executive General Manager of MicroPort Orthopedics China, a member of IOC and a Director of Suzhou MicroPort Orthopedics Scientific (Group) Co., Ltd. Mr. Yu joined the Company in 2015, and has served as Vice General Manager of Suzhou MicroPort OrthoRecon Co. Ltd.. From May 2022, Mr. Yu has served as Executive General Manager of MicroPort Orthopedics China. Prior to joining in the Company, he was an engineering manager of Johnson & Johnson Medical (Suzhou) Ltd. and was a management trainee at DePuy Ace Sarl, Johnson & Johnson at Switzerland. Mr. Yu holds a master degree of Mechanical Manufacturing and Automation and a master degree of Business Administration at Zhejiang University.

Mr. Robert Alan Cripe, is the Chief Commercial Officer of MicroPort Orthopedics Inc. and a member of IOC. He joined the Company in November 2021 and is responsible for the sales and marketing of orthopedic business in North America. Mr. Cripe has over 31 years of global management experience in medical devices industry, mainly managing the sales, marketing, product development and clinical affairs of large joints, hip joints and knee joints. Mr. Cripe had served in several well-known enterprises and start-ups, including Chief Commercial Officer in Integrated Endoscopy, Chief Marketing Officer and Consultant in Biogenix, Executive Vice President of North American Commercial Operations and Global Marketing in Freedom Innovations, Vice President of Marketing in Tibion, Senior Vice President of Strategic Marketing in DJO GLOBAL, Vice President of Marketing and Development of PEGASUS BIOLOGICS, Vice President of Marketing and Development of Global Hip Franchise in SMITH & NEPHEW, INC., Vice President of Marketing and Development in KINETIKOS MEDICAL, INC., Vice President of Marketing in INTERPORE CROSS, INTERNATIONAL and regional manager in BIOMET, INC. He holds Bachelor of Science degrees in Business Administration and Communications from Grace College.

Mr. Jean Marc D’hondt, is the Vice President of International Commercial Operations of MicroPort Orthopedics Inc. and a member of IOC. Mr. D’hondt has served as Vice President of International Commercial Operations of MicroPort Orthopedics Inc. since August 2019. Mr. D’hondt has comprehensive experience in orthopedic business, and he has successively served as Vice President of International Marketing and Vice President of International Marketing & Medical Education of MicroPort Orthopedics Inc.. Prior to the Company’s asset purchase of Wright Medical Technology’s OrthoRecon Business in January 2014, Mr. D’hondt had been Vice President of OrthoRecon Marketing in Europe, East Asia and Africa of Wright from 2011 to 2013, regional Vice President of Sales in Northern Europe of Wright from 2010 to 2011 and Managing Director of Wright Medical Belgium from 2007 to 2011. Prior to joining Wright, he was sales manager of Stryker Belgium and sales representative of Innovex. Mr. D’hondt holds a Master’s degree in Health Sciences and Physical Education.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

INTERCONTINENTAL CRM COMMITTEE

Mr. Jonathan Chen, CIBO of the Company, Chairperson of ICC and Co-Chairperson of IOC. Please refer to the above for the details of his biography.

Mr. Benoît Clinchamps, is President of MicroPort CRM and Co-Chairperson of ICC. Mr. Clinchamps has 25 years of experience in the medical device industry and 9 years of experience in the aerospace industry. Previously, Mr. Clinchamps served as Vice-President & General Manager of the CRM business in LivaNova and he served as Vice-President for Product Development & Regulatory Affairs, Vice President for Quality Assurance & Regulatory Affairs, Director of Plant Manager and Quality Assurance & Regulatory Affairs in Sorin group. Prior to joining Sorin group, Mr. Clinchamps spent 6 years at GE Healthcare and was the Director of Operations in Europe where he was 6 Sigma Champion. Before entering into the healthcare and medical product industry, Mr. Clinchamps served as Project Manager in several international projects in the aerospace industry. Mr. Clinchamps holds an Engineering Degree from ICAM Lille France (Institut Catholique des Arts et Métiers). He furthermore completed a Management Course in Aerospace in ENSAE Toulouse France (Ecole Nationale Supérieure de l'Aéronautique et de l'Espace) and in TUM Germany (Technische Universität München). He is a certified 6 Sigma Black Belt and also took an Executive Course at INSEAD Fontainebleau France.

Mr. Hongbin Sun (孫洪斌), CFO of the Company, the Chairperson in rotating of CEC and a member of ICC. Please refer to the above for the details of his biography.

Ms. Qing Hui (惠青), the First Vice President of Organizational Ability of the Company, a member of CEC and ICC. Please refer to the above for the details of her biography.

Mr. Philippe Wanstok, is Senior Vice President of Sales & Marketing & Customer Service & Market Access of MicroPort CRM and a member of ICC. Following the Company's asset purchase of LivaNova PLC's CRM Business in May 2018, he has served as Senior Vice President of Global Sales of MicroPort CRM since August 2018. He has over 32 years of experience in medical device industry. He was acting as Chief Commercial Officer for CVRx. Before that, he served as the International General Manager of Cardiac Rhythm Disease Management – Commercial Operations at Medtronic, leading an international team of near 3,000 colleagues generating more than \$2.4 billion of revenues in active markets of implantable devices. Mr. Wanstok participated in the establishment and development of cardiac rhythm business of Medtronic. He also worked at Guidant, where he served in a variety of management roles during which he established successful country and regional operation personnel, sales organization and distribution channels in France and Spain. After Guidant's merger with Boston Scientific, Mr. Wanstok served as Vice President of International Marketing for Boston Scientific, where he established and launched global marketing strategies. Mr. Wanstok holds a Master's degree in Economics from the University of Paris-Assas and a Ph.D in Finance and International Marketing from the University of Pantheon-Sorbonne.

Mr. Paul Vodden, is Vice President of Finance of MicroPort CRM and a member of ICC, roles he has had since the Company's asset purchase of LivaNova PLC's CRM Business in May 2018. From 2011 to 2018, Mr. Vodden was with the Sorin Group, latterly LivaNova, where as Vice President of Finance he held financial responsibility for its business in the European and Japanese markets as well as globally for CRM. From 2003 to 2011, he held European finance management roles within Boston Scientific. Prior to 2003, he worked in Hewlett Packard, in both the UK and France, with several roles including financial operations manager of the commercial desktop business. Mr. Vodden has worked in PricewaterhouseCoopers in the UK, where he qualified as a Chartered Accountant with ICAEW. Mr. Vodden graduated in Business Economics and Accounting from the University of Southampton.

Mr. Xiaoming Zhu (朱曉明), is the General Manager of MicroPort Soaring CRM (Shanghai) Co., Ltd, ("MSC") and a member of ICC. Prior to current position, he served as Senior Director of Sales & Marketing at MSC since 2014. Mr. Zhu has over 23 years of CRM experience. He was the Marketing Director of Cardiac Rhythm & Heart Failure at Medtronic Great China from 2013 to 2014. From 2011 to 2013, Mr. Zhu served as Senior Marketing Manager of Critical Care at Edwards Lifesciences Great China Region. From 2009 to 2011, Mr. Zhu was National Manager of Operation at St. Jude Medical China, and from 2006 to 2009, he was the business head of Cardiac Rhythm Management Division. Before that, he served as a Manager of Vitatron business division at Medtronic China. Mr. Zhu received his bachelor's degree in Clinical Medicine from Shanghai Jiao Tong University School of Medicine in 1992.

REPORT OF THE DIRECTORS

The board (the “Board”) of directors (the “Directors”) of MicroPort Scientific Corporation (the “Company” and together with its subsidiaries, the “Group”) presents this report to the shareholders of the Company (the “Shareholders”) together with the audited consolidated financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its subsidiaries are set out in Note 13 to the consolidated financial statements. There’s no significant changes in the nature of Group’s activities during the year.

FINANCIAL STATEMENTS

The financial position of the Group as at 31 December 2023 and the financial performance of the Group for the year then ended are set out in the consolidated financial statements on pages 80 to 200 of this annual report.

BUSINESS REVIEW

OVERVIEW

Looking back on 2023, notwithstanding the influence of unfavorable factors in China and abroad, the Group continued to achieve double digit growth in revenue excluding the foreign exchange impact by actively exploring overseas and domestic market. For the year ended 31 December 2023, the Company recorded revenue of US\$950.7 million, representing an increase of 15.8% excluding the foreign exchange impact as compared to 2022. Meanwhile, the Company recorded a loss of US\$649.2 million (loss attributable to equity shareholders: US\$477.6 million). The Group aims to continuously bring its innovations, technologies and services to millions of global patients and become a patient oriented global enterprise who provides trustworthy and universal access to state-of-the-art solutions of prolonging and reshaping lives.

A review of the business of the Group during the year ended 31 December 2023, which includes an analysis of the Group’s performance using financial key performance indicators are set out in the section headed “Management Discussion and Analysis” on pages 9 to 25 of this annual report. The financial risk management objectives and policies of the Group are set out in Note 31 to the consolidated financial statements. An analysis of the Group’s performance indicators is set out in the section headed “Financial Highlights” on page 4 of this annual report. The compliance with relevant laws and regulations which have significant impact on the Group is set out in this Directors’ report. The reviews form part of this statement.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company adheres to the concept of green management and actively responds to the call for low-carbon sustainable development. We attach great importance to the impact of our production and operation on the environment, and we are committed to creating an eco-friendly model for operation and management development through the establishment of a sound environmental management system and the strengthening of environmental awareness.

We have established and improved our environmental management system to regulate the environmental protection of our production sites. Under the coordination, guidance and supervision of the Environment, Health and Safety (EHS) Management Committee, each functional department actively implements its environmental protection responsibilities in accordance with the principle of “whoever’s in charge is responsible”.

REPORT OF THE DIRECTORS

COMPLIANCE WITH LAWS AND REGULATIONS

The Company recognizes the importance of compliance with legal and regulatory requirements, as well as the risk of non-compliance. The Company has allocated system and staff resources to ensure ongoing compliance with applicable laws, rules and regulations including but not limited to, those laws, rules and regulations promulgated by the NMPA, Ministry of Finance, State Administration for Market Regulation, the government of the Hong Kong Special Administrative Region, and such regulators' global counterparts in countries where MicroPort conducts business. We maintain cordial working relationships with regulators through effective communications. Throughout the year ended 31 December 2023, we have strived to conduct business in accordance with all applicable laws, rules and regulations in all material respects and there is no investigation, disciplinary proceeding or inquiry by, or order, decree, decision or judgment of any authority outstanding, or, to the best of the Company's knowledge, threatened or expected to be issued against any member of the Company or its respective assets or any person for whose acts or defaults it may be vicariously liable, and which is of a material nature.

PRINCIPAL RISKS AND UNCERTAINTIES

FINANCIAL RISKS

The Group's principal business activities are exposed to a variety of financial risks including but not limited to credit risk, interest rate risk, liquidity risk, currency risk. Details of the aforesaid key risks and risk mitigation measures are elaborated in Note 31 "Financial Risk Management and Fair Values of Financial Instruments" to the financial statements of this annual report.

MARKET RISKS

The Group is also exposed to market risks brought on by the government. The implementation of bidding policy and other national policies and legislations may bring stress for the retail prices of our products. Ongoing decreases in the retail prices of our products or limitations on the profit margins we earn could materially and adversely affect our business, financial condition and results of operation. In addition, as our sales depend to a large extent on the level of insurance reimbursement patients receive for treatments using our products, and China has a complex medical insurance system that is currently undergoing reform, the governmental insurance coverage or reimbursement level in China for treatments using new medical devices such as vascular and orthopedics devices is subject to significant uncertainty and varies from region to region, the Group is therefore exposed to the uncertainty of market share reduction due to the reasons above.

LEGAL RISKS

From time to time, the Company is subject to various pending or potential legal actions and proceedings, including those that arise in the ordinary course of our business, some of which involve claims for damages that are substantial in amount. These actions and proceedings may relate to, among other things, product liability, intellectual property, distributor, commercial, and other matters. These actions and proceedings could also result in losses, including damages, fines, or penalties, any of which could be substantial, as well as criminal charges. Although such matters are inherently unpredictable, and negative outcomes or verdicts can occur, we believe that we have significant defenses in all of them, and do not believe any of them will have a material adverse effect on our financial position. However, we could incur judgments, pay settlements, or revise our expectations regarding the outcome of any matter. Such developments, if any, could have a material adverse effect on our results of operations in the period in which applicable amounts are accrued, or on our cash flows in the period in which amounts are paid.

REPORT OF THE DIRECTORS

RELATIONSHIPS WITH KEY STAKEHOLDERS

The Group's success also depends on the support from key stakeholders which comprise employees, customers, and shareholders.

EMPLOYEES

The Company builds its success on employees' dedication and commitment. MicroPort is committed to providing as much opportunities as possible for employees' skills enhancement and career development. The Company aims at cultivating talents in a long run, encouraging employees to realise their full potential and to keep pace with the growth of the Company.

The Group is committed to building a flexible and resilient organization capability system. During the Reporting Period, by optimizing the work process and establishing a collaborative mechanism, some projects and positions were streamlined, and the overall efficiency of the organization was improved. As at 31 December 2023, the Group had 8,230 employees (31 December 2022: 9,435 employees).

CUSTOMERS

The Group's principal customers are distributors, hospitals, physicians and surgeons, and patients throughout the world. We have been devoted to providing excellent customer service with the purpose of maintaining long term cooperation, enhancing product quality, increasing sales volume and improving profitability.

The Group is committed to building a brand where "The Patient Always Comes First", with patients as its center. We consistently work towards the mission of "To Provide Trustworthy and Universal Access to State-of-the-Art Solutions of Prolonging and Reshaping Lives" for the society through stringent quality control, continuous product innovation, dedicated customer service, responsible supply chain development and active participation in industry academic exchanges and training.

SHAREHOLDERS

The Company considers that effective communication with shareholders is essential for enhancing investor relations ("IR") and investor understanding of the Company's business performance and strategies. Apart from transparent and timely disclosure of corporate information in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Company has kept effective communication with shareholders through the Company's website, Wechat platform, shareholder's hotline, and IR mailbox. Senior managements are also pleased to receive shareholders' on-site visit and have one-on-one meetings with them to share the information which they are concerned and enable them to make rational investment decisions.

FUTURE BUSINESS DEVELOPMENTS

In 2023, facing the increasingly fierce competition and price pressure of global medical devices industry, we continuously performed proactive strategies to maintain sustained development and enhance competitiveness through integrating resources, optimizing management structure, reducing costs, deepening globalization, intensifying innovation, expanding market, building total solution capability, establishing intelligent information technology systems, and so on.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2023, purchases from the Group's largest supplier and the five largest suppliers in aggregate accounted for 7.56% and 20.08% respectively of the Group's cost of sales for the year. Sales to the Group's largest customer and the five largest customers in aggregate accounted for 9.4% and 30.26% respectively of the Group's total revenue for the year.

None of the Directors or any of their associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any material beneficial interest in the Group's five largest customers and suppliers.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2023 are set out in Note 29(c) to the consolidated financial statements of this annual report.

DISTRIBUTABILITY OF RESERVES

At 31 December 2023, the aggregate amount of reserves available for distribution to equity shareholders of the Company, was US\$600,073,000 (2022: US\$612,801,000).

GROUP FINANCIAL SUMMARY

A summary of the Group's results and assets and liabilities for the past five financial years is set out in the section Five Year's Financial Summary of this annual report.

DIRECTORS

Directors during the year ended 31 December 2023 and up to the date of this report were:

EXECUTIVE DIRECTOR

Dr. Zhaohua Chang (*Chairman*)

NON-EXECUTIVE DIRECTORS

Mr. Hiroshi Shirafuji (*appointed on 19 June 2023*)

Mr. Norihiro Ashida

Ms. Weiqin Sun (*appointed on 30 August 2023*)

Dr. Qiyi Luo (*appointed on 30 August 2023*)

Mr. Bo Peng (*appointed on 10 November 2023*)

Dr. Yasuhisa Kurogi (*retired on 19 June 2023*)

Mr. Hongliang Yu (*resigned on 30 August 2023*)

REPORT OF THE DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 26 to 31 of this annual report.

DIRECTORS' SERVICE CONTRACT

None of the Directors has a service contract which is not determinable by the Company within one year without the payment of compensation (other than statutory compensation).

COMPETING BUSINESS INTERESTS OF DIRECTORS

During the year ended 31 December 2023, none of the Directors were interested in any business apart from the Company's business, which competed or was likely to compete, either directly or indirectly, with the businesses of the Company and its subsidiaries pursuant to Rule 8.10 of the Listing Rules.

EMOLUMENT POLICY

The remuneration committee is responsible for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

The Company has adopted share schemes as incentives for Directors and eligible employees. Details of the schemes are set out in the section headed "Share Schemes" below.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and the five individuals with highest emoluments are set out in Notes 7 and 8 to the consolidated financial statements.

For the year ended 31 December 2023, no emoluments were paid by the Group to any Director as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments for the year ended 31 December 2023.

Pursuant to the Code Provision E.1.5 of Part 2 of the Corporate Governance Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Board of Directors and Senior Management" in this annual report for the year ended 31 December 2023 by band is set out below:

Remuneration Band (US\$'000)	Number of individuals
750 to 1,000	3
500 to 750	8
250 to 500	5

REPORT OF THE DIRECTORS

PENSION SCHEME

According to relevant laws and regulations, as well as local policies, the Group's subsidiaries worldwide participate in retirement savings plans. Under these plans, the Group is required to pay the defined contribution to the plans by certain rules and up to certain maximums. The only obligation of the Group with respect to the retirement savings plans is to make required contributions under the plans. Contributions made under the retirement savings plans are charged in the statement of profit or loss as incurred.

The Company may not utilize any forfeited contributions in order to make fewer contributions than the current amounts.

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

As at 31 December 2023, 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 and chief executive 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 C3 to 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	Notes	Capacity	Nature of interest	Approximate percentage of interest in the Company
Zhaohua Chang	49,047,671	1	Beneficial owner	Long position	2.67%
Qiyi Luo	9,802,432	2	Beneficial owner/ Interest of controlled corporation	Long position	0.53%
Bo Peng	6,068,630	1	Interest of controlled corporation	Long position	0.33%
Jonathan H. Chou	167,590	3	Beneficial owner	Long position	0.00%
Guoen Liu	161,290	1	Beneficial owner	Long position	0.00%
Chunyang Shao	161,290	1	Beneficial owner	Long position	0.00%

Notes:

- (1) Dr. Zhaohua Chang, Mr. Bo Peng, Dr. Guoen Liu and Mr. Chunyang Shao are interested in the underlying Shares of the Company by virtue of the options granted to them under the share scheme(s) of the Company. For further details, please refer to the section headed "Share Schemes" below.
- (2) Dr. Qiyi Luo is interested in (i) 3,393,729 underlying Shares of the Company by virtue of the options granted to him under the share scheme(s) of the Company and (ii) 6,408,703 Shares of the Company. For further details, please refer to the section headed "Share Schemes" below.
- (3) Mr. Jonathan H. Chou is interested in (i) 161,290 underlying Shares of the Company by virtue of the options granted to him under the share scheme(s) of the Company and (ii) 6,300 Shares of the Company. For further details, please refer to the section headed "Share Schemes" below.

REPORT OF THE DIRECTORS

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

Name of Directors/ Chief Executive	Name of associated corporation	No. of shares	Notes	Capacity	Nature of interest	Approximate percentage of interest in the associated corporation
Zhaohua Chang	MicroPort CardioFlow Medtech Corporation	6,000,000	1	Beneficial owner	Long position	0.24%
Qiyi Luo	MicroPort CardioFlow Medtech Corporation	6,413,144	1	Beneficial owner	Long position	0.26%
	MicroPort Cardiac Rhythm Management Limited	177,932	2	Beneficial owner	Long position	0.10%
Bo Peng	MicroPort Cardiac Rhythm Management Limited	165,957	2	Beneficial owner	Long position	0.10%
Jonathan H Chou	MicroPort CardioFlow Medtech Corporation	449,683	1	Beneficial owner	Long position	0.01%

Notes:

- (1) Dr. Zhaohua Chang, Dr. Qiyi Luo and Mr. Jonathan H Chou are interested in the underlying shares of the associated corporation by virtue of the options granted to them under the share option scheme of MicroPort CardioFlow Medtech Corporation.
- (2) Dr. Qiyi Luo and Mr. Bo Peng are interested in the shares/underlying shares of MicroPort Cardiac Rhythm Management Limited.

Save as disclosed above, as at 31 December 2023, none of the Directors or chief executive 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 31 December 2023, 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:

REPORT OF THE DIRECTORS

INTERESTS AND SHORT POSITION IN THE SHARES

Name of Substantial Shareholder	No. of Shares	Notes	Capacity	Nature of interest	Percentage of total number of Shares in issue (%)
Otsuka Holdings Co., Ltd.	382,994,120	1	Interest of controlled corporation	Long Position	20.87
Otsuka Medical Devices Co., Ltd.	382,994,120	1	Beneficial owner	Long Position	20.87
Maxwell Maxcare Science Foundation Limited	344,046,363	2	Interest of controlled corporation/Beneficial owner	Long Position	18.75
	90,000,000		Interest of controlled corporation	Short Position	4.90
We'Tron Capital Limited	343,024,244	2	Beneficial owner	Long Position	18.69
	90,000,000		Beneficial owner	Short Position	4.90
JPMorgan Chase & Co.	231,499,532	3	-	Long Position	12.61
	127,514,551		-	Short Position	6.95
	7,233,750		-	Lending Pool	0.39
Shanghai Zhangjiang (Group) Co., Ltd.	171,748,050	4	Interest of controlled corporation	Long Position	9.36
Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd.	171,748,050	4	Interest of controlled corporation	Long Position	9.36
Shanghai Zhangjiang Science and Technology Investment Co.	171,748,050	4	Interest of controlled corporation	Long Position	9.36
Shanghai Zhangjiang Haocheng Venture Capital Co., Ltd.	171,748,050	4	Interest of controlled corporation	Long Position	9.36
Shanghai Zhangjiang Science and Technology Investment (Hong Kong) Company Limited	171,748,050	4	Interest of controlled corporation	Long Position	9.36
Shanghai (Z.J.) Holdings Limited	171,748,050	4	Interest of controlled corporation	Long Position	9.36
Shanghai ZJ Hi-Tech Investment Corporation	171,748,050	4	Interest of controlled corporation/Beneficial owner	Long Position	9.36
Shanghai Zhangjiang Health Solution Holdings Limited	164,705,470	4	Beneficial owner	Long Position	8.97
Hillhouse Capital Advisors, Ltd.	153,694,000		Investment manager	Long Position	8.37
Gaoling Fund, L.P.	147,009,000		Beneficial owner	Long Position	8.01

REPORT OF THE DIRECTORS

Notes:

- (1) Otsuka Holdings Co., Ltd. holds the entire issued share capital of Otsuka Medical Devices Co., Ltd., and therefore, is deemed to be interested in the same number of Shares held by Otsuka Medical Devices Co., Ltd..
- (2) Maxwell Maxcare Science Foundation Limited ("Maxwell") holds 100% interest of WeTron Capital Limited, and therefore, is deemed to be interested in the same number of Shares and share interests held by WeTron Capital Limited. Maxwell is also the beneficial owner of 1,022,119 Shares.
- (3) Capacity in which interests disclosed herein are held through:

Capacity	Nature of interest	Number of Shares	Approximate percentage of total number of Shares in issue (%)
Interest of controlled corporation	Long position	130,829,874	7.13
	Short position	127,514,551	6.95
Investment manager	Long position	2,125,200	0.11
Person having a security interest in shares	Long position	91,310,708	4.97
Approved lending agent	Long position	7,233,750	0.39

Please refer to Form 2 – Corporate Substantial Shareholder Notice for the relevant event on 27 December 2023 for further details of the shareholding structure.

- (4) Shanghai Zhangjiang (Group) Co., Ltd. is wholly-owned by the State-owned Assets Supervision and Administration Commission of the Shanghai Pudong New Area People's Government. Shanghai Zhangjiang (Group) Co., Ltd. holds 100% interest in Shanghai Zhangjiang Science and Technology Investment Co., which in turn holds 100% interest in Shanghai Zhangjiang Science and Technology Investment (Hong Kong) Company Limited, which in turn holds 50% interest in Shanghai ZJ Hi-Tech Investment Corporation. Shanghai Zhangjiang (Group) Co., Ltd. also holds 50.75% interest in Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd., which in turn holds 100% interest in Shanghai Zhangjiang Haocheng Venture Capital Co., Ltd., which in turn holds 100% interest in Shanghai (Z.J.) Holdings Limited, which in turn holds 50% interest in Shanghai ZJ Hi-Tech Investment Corporation. Shanghai ZJ Hi-Tech Investment Corporation holds 100% interest in Shanghai Zhangjiang Health Solution Holdings Limited. The interest in 171,748,050 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	164,705,470	8.97
Shanghai ZJ Hi-Tech Investment Corporation	7,042,580	0.38
Total	171,748,050	9.36

Save as disclosed above, as at 31 December 2023, the Directors of the Company were not aware of any persons (who were not Directors or chief executives of the Company) who had an interest or short position in the Company's Shares or underlying Shares which would need to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACT

During the year ended 31 December 2023, no contract concerning the management and administration of all or any substantial part of the business of the Company was entered into or existed.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any its subsidiaries was a party during the year ended 31 December 2023.

Save as disclosed in Note 33 to the consolidated financial statements, no contract of significance was entered into between any member of the Group and a controlling shareholder of the Company or any of its subsidiaries corporations or contract of significance for the provision of services to any member of the Group by a controlling shareholder or any of its subsidiaries subsisted as at the end of the year of 2023 or during the year ended 31 December 2023.

PERMITTED INDEMNITY PROVISION

The Company's Articles of Association provides that every Director, Auditor or other senior management of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director, Auditor or other senior management of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his/her favour, or in which he/she is acquitted. Subject to the Companies Law of the Cayman Islands, if any Director or other person shall become personally liable for the payment of any sum primarily due from the Company, the Board may execute or cause to be executed any mortgage, charge, or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Director or person so becoming liable as aforesaid from any loss in respect of such liability.

The Company has maintained directors' liability insurance after Listing which provides appropriate cover for the Directors of the Company.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Apart from the details as disclosed under the heading "Interests and short positions of the Directors and Chief Executive in Shares, underlying Shares and debentures of the Company and its associated corporations" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; nor was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

(I) DISTRIBUTION AGREEMENTS

On 15 December 2020, the Company and Otsuka Holdings entered into a distribution framework agreement (the "2021 Distribution Framework Agreement") for a term commencing from 1 January 2021 and ended on 31 December 2023 (both days inclusive), whereby the Company agreed to appoint Otsuka Holdings' subsidiaries and associates as distributors for the products of the Group in certain countries or regions where the business of Otsuka Holdings and its subsidiaries and associates cover.

The transactions under the 2021 Distribution Framework Agreement were conducted via specific distribution agreements between respective members of the Group and Otsuka Holdings' subsidiaries and associates, and were made at prices with reference to the prevailing market prices (including but not limited to the comparable tender prices approved by local governments or hospitals) of similar products within the respective markets.

As Otsuka Holdings is a substantial shareholder of the Company, it is a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions conducted under the 2021 Distribution Framework Agreement constituted continuing connected transactions under Chapter 14A of the Listing Rules.

The annual caps for the transactions under the 2021 Distribution Framework Agreement in 2021, 2022 and 2023 were US\$8.9 million, US\$9.0 million and US\$9.8 million respectively. For the year ended 31 December 2023, the transaction amount under the agreement was approximately US\$2.56 million.

As the 2021 Distribution Framework Agreement expired on 31 December 2023, the Company and Thai Otsuka Pharmaceutical Co., Ltd ("Thai Otsuka") entered into a new distribution framework agreement (the "2024 Distribution Framework Agreement") on 15 December 2023 for a term commencing from 1 January 2024 and ending on 31 December 2026 (both days inclusive) to enable the Company to continue to engage Thai Otsuka for the distribution services in Thailand. Please refer to the announcement of the Company dated 15 December 2023 for more details.

REPORT OF THE DIRECTORS

(II) MATERIALS PROCUREMENT AGREEMENT

On 24 July 2020, the Company entered into a procurement framework agreement with MicroPort NeuroTech (Shanghai) Company Limited (“NeuroTech”) for a term commencing from the completion date of the capital increase and ending on 31 December 2022, whereby the members of the Group would supply raw materials (including but not limited to medical device and equipment) to, and would provide procurement services for, the members of NeuroTech group. The procurement framework agreement was replaced by a materials procurement agreement (the “2022 Materials Procurement Agreement”) entered into between the Company and MicroPort NeuroTech Limited (“MicroPort NeuroTech”) upon the latter’s spin-off and separate listing on 15 July 2022. The 2022 Materials Procurement Agreement took effect from 15 July 2022 until 31 December 2023, whereby MicroPort NeuroTech group would procure from or procure through the Group and its joint ventures and associates semi-finished products of stents, delivery systems and Rapamycin for use in its R&D and production of its products.

As MicroPort NeuroTech is a connected subsidiary of the Company under Chapter 14A of the Listing Rules, the transactions conducted under the 2022 Materials Procurement Agreement constituted continuing connected transactions for the Company.

The annual caps for the transactions under the 2022 Materials Procurement Agreement (as supplemented) for the two years ended 31 December 2022 and 2023 were RMB11.3 million and RMB18.5 million respectively. For the year ended 31 December 2023, the actual aggregate transaction amount under the 2022 Materials Procurement Agreement (as supplemented) was approximately RMB17.43 million.

As the 2022 Materials Procurement Agreement (as supplemented) expired on 31 December 2023, and the Group was expected to carrying on the transactions contemplated thereunder upon its expiry, on 1 December 2023, the Company entered into a new materials procurement agreement with MicroPort NeuroTech (the “2024 Materials Procurement Agreement”) for a term commencing from 1 January 2024 and ending on 31 December 2026 (both days inclusive). Please refer to the announcement of the Company dated 1 December 2023 for more details.

(III) SUPPORTING SERVICES AGREEMENT

On 29 June 2022, the Company entered into the Supporting Services Agreement with MicroPort NeuroTech (the “2022 Supporting Services Agreement”) which took effect from the listing date (i.e. 15 July 2023) of MicroPort NeuroTech until 31 December 2023, whereby the Group and its joint ventures and associates will provide to the MicroPort NeuroTech group certain supporting services, including but not limited to animal testing services, product testing services, simulation technical services, sterilization services and administrative support services. The annual caps for the transactions under the 2022 Supporting Services Agreement (as supplemented) for the two years ended 31 December 2022 and 2023 were RMB7.6 million and RMB7.0 million, respectively. For the year ended 31 December 2023, the actual aggregate transaction amount under the Supporting Services Agreement (as supplemented) was approximately RMB6.72 million.

As the 2022 Supporting Services Agreement (as supplemented) expired on 31 December 2023, and the Group was expected to carrying on the transactions contemplated thereunder upon its expiry, on 1 December 2023, the Company entered into a new supporting services agreement with MicroPort NeuroTech (“2024 Supporting Services Agreement”) for a term commencing from 1 January 2024 and ending on 31 December 2026 (both days inclusive). Please refer to the announcement of the Company dated 1 December 2023 for more details.

REPORT OF THE DIRECTORS

The independent non-executive Directors have reviewed the continuing connected transactions of the Company and confirmed that the transactions have been entered into:

- in the ordinary and usual course of business of the Group;
- on normal commercial terms; and
- according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditor has provided a letter containing their findings and conclusions in respect of the continuing connected transactions of the Group in accordance with Rule 14A.56 of the Listing Rules.

The Company's auditor has confirmed that regarding the continuing connected transactions of the Group, nothing has come to their attention that causes them to believe that:

- the disclosed continuing connected transactions have not been approved by the Board;
- for transactions involving the provision of goods or services by the Group, such transactions were not, in all material respects, in accordance with the pricing policies of the Group;
- the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- the transaction amounts of the disclosed continuing connected transactions as mentioned above have exceeded the annual cap set by the Company.

Save as the aforesaid, there were no discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules during the year ended 31 December 2023.

Save as aforesaid, none of the "Material Related Party Transactions" as disclosed in Note 33 to the consolidated financial statements for the year ended 31 December 2023 constituted discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules.

To the extent of the above "Material Related Party Transactions" constituted connected transactions or continuing connected transactions as defined in the Listing Rules, the Company had complied with the relevant requirements under Chapter 14A of the Listing Rules during the year ended 31 December 2023.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

REPORT OF THE DIRECTORS

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

As disclosed on 14 December 2023, 上海微創心脈醫療科技(集團)股份有限公司 (“Shanghai MicroPort Endovascular MedTech (Group) Co., Ltd.”, “EV MedTech”) has entered into subscription agreements with 17 qualified subscribers, pursuant to which, EV MedTech has agreed to allot and issue and the subscribers have agreed to subscribe for an aggregate of 10,748,106 new A shares of EV MedTech. Save for the above, there was no other material acquisition and disposal of subsidiaries and associated companies by the Company during the year ended 31 December 2023.

CONVERTIBLE BONDS

2026 CONVERTIBLE BONDS

In June 2021, the Company issued zero coupon convertible bonds due 2026 with a principal amount of US\$700 million (the “2026 Convertible Bonds”), which were listed on the Stock Exchange (Stock Code: 40720). The 2026 Convertible Bonds may be convertible into shares of the Company (“Shares”) at the initial conversion price of HK\$92.8163 per Share. The net proceeds from the issue of the 2026 Convertible Bonds in the amount of approximately US\$689.5 million were intended to be applied for research and development investment, certain capital expenditure and for working capital purposes. As at 31 December 2023, such proceeds were fully utilized for the intended purpose, and the breakdown and description of the use of the proceeds were as follows:

	US\$ million
Certain capital expenditure	349.5
Research and development and working capital	340.0
Total	689.5

In June and December 2023, the 2026 Convertible Bonds with an aggregated principal amount of US\$252,000,000 were repurchased by the Company, of which, US\$31,869,000 were paid by cash and US\$214,830,000 were offset by proceeds from convertible bond newly issued (please refer to section headed “2028 Convertible Bonds” for details). As at 31 December 2023, the principal amount of the remaining outstanding 2026 Convertible Bonds is approximately US\$448 million.

2028 CONVERTIBLE BONDS

On 5 December 2023, the Company and J.P. Morgan Securities plc, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Limited and Merrill Lynch (Asia Pacific) Limited (the “Managers”) entered into a subscription agreement (the “Subscription Agreement”) pursuant to which the Company agreed to issue 5.75 per cent. convertible bonds due 2028 (the “2028 Convertible Bonds”) with an aggregate principal amount of US\$220 million. The Bonds may be convertible into Shares at the initial conversion price of HK\$12.7790 per Share. Assuming full conversion of the 2028 Convertible Bonds, the 2028 Convertible Bonds will be convertible into 134,537,601 Shares (“Conversion Shares”), representing approximately 7.3% of the issued share capital of the Company as at the date of Subscription Agreement and approximately 6.8% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares. The Conversion Shares have a nominal value of approximately US\$1,345.38 and a market value of approximately HK\$1,555.25 million based on the closing price of the Shares of HK\$11.56 on 5 December 2023. The net issue price of the Conversion Shares is approximately HK\$12.58 per Share. The net proceeds from the issue of the 2028 Convertible Bonds in the amount of approximately US\$216.6 million were mostly intended to be applied for refinancing the Company’s medium and long term offshore debts. The issue of the 2028 Convertible Bonds has been completed and the 2028 Convertible Bonds are listed on the Stock Exchange (Stock Code: 40168). As at 31 December 2023, such proceeds were fully utilized for the intended purpose.

REPORT OF THE DIRECTORS

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry by the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2023.

SHARE SCHEMES

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

The Directors 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-month 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).

REPORT OF THE DIRECTORS

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.

As at 31 December 2023, the total outstanding options that has been granted under the 2010 Share Option Scheme was 87,128,441, representing approximately 4.74% of the total issued share capital of the Company.

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

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

The 2020 Share Option Scheme does not specify a minimum period for which an option must be held nor a performance target which must be achieved before an option can be exercised. However, the rules of the 2020 Share Option Scheme provide that the Board may determine, at its sole discretion, such terms and conditions on the grant of 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 2020 Share Option Scheme is 173,635,594 Shares, being 10% of the issued share capital of the Company as at the date of the adoption of the 2020 Share Option Scheme.

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

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 2020 Share Option Scheme and all outstanding share options granted and yet to be exercised under the other share option schemes of the Company has not exceeded 30% of the Shares in issue.

REPORT OF THE DIRECTORS

As at the beginning of the Reporting Period, the number of options available for grant under the 2020 Share Option Scheme was 110,826,221. On 31 March 2023, 12 September 2023 and 10 October 2023, the Company granted 18,027,634 options at the exercise price of HK\$20.01 per Share, 1,315,322 options at the exercise price of HK\$12.88 per Share and 17,840,780 options at the exercise price of HK\$11.54 per Share respectively under the 2020 Share Option Scheme. Due to the termination of the 2020 Share Scheme on 25 May 2023, details of which please refer to the section headed "Adoption of New Share Scheme", no further options should be granted under the 2020 Share Option Scheme. As at the end of the Reporting Period, the number of options available for grant under the 2020 Share Option Scheme was nil.

As at 31 December 2023, the total outstanding options that has been granted under the 2020 Share Option Scheme was 73,281,577, representing approximately 3.99% of the total issued share capital of the Company.

Adoption of New Share Scheme

Pursuant to the amendments to Chapter 17 of the Listing Rules in relation to share schemes of listed issuers that came into effect on 1 January 2023, the Board resolved to adopt a new share scheme (the "2023 Share Scheme") in compliance with the new Chapter 17 of the Listing Rules. Please refer to the announcement of the Company dated 3 April 2023, and the details of the 2023 Share Scheme are also set out in the circular of the Company dated 25 May 2023.

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

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

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

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

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

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

REPORT OF THE DIRECTORS

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

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

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

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

The 2023 Share Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further options shall be granted. Subject to the early termination, the remaining life of the Share Scheme is approximately 9 years and 2 months as of the date of this annual report.

As at the beginning of the Reporting Period, no options or awards are available for grant under the 2023 Share Scheme as the adoption date of the 2023 Share Scheme is 25 May 2023. On 12 September 2023 and 10 October 2023, the Company granted 1,315,322 options at the exercise price of HK\$12.88 per share and 17,840,780 options at the exercise price of HK\$11.54 per share respectively under the 2023 Share Scheme. As at 31 December 2023, the total outstanding options that has been granted under the 2023 Share Scheme was 19,156,102, representing approximately 1.04% of the total issued share capital of the Company. As at the end of the Reporting Period, the number of the options and awards available for grant under the Scheme Mandate Limit and Service Provider Participant Sublimit was 164,190,403 and 35,553,979, respectively.

REPORT OF THE DIRECTORS

During the Reporting Period, an aggregate of 37,183,736 share options of the Company were granted. As at the end of the Reporting Period, the ratio of the number of Shares that may be issued in respect of options granted under all schemes to the weighted average number of Shares for the year is approximately 6.9%. The particulars of the share options of the Company granted during the Reporting Period is as follows:

Category of participants	As at 31 December 2022	Granted during the Period	Exercised during the Period	Expired during the Period	Cancelled during the Period	As at 31 December 2023	Date of Grant of Share Options	Vesting Period	Exercise Period	Exercise Price	Share Price of the Company as at the date of grant of share options	Share Price of the Company immediately before the exercise date of share options (Note 1)
Directors												HKD13.96
Zhaohua Chang	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	
	615,360	-	-	-	-	615,360	21 Jan 2022	21 Feb 2022 – 21 Jan 2023	21 Feb 2022 – 20 Jan 2032	HKD28.05	HKD28.05	
	47,754	-	-	-	-	47,754	1 Apr 2022	1 Apr 2027	1 Apr 2027 – 31 Mar 2032	HKD18.12	HKD17.70	
	615,360	-	-	-	-	615,360	1 Apr 2022	1 May 2022 – 1 Apr 2023	1 May 2022 – 31 Mar 2032	HKD18.12	HKD17.70	
	-	17,840,780 (Note 2)	-	-	-	17,840,780	10 Oct 2023	10 Oct 2025 – 10 Oct 2027	10 Oct 2025 – 9 Oct 2033	HKD11.54	HKD11.54	
Qiyi Luo	197,104 (Note 3)	-	-	-	-	197,104	29 Mar 2018	29 Mar 2023	29 Mar 2023 – 28 Mar 2028	HKD8.51	HKD8.510	
	1,587,533 (Note 3)	-	-	-	-	1,587,533	24 Dec 2018	24 Dec 2020 – 30 Dec 2022	24 Dec 2020 – 23 Dec 2028	HKD7.692	HKD7.15	
	150,000 (Note 3)	-	-	-	-	150,000	23 Jan 2019	23 Feb 2019 – 23 Jan 2020	23 Feb 2019 – 22 Jan 2029	HKD7.73	HKD7.730	
	198,287 (Note 3)	-	-	-	-	198,287	1 Apr 2019	1 Apr 2024	1 Apr 2024 – 31 Mar 2029	HKD7.448	HKD7.270	
	66,709 (Note 3)	-	-	-	-	66,709	31 Mar 2020	31 Mar 2025	31 Mar 2025 – 30 Mar 2030	HKD17.54	HKD17.54	
	30,227 (Note 3)	-	-	-	-	30,227	31 Mar 2021	31 Mar 2026	31 Mar 2026 – 30 Mar 2031	HKD43.75	HKD43.75	
	10,075 (Note 3)	-	-	-	-	10,075	21 Jan 2022	21 Feb 2022 – 21 Jan 2023	21 Feb 2022 – 20 Jan 2032	HKD28.05	HKD28.05	
	56,770 (Note 3)	-	-	-	-	56,770	1 Apr 2022	1 Apr 2027	1 Apr 2027 – 31 Mar 2032	HKD18.12	HKD17.7	
	10,075 (Note 3)	-	-	-	-	10,075	1 Apr 2022	1 May 2022 – 1 Apr 2023	1 May 2022 – 31 Mar 2032	HKD18.12	HKD17.7	
	10,077 (Note 3)	-	-	-	-	10,077	16 May 2022	16 Jun 2022 – 16 May 2023	16 Jun 2022 – 15 May 2032	HKD14.26	HKD14.26	
	1,000,000 (Note 3)	-	-	-	-	1,000,000	31 Mar 2023	31 Mar 2024 – 31 Mar 2028	31 Mar 2024 – 30 Mar 2033	HKD20.01	HKD18.46	
	76,872 (Note 3)	-	-	-	-	76,872	31 Mar 2023	31 Mar 2028	31 Mar 2028 – 30 Mar 2033	HKD20.01	HKD18.46	
Bo Peng	301,042 (Note 3)	-	-	-	-	301,042	30 Mar 2016	30 Mar 2016 – 30 Mar 2021	30 Mar 2016 – 29 Mar 2026	HKD3.482	HKD3.36	
	3,600,000 (Note 3)	-	-	-	-	3,600,000	23 Jan 2017	23 Jan 2022	23 Jan 2022 – 22 Jan 2027	HKD5.628	HKD5.450	
	509,314 (Note 3)	-	-	-	-	509,314	30 Mar 2017	30 Mar 2022	30 Mar 2022 – 29 Mar 2027	HKD5.798	HKD5.700	
	263,110 (Note 3)	-	-	-	-	263,110	29 Mar 2018	29 Mar 2023	29 Mar 2023 – 28 Mar 2028	HKD8.51	HKD8.510	
	1,355,040 (Note 3)	-	-	-	-	1,355,040	24 Dec 2018	24 Dec 2020 – 30 Dec 2022	24 Dec 2020 – 23 Dec 2028	HKD7.692	HKD7.15	
	13,374 (Note 3)	-	-	-	-	13,374	21 Jan 2022	21 Jan 2022 – 21 Jan 2023	21 Feb 2022 – 20 Jan 2032	HKD28.05	HKD28.05	
	13,374 (Note 3)	-	-	-	-	13,374	1 Apr 2022	1 May 2022 – 1 Apr 2023	1 May 2022 – 31 Mar 2032	HKD18.12	HKD17.7	
	13,376 (Note 3)	-	-	-	-	13,376	16 May 2022	16 Jun 2022 – 16 May 2023	16 Jun 2022 – 15 May 2032	HKD14.26	HKD14.26	
Jonathan H. Chou	395,843	-	395,843	-	-	-	23 Jan 2019	23 Jan 2019 – 23 Jan 2023	23 Feb 2019 – 22 Jan 2029	HKD7.730	HKD7.730	
	80,645	-	-	-	-	80,645	14 May 2021	13 Jun 2021 – 13 May 2022	14 May 2021 – 13 May 2031	HKD57.59	HKD57.45	
	26,881	-	-	-	-	26,881	21 Jan 2022	21 Feb 2022 – 21 Jan 2023	21 Feb 2022 – 20 Jan 2032	HKD28.05	HKD28.05	
	26,881	-	-	-	-	26,881	1 Apr 2022	1 May 2022 – 1 Apr 2023	1 May 2022 – 31 Mar 2032	HKD18.12	HKD17.70	
	26,883	-	-	-	-	26,883	16 May 2022	16 Jun 2022 – 16 May 2023	16 Jun 2022 – 15 May 2032	HKD14.26	HKD14.26	

REPORT OF THE DIRECTORS

Category of participants	As at 31 December 2022	Granted during the Period	Exercised during the Period	Expired during the Period	Cancelled during the Period	As at 31 December 2023	Date of Grant of Share Options	Vesting Period	Exercise Period	Exercise Price	Share Price of the Company as at the date of grant of share options	Share Price of the Company immediately before the exercise date of share options (Note 1)
Guoen Liu	80,645	-	-	-	-	80,645	14 May 2021	13 Jun 2021 – 13 May 2022	14 May 2021 – 13 May 2031	HKD57.59	HKD57.45	
	26,881	-	-	-	-	26,881	21 Jan 2022	21 Feb 2022 – 21 Jan 2023	21 Feb 2022 – 20 Jan 2032	HKD28.05	HKD28.05	
	26,881	-	-	-	-	26,881	1 Apr 2022	1 May 2022 – 1 Apr 2023	1 May 2022 – 31 Mar 2032	HKD18.12	HKD17.70	
	26,883	-	-	-	-	26,883	16 May 2022	16 Jun 2022 – 16 May 2023	16 Jun 2022 – 15 May 2032	HKD14.26	HKD14.26	
Chunyang Shao	80,645	-	-	-	-	80,645	14 May 2021	13 Jun 2021 – 13 May 2022	14 May 2021 – 13 May 2031	HKD57.59	HKD57.45	
	26,881	-	-	-	-	26,881	21 Jan 2022	21 Feb 2022 – 21 Jan 2023	21 Feb 2022 – 20 Jan 2032	HKD28.05	HKD28.05	
	26,881	-	-	-	-	26,881	1 Apr 2022	1 May 2022 – 1 Apr 2023	1 May 2022 – 31 Mar 2032	HKD18.12	HKD17.70	
	26,883	-	-	-	-	26,883	16 May 2022	16 Jun 2022 – 16 May 2023	16 Jun 2022 – 15 May 2032	HKD14.26	HKD14.26	
In Aggregate	32,086,604 ^(Note 4)	17,840,780	395,843	-	-	58,993,900						
Business associates/ Service provider												-
Maxwell Maxcare	11,575,000	-	-	-	-	11,575,000	20 Jan 2015	20 Jan 2015 – 20 Jan 2021	20 Jan 2016 – 19 Jan 2025	HKD3.210	HKD3.170	
Science Foundation Limited	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	
	36,940	-	-	-	-	36,940	31 Mar 2021	31 Mar 2026	31 Mar 2026 – 30 Mar 2031	HKD43.75	HKD43.75	
	16,876,788	-	-	-	-	16,876,788	14 May 2021	13 Jun 2021 – 13 May 2022	14 May 2021 – 13 May 2031	HKD57.59	HKD57.45	
	15,683,008	-	-	-	-	15,683,008	16 May 2022	16 Jun 2022 – 16 May 2023	16 Jun 2022 – 15 May 2033	HKD14.26	HKD14.26	
Service Provider A	-	115,322 ^(Note 5)	-	-	-	115,322	12 Sep 2023	12 Sep 2028	12 Sep 2028 – 11 Sep 2033	HKD12.88	HKD12.80	
	-	1,000,000 ^(Note 5)	-	-	-	1,000,000	12 Sep 2023	12 Sep 2024 – 12 Sep 2028	12 Sep 2024 – 11 Sep 2033	HKD12.88	HKD12.80	
In Aggregate	58,271,736	1,115,322	-	-	-	59,387,058						

Note 1: The share price of the Company disclosed is the weight average closing price of the shares immediately before the exercise dates of share options during the period.

Note 2: Fair value of such options at the date of grant is approximately US\$11.666 million.

Note 3: As Dr. Qiyi Luo and Mr. Bo Peng were appointed as non-executive directors of the Company on 30 August 2023 and 10 November 2023 respectively, such number is the outstanding share options as at the date of the appointment. The numbers of share options they held as at the beginning of the Reporting Period are reported in the category of employees.

Note 4: Such number is the aggregated number of share options held by Directors in office at the beginning of the Reporting Period, and does not include the share options held by Dr. Qiyi Luo and Mr. Bo Peng as employees of the Company.

Note 5: Fair value of such options at the date of grant is approximately US\$0.79 million.

REPORT OF THE DIRECTORS

Category of participants	As at 31 December 2022	Granted during the Period	Exercised during the Period	Expired during the Period	Cancelled during the Period	As at 31 December 2023	Date of Grant of Share Options	Vesting Period	Exercise Period	Exercise Price	Share Price of the Company as at the date of grant of share options	Share Price of the Company immediately before the exercise date of share options (Note 1)
											HKD	HKD
Employees												HKD18.78
	70,000	-	70,000	-	-	-	28 Aug 2012	28 Aug 2018 – 28 Aug 2019	28 Aug 2019 – 27 Aug 2022	HKD3.350	HKD3.350	
	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	
	150,000	-	150,000	-	-	-	20 Jan 2015	20 Jan 2015 – 20 Jan 2021	20 Jan 2016 – 19 Jan 2025	HKD3.210	HKD3.170	
	7,201,000	-	1,378,958	-	-	5,521,000 ^(Note 6)	30 Mar 2016	30 Mar 2016 – 30 Mar 2021	30 Mar 2017 – 29 Mar 2026	HKD3.482	HKD3.360	
	7,900,000	-	2,040,000	-	-	2,260,000 ^(Note 6)	23 Jan 2017	23 Jan 2022	23 Jan 2022 – 22 Jan 2027	HKD5.628	HKD5.450	
	2,218,535	-	641,084	-	-	1,068,137 ^(Note 6)	30 Mar 2017	30 Mar 2022	30 Mar 2022 – 29 Mar 2027	HKD5.798	HKD5.700	
	2,000,000	-	1,000,000	1,000,000	-	-	25 Aug 2017	25 Aug 2017 – 25 Aug 2022	25 Aug 2018 – 24 Aug 2027	HKD7.418	HKD7.020	
	1,974,939	-	330,062	-	-	1,184,663 ^(Note 6)	29 Mar 2018	29 Mar 2023	29 Mar 2023 – 28 Mar 2028	HKD8.510	HKD8.510	
	9,800,658	-	322,743	-	-	6,535,342 ^(Note 6)	24 Dec 2018	24 Dec 2018 – 30 Dec 2022	24 Dec 2020 – 23 Dec 2028	HKD7.692	HKD7.150	
	1,299,758	-	115,776	-	-	1,183,982	23 Jan 2019	23 Jan 2019 – 31 Jan 2023	23 Jan 2021 – 22 Jan 2029	HKD7.730	HKD7.730	
	200,000	-	-	-	-	200,000	23 Jan 2019	23 Jan 2019 – 23 Jan 2024	23 Jan 2020 – 22 Jan 2029	HKD7.730	HKD7.730	
	312,500	-	-	-	-	162,500	23 Jan 2019	23 Jan 2019 – 23 Jan 2020	23 Feb 2019 – 22 Jan 2029	HKD7.730	HKD7.730	
	3,620,597	-	-	-	456,675	2,965,635 ^(Note 6)	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	
	1,219,092	-	-	-	166,680	985,703 ^(Note 6)	31 Mar 2020	31 Mar 2025	31 Mar 2025 – 30 Mar 2030	HKD17.54	HKD17.54	
	160,000	-	-	40,000	120,000	-	31 Mar 2020	31 Mar 2021 – 31 Mar 2025	31 Mar 2021 – 30 Mar 2030	HKD17.54	HKD17.54	
	123,386	-	1,000	19,187	3,276	99,923	31 Mar 2020	31 Mar 2022 – 31 Mar 2024	31 Mar 2022 – 30 Mar 2030	HKD17.54	HKD17.54	
	600,000	-	-	-	-	600,000	28 Aug 2020	28 Aug 2021 – 28 Aug 2025	28 Aug 2021 – 27 Aug 2030	HKD34.70	HKD34.70	
	1,150,000	-	-	120,000	180,000	850,000	28 Dec 2020	28 Dec 2021 – 28 Dec 2025	28 Dec 2021 – 27 Dec 2030	HKD42.20	HKD42.20	
	621,745	-	-	-	68,991	522,527 ^(Note 6)	31 Mar 2021	31 Mar 2026	31 Mar 2026 – 30 Mar 2031	HKD43.75	HKD43.75	
	707,467	-	-	14,648	12,396	680,423	31 Mar 2021	31 Mar 2023 – 31 Mar 2025	31 Mar 2023 – 30 Mar 2031	HKD43.75	HKD43.75	
	5,800,000	-	-	-	900,000	4,900,000	31 Aug 2021	31 Aug 2028	31 Aug 2028 – 30 Aug 2031	HKD48.15	HKD48.15	
	690,000	-	-	-	110,000	580,000	2 Nov 2021	2 Nov 2028	2 Nov 2028 – 1 Nov 2031	HKD36.79	HKD34.65	
	3,283,768	-	-	385,916	50,175	2,824,228 ^(Note 6)	21 Jan 2022	21 Feb 2022 – 21 Jan 2023	21 Feb 2022 – 20 Jan 2032	HKD28.05	HKD28.05	
	3,181,576	-	72,481	332,133	27,314	2,726,199 ^(Note 6)	1 Apr 2022	1 May 2022 – 1 Apr 2023	1 May 2022 – 31 Mar 2032	HKD18.12	HKD17.70	
	4,967,608	-	-	-	668,503	4,299,105	1 Apr 2022	1 Apr 2024 – 1 Apr 2026	1 Apr 2024 – 31 Mar 2032	HKD18.12	HKD17.70	
	1,298,279	-	-	-	206,375	1,035,134 ^(Note 6)	1 Apr 2022	1 Apr 2027	1 Apr 2027 – 31 Mar 2032	HKD18.12	HKD17.70	
	3,098,352	-	91,668	321,479	15,233	2,646,519 ^(Note 6)	16 May 2022	16 Jun 2022 – 16 May 2023	16 Jun 2022 – 15 May 2032	HKD14.26	HKD14.26	
	300,000	-	-	-	-	300,000	23 Jun 2022	23 Jun 2023 – 23 Jun 2027	23 Jun 2023 – 22 Jun 2032	HKD19.92	HKD19.92	
	-	2,775,936 ^(Note 7)	-	-	226,620	2,472,444 ^(Note 6)	31 Mar 2023	31 Mar 2028	31 March 2028 – 30 March 2033	HKD20.01	HKD18.46	
	-	2,251,698 ^(Note 7)	-	-	-	2,251,698	31 Mar 2023	31 March 2025 – 31 March 2027	31 March 2025 – 30 March 2033	HKD20.01	HKD18.46	
	-	13,000,000 ^(Note 7)	-	-	1,000,000	11,000,000 ^(Note 6)	31 Mar 2023	31 March 2024 – 31 March 2028	31 March 2024 – 30 March 2033	HKD20.01	HKD18.46	
	-	200,000 ^(Note 8)	-	-	-	200,000	12 Sep 2023	12 Sep 2024 – 12 Sep 2028	12 Sep 2024 – 11 Sep 2033	HKD12.88	HKD12.88	
In Aggregate	65,329,260	18,227,634	6,463,772	2,233,363	4,212,238	61,185,162^(Note 6)						
Total	155,687,600	37,183,736	6,859,615	2,233,363	4,212,238	179,566,120						

REPORT OF THE DIRECTORS

Note 1: The share price of the Company disclosed is the weight average closing price of the shares immediately before the exercise dates of share options during the period.

Note 6: The difference between the aggregate number as of the end of the Reporting Period and the aggregate number as of the beginning of the Reporting Period plus the movement during the Reporting Period is the number of share options that have been re-categorized as share options held by (a) Director(s).

Note 7 : Fair value of such options at the date of grant is approximately US\$1.74 million.

Note 8 : Fair value of such options at the date of grant is approximately US\$0.14 million.

Share Award Scheme

The Company has adopted a share award scheme (the "Share Award Scheme") in 2011. The purposes of the Share Award Scheme are to provide incentives to attract and retain employees, consultants and advisers whose contributions will be beneficial to the growth and development of the Group. The eligible participants under the Share Award Scheme includes Directors, employees, consultants and advisors of any member of the Group. The Share Award Scheme has an initial term of ten years. On 27 August 2020, the Board resolved to extend the term of the Share Award Scheme for a further ten years from the date of resolution of the Board (i.e. 26 August 2030), so the remaining life of the Share Award Scheme is approximately 6 years and 4 months as at the date of this annual report.

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

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

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

During the year ended 31 December 2023, the Company resolved to award an aggregate of 1,838,652 Shares to 151 selected participants through secondary Shares purchased by the trustee in the open market. As at 31 December 2023, the number of Shares held by the trustee that may be made available for future grant was 6,234,260, representing 0.34% of the total issued share capital of the Company as at 31 December 2023 and as at the date of this annual report.

Particulars of the Share Award Scheme and the related accounting policy are set out in note 28(a)(i) and note 1(w)(iii) to the consolidated financial statements, respectively.

REPORT OF THE DIRECTORS

Movement in the number of awarded Shares during the year are as follows:

Category of participants	Unvested awarded Shares as at 31 December 2022	Granted during the Reporting Period (Note 4)	Vested during the Reporting Period	Expired during the Reporting Period	Lapsed during the Reporting Period	Unvested awarded Shares as at 31 Dec 2023	Date of Grant of awarded Shares	Vesting Period	Purchase price	Share Price of the Company as at the date of grant of awarded Shares	Share Price of the Company immediately before the exercise date of awarded Shares (Note 1)
											HKD17.99
Employees	143,940	-	70,314	-	3,273	70,353	31 Mar 2020	30 Mar 2021-30 Mar 2024	-	HKD17.54	
	6,668	-	6,668	-	-	-	31 Mar 2021	31 Mar 2021-30 Mar 2023	-	HKD43.75	
	207,552	-	64,053	-	15,397	128,102	31 Mar 2021	31 Mar 2022-31 Mar 2025	-	HKD43.75	
	-	1,803,541	1,803,541	-	-	-	31 Mar 2023	31 Mar 2023	-	HKD18.46	
	-	35,111	35,111	-	-	-	29 Dec 2023	29 Dec 2023	-	HKD8.42	
In Aggregate	358,160	1,838,652	1,979,687	-	18,670	198,455					
Others											
Maxwell Maxcare Science Foundation Limited	16,876,788	-	16,876,788	-	-	-	31 Mar 2020	Note 3	-	HKD17.54	
	3,584,347	-	3,584,347	-	-	-	31 Mar 2021	Note 3	-	HKD43.75	
In Aggregate	20,461,135	-	20,461,135	-	-	-					
Total	20,819,295	1,838,652	22,440,822	-	18,670	198,455					

Notes:

- The share price of the Company disclosed is the weighted average closing price of the Shares immediately before the vested dates of awarded Shares during the Reporting Period.
- The number of unvested awarded Shares as at 1 January 2023, granted, vested, expired and lapsed awarded Shares during the year, and unvested awarded Shares as at 31 December 2023 for five highest paid individuals (including one Director) in aggregate are 0, 0, 0, 0 and 0 respectively.
- The awarded Shares are vested upon certain performance indicators have been achieved and approval by a Director.
- Fair value of the awards at the date of grant is approximately US\$4.2 million.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme of the Company as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year ended 31 December 2023.

PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public at all times during the financial year ended 31 December 2023 as required under the Listing Rules.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association and the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

DONATION

During the year ended 31 December 2023, the Group made donations of approximately US\$7.91 million.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: nil).

TAX ALLOWANCES

The Company is not aware of any particular tax allowances granted to the Company's shareholders due to their interests in its securities.

CORPORATE GOVERNANCE

The Company's principal corporate governance practices are set out in the Corporate Governance Report of this annual report.

AUDITOR

KPMG has acted as auditor of the Company for the financial year ended 31 December 2023. KPMG has been the auditor of the Company for the past 12 years. KPMG shall retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-appointment. A resolution may be proposed at the forthcoming annual general meeting to re-appoint KPMG as auditor of the Company.

MISCELLANEOUS

The Company was not aware of any shareholders who had waived or agreed to waive any dividend arrangement for the year ended 31 December 2023.

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

Shanghai, the PRC
28 March 2024

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the financial year ended 31 December 2023.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance and practices to protect the interests of the shareholders of the Company. The Board believes that good corporate governance is essential to the success of the Company and the enhancement of shareholders' value. The Company adopts the principles set out in the Corporate Governance Code ("**CG Code**") contained in Appendix C1 to the Listing Rules, and strives to maintain high standards of corporate governance to safeguard the interests of its shareholders and to enhance corporate value and accountability.

Throughout the year ended 31 December 2023, the Company has complied with all the applicable code provisions (the "**Code Provisions**") as set out in the CG Code, except for Code Provision C.2.1 as explained in the paragraph headed "**Chairman and Chief Executive Officer**" below.

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

CORPORATE CULTURE

Our corporate culture and spirit are enlightened and manifested by "Eyes For Greatness, Hands on Details". We deeply understand our products are directly related to patients' lives, and even the slightest deviation could cause significant impact. Because of this, we work to relentlessly master every detail of our medical technologies so that patients everywhere can enjoy better and longer lives. That's our purpose, and it's how we remain true to our beliefs and committed to the core values we uphold. These principles are essential to the relationships we build with our partners and customers. And it's evident in every detail of our workday.

THE BOARD/BOARD OF DIRECTORS

ROLES AND RESPONSIBILITIES

The Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsible for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

The Board is responsible for all major matters of the Company, including policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to entering into any significant transactions proposed by the above mentioned officers.

All Directors shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all time.

All Directors have full and timely access to all relevant information and the advices/services of the company secretary, with a view to ensure that the Board procedures and all applicable laws and regulations are properly followed. Each Director can seek independent professional advice as appropriate at the Company's expense, upon request to the Board.

The Company has arranged for appropriate insurance cover for Directors' and senior management's liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION

The Board structure is governed by the Company's Articles of Association. The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The Board regularly reviews the contribution required from the Directors to perform their responsibilities to the Company and whether the Directors are spending sufficient time performing them that are commensurate with their role and the Board responsibilities.

As at 31 December 2023, the Board comprised of nine members, consisting of one Executive Director, five Non-executive Directors and three Independent Non-executive Directors.

The list of all Directors, which also specifies the posts, e.g. Chairman, and chairman and members of committees, held by each Director is set out under "**Corporate Information**" on page 3 of this annual report. The Independent Non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules. The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

The Board of the Company during the year ended 31 December 2023 and up to the date of this report comprised of the following Directors:

EXECUTIVE DIRECTOR

Dr. Zhaohua Chang (*Chairman*)

NON-EXECUTIVE DIRECTORS

Mr. Hiroshi Shirafuji (*appointed on 19 June 2023*)

Mr. Norihiro Ashida

Ms. Weiqin Sun (*appointed on 30 August 2023*)

Dr. Qiyi Luo (*appointed on 30 August 2023*)

Mr. Bo Peng (*appointed on 10 November 2023*)

Dr. Yasuhisa Kurogi (*retired on 19 June 2023*)

Mr. Hongliang Yu (*resigned on 30 August 2023*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jonathan H. Chou

Dr. Guoen Liu

Mr. Chunyang Shao

Each of the following Directors, who has been appointed as Director during the financial year ended 31 December 2023, has obtained the legal advice referred to in Rule 3.09D of the Listing Rules that are applicable to him/her as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange on the date as stated below, and he/she has confirmed he/she understood his/her obligations as a director of a listed issuer:

Name of Director	Date of obtaining the legal advice
Mr. Hiroshi Shirafuji	19 June 2023
Ms. Weiqin Sun	30 August 2023
Dr. Qiyi Luo	30 August 2023
Mr. Bo Peng	10 November 2023

Save as disclosed in this annual report, there is no other relationship (including financial, business, family or other material/relevant relationships) between the Board members.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to Code Provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

The Chairman and Chief Executive Officer of the Company are held by Dr. Zhaohua Chang (“Dr. Chang”). Dr. Chang has assumed the responsibility of the Executive Director and the Chairman of the Board and is responsible for managing the Board and Group’s business. As the Board considers that Dr. Chang has in-depth knowledge of the Group’s business and can make appropriate decisions promptly and efficiently, he also 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. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Throughout the financial year ended 31 December 2023, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing one-third of the Board with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each Independent Non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all Independent Non-executive Directors to be independent in accordance with the independence guidelines as set out in Rule 3.13 of the Listing Rules.

All Directors, including Non-executive Directors and Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

INDEPENDENCE MECHANISM

The Company has established mechanisms to ensure independent views and input are available to the Board (the “Mechanisms”), so as to ensure a strong independent element on the Board, and allow the Board effectively exercises independent judgments to better safeguard Shareholders’ interests.

The Mechanisms are established with reference to the Listing Rules and Code Provisions set out in the CG Code in relation to board composition, directors’ independence and board decision making.

Pursuant to the Mechanisms, the Board will conduct an annual review of the implementation and effectiveness of these Mechanisms, and formulate the action plan for improvement, if appropriate.

During the year ended 31 December 2023, the Board reviewed the implementation and effectiveness of the Mechanisms and the results were satisfactory.

CORPORATE GOVERNANCE REPORT

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Code Provision B.2.2 of the CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the Company's Articles of Association, at every annual general meeting of the Company, one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to, but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

The Company has entered into a letter of appointment with each of the Directors of the Company (including the non-executive Directors) with or without a specific term but subject to retirement by rotation at least once every three years.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment/re-election and succession planning of Directors.

INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

Each newly appointed Director receives formal, comprehensive and tailored induction training on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of directors' responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Development of Directors is an ongoing process, so that they can perform their duties appropriately. Directors are continually updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for Directors will be arranged where necessary.

During the year of 2023, continuous trainings were conducted for all Directors, covering the introduction and analysis of new regulations of Environmental, Social and Governance and compliance training on code of business conduct and ethics.

BOARD MEETINGS

FUNCTIONS

The Board requires Directors to devote sufficient time and attention to their duties and responsibilities. The Board normally has scheduled meetings at quarterly interval each year and meets as and when required to discuss the overall business, development strategy, operations and financial reporting of the Company.

BOARD PRACTICES AND CONDUCT OF MEETINGS

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance.

Notice of regular Board meetings is served to all Directors at least 14 days before the meeting. For other Board and committee meetings, a reasonable notice is generally given.

Board documents together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

CORPORATE GOVERNANCE REPORT

The senior management attend all regular Board meetings and where necessary, other Board and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The Board secretary and the company secretary are responsible for taking and keeping minutes of all Board meetings and committee meetings.

Draft minutes are normally circulated to Directors for comments within a reasonable time after each meeting and final versions are open for Directors' inspection.

The Company's Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

DIRECTORS' ATTENDANCE RECORDS

During the year ended 31 December 2023, five Board Meetings were held at approximately quarterly intervals for, among other things, reviewing and approving the financial and operating performance, considering and approving the overall strategies and policies of the Company. An annual general meeting was held on 19 June 2023 for receiving the audited financial statements, approving re-election and election of directors, re-appointment of auditor, adoption of share scheme and amendments to Memorandum of Association and Articles of Association etc.

The attendance records of each Director at the Board meetings and the annual general meeting during the term of office as a Director during the year ended 31 December 2023 are set out below:

Name of Director	Attendance/Number of Board meetings held during the term of office of the Director concerned	Attendance/Number of annual general meeting held during the term of office of the Director concerned
Executive Director		
Dr. Zhaohua Chang (<i>Chairman</i>)	5/5	1/1
Non-executive Directors		
Mr. Hiroshi Shirafuji (<i>appointed on 19 June 2023</i>)	3/3	1/1
Mr. Norihiro Ashida	5/5	1/1
Dr. Yasuhisa Kurogi (<i>retired on 19 June 2023</i>)	2/2	0/0
Mr. Hongliang Yu (<i>resigned on 30 August 2023</i>)	2/3	1/1
Ms. Weiqin Sun (<i>appointed on 30 August 2023</i>)	2/2	0/0
Dr. Qiyi Luo (<i>appointed on 30 August 2023</i>)	2/2	0/0
Mr. Bo Peng (<i>appointed on 10 November 2023</i>)	1/1	0/0
Independent Non-executive Directors		
Mr. Jonathan H. Chou	5/5	1/1
Dr. Guoen Liu	4/5	1/1
Mr. Chunyang Shao	5/5	1/1

Apart from the Board meetings stated above, the Chairman also held one meeting with the Independent Non-executive Directors without the presence of other Directors during the Reporting Period.

The Directors reviewed the documents of Board Meetings provided by the Company in advance.

CORPORATE GOVERNANCE REPORT

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix C3 to the Listing Rules as its code of conduct regarding Directors' securities transactions.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code for transactions in the Company's securities throughout the financial year ended 31 December 2023.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "**Employees Written Guidelines**") for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

DELEGATION BY THE BOARD

BOARD COMMITTEES

The Board has delegated a range of responsibilities to the Chief Executive Officer and senior management of the Company. These responsibilities include directing and coordinating day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board, formulating and monitoring the operating and production plans and budgets, and supervising and monitoring the control systems.

The Board has established four committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee and Strategic Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Hong Kong Stock Exchange's website and are available to shareholders upon request. The Independent Non-executive Directors are invited to serve on these four Board committees. Aside from the aforesaid four Board committees, the Company has also established three Executive Committees to oversee the day-to-day operations of the Group.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions set out in Code Provision A.2.1 of the CG Code. During the year ended 31 December 2023, the Board has considered the corporate governance policies and practice and its relevant disclosures; the compliance of the Model Code and the Employees Written Guidelines; and policies and practices on compliance with legal and regulatory requirements as required under the applicable requirements of the Listing Rules.

AUDIT COMMITTEE

The Company established an audit committee in March 2010 with written terms of reference in compliance with the CG Code.

The Audit Committee comprises three members:

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

Two of the members of the Audit Committee are Independent Non-executive Directors (including one Independent Non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

CORPORATE GOVERNANCE REPORT

The main duties of the Audit Committee include the following:

- Review of the financial information of the Group;
- Review of the relationship with and the terms of appointment of the external auditor;
- Review of the Company's financial reporting system, internal control system and risk management system.

The Audit Committee oversees the internal control system and risk management system of the Group, reports to the Board on any material issues, and makes recommendations to the Board.

During the year under review, the Audit Committee reviewed the Group's annual results and annual reports for the year ended 31 December 2022, and the interim results and interim report for the six months ended 30 June 2023, the financial reporting and compliance procedures, the Company's internal control and risk management systems and processes, and the re-appointment of the external auditor.

The Audit Committee held three meetings during the year ended 31 December 2023.

The attendance records of each member at the Audit Committee meetings during the year ended 31 December 2023 are set out below:

Name of members concerned	Attendance/Number of meetings held during the term of office of the Member concerned
Mr. Jonathan H. Chou (<i>Chairman</i>)	3/3
Mr. Norihiro Ashida	3/3
Mr. Chunyang Shao	3/3

The Audit Committee also met the external auditor three times without the presence of the Executive Director.

The Group's annual results for the year ended 31 December 2023 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The Company established a remuneration committee in March 2010 with written terms of reference in compliance with the CG Code.

The Remuneration Committee comprises three members:

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

The majority of the members of the Remuneration Committee are Independent Non-executive Directors.

The primary objectives of the Remuneration Committee include making recommendations to the Board on the remuneration policy and structure of the Directors and the senior management and determining the remuneration packages of all Executive Directors and senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

CORPORATE GOVERNANCE REPORT

The Company has adopted a share scheme and a share award scheme as incentive to Directors and eligible employees. Details of the schemes are set out in the section headed “**Share Schemes**” in the Report of the Directors.

During the year of 2023, the Remuneration Committee reviewed and made recommendations to the Board on the year-end bonus of senior management and the related remuneration policy.

The Remuneration Committee held four meetings during the year ended 31 December 2023. The attendance records of each member at the Remuneration Committee meetings during the year ended 31 December 2023 are set out below:

Name of members concerned	Attendance/Number of meetings held during the term of office of the Member concerned
Dr. Guoen Liu (<i>Chairman</i>)	4/4
Dr. Zhaohua Chang	4/4
Mr. Jonathan H. Chou	4/4

NOMINATION COMMITTEE

The Company established a nomination committee in March 2010 with written terms of reference in compliance with the CG Code.

The Nomination Committee comprises three members:

Mr. Chunyang Shao (*Chairman*)
Dr. Guoen Liu
Mr. Hongliang Yu (*resigned on 30 August 2023*)
Ms. Weiqin Sun (*appointed on 30 August 2023*)

The majority of the members of the Nomination Committee are Independent Non-executive Directors.

The principal duties of the Nomination Committee include reviewing the Board composition, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of the Independent Non-executive Directors.

The Company has adopted a director nomination policy. The director nomination policy contains the criteria for nomination and appointment of directors, as well as nomination process. In evaluating and selecting any candidate for directorship, the following criteria should be considered: character and integrity; qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the board diversity policy of the Company that are relevant to the Company’s business and corporate strategy; any measurable objectives adopted for achieving diversity on the Board; requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules; any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and diversity; willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; such other perspectives that are appropriate to the Company’s business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

CORPORATE GOVERNANCE REPORT

For the appointment of new Director, the Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable). The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable. For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. Where appropriate, the Nomination Committee and/or the Board should make recommendation to shareholders in respect of the proposed election of director at the general meeting.

For re-election of Director at a general meeting of the Company, the Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring director and the level of participation and performance on the Board. The Nomination Committee and/or the Board should also review and determine whether the retiring director continues to meet the criteria as set out above.

The Nomination Committee held four meetings during the year ended 31 December 2023. The attendance records of each member at the Nomination Committee meetings during the year ended 31 December 2023 are set out below:

Name of members concerned	Attendance/Number of meetings held during the term of office of the Member concerned
Mr. Chunyang Shao (<i>Chairman</i>)	4/4
Dr. Guoen Liu	4/4
Mr. Hongliang Yu (<i>resigned on 30 August 2023</i>)	2/3
Ms. Weiqin Sun (<i>appointed on 30 August 2023</i>)	1/1

The members reviewed the current composition of the Board and discussed the Board restructuring to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

The Nomination Committee reviewed the time invested by Non-executive Directors in the Company's affairs, assessed the independence of the Independent Non-executive Directors, evaluated the qualification of the candidate for election and recommended the re-appointment of the Directors standing for re-election at the annual general meeting of the Company.

STRATEGIC COMMITTEE

The Company established a strategic committee in March 2019 with written terms of reference.

The Strategic Committee comprises five members:

Dr. Zhaohua Chang (*Chairman*)
Mr. Hiroshi Shirafuji (*appointed on 19 June 2023*)
Mr. Jonathan H. Chou
Dr. Yasuhisa Kurogi (*retired on 19 June 2023*)
Mr. Hongliang Yu (*resigned on 30 August 2023*)
Ms. Weiqin Sun (*appointed on 30 August 2023*)
Dr. Qiyi Luo (*appointed on 30 August 2023*)
Mr. Bo Peng (*appointed on 10 November 2023*)

CORPORATE GOVERNANCE REPORT

The primary objectives of the Strategic Committee include researching and making recommendations to the Board on long-term development strategies and rolling strategies, business, operational and financial/capital plans; reviewing and evaluating financial, marketing, operational and business performance of the Company; researching and discussing on trends in markets where the Group operates as well as reviewing and discussing on the implementation of the Group's strategies.

The Strategic Committee held one meeting during the year ended 31 December 2023. The attendance records of each member at the Strategic Committee meeting during the year ended 31 December 2023 are set out below:

Name of members concerned	Attendance/Number of meetings held during the term of office of the Members concerned
Dr. Zhaohua Chang (<i>Chairman</i>)	1/1
Mr. Hiroshi Shirafuji (<i>appointed on 19 June 2023</i>)	1/1
Mr. Jonathan H. Chou	1/1
Dr. Yasuhisa Kurogi (<i>retired on 19 June 2023</i>)	0/0
Mr. Hongliang Yu (<i>resigned on 30 August 2023</i>)	0/1
Ms. Weiqin Sun (<i>appointed on 30 August 2023</i>)	0/0
Dr. Qiyi Luo (<i>appointed on 30 August 2023</i>)	0/0
Mr. Bo Peng (<i>appointed on 10 November 2023</i>)	0/0

EXECUTIVE COMMITTEES

The Company consists of three distinctive operational business units: MicroPort Greater China, MicroPort Orthopedics Inter-Continental and MicroPort CRM Inter-Continental, which are managed by CEC, IOC, and ICC respectively.

As of 31 December 2023, the CEC comprises eight members: Mr. Hongbin Sun (Rotating Chairperson of CEC), Mr. Lei Jiang (Rotating Co-Chairperson of CEC), Dr. Jie Zhang, Mr. Yimin Xu, Dr. Chengyun Yue, Mr. Yiyun Que, Ms. Qing Hui and Ms. He Li. The majority of them are heads or Vice Presidents of operational departments.

As of 31 December 2023, the IOC comprised five members: Mr. Jonathan Chen (Co-Chairperson of IOC), Mr. Todd Smith, Mr. Patrick Yu, Mr. Robert Alan Cripe and Mr. Jean Marc D'hondt.

As of 31 December 2023, the ICC comprised seven members: Mr. Jonathan Chen (Chairperson of ICC), Mr. Benoît Clinchamps (Co-Chairperson of ICC), Mr. Hongbin Sun, Ms. Qing Hui, Mr. Paul Vodden, Mr. Philippe Wanstock, and Mr. Xiaoming Zhu.

The CEC, IOC and ICC are responsible for overseeing the management of the Company relating to routine, administrative, operational and managerial matters that occur between regularly scheduled meetings of the Board and shall provide support to and be responsible to the Board. Subject to the provisions set out in the charters of CEC, IOC and ICC, the three committees basically will have and may exercise all the powers and authority granted by the Board in the management of business and affairs of MicroPort in Greater China, MicroPort Orthopedics and MicroPort CRM respectively.

During the year of 2023, CEC, IOC and ICC held meetings periodically and frequently to carry out their duties.

DIVERSITY

The Company has adopted a board diversity policy which aims to set out the approach to achieve diversity of the Company's Board of Directors. The Company recognizes and embraces the benefits of having a diverse Board and increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage. Certain measurable objectives (including gender-related objectives) have been set in the policy. These perspectives include but not be limited to gender, age, cultural and educational background, professional experience, skills, knowledge and industry and regional experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

CORPORATE GOVERNANCE REPORT

GENDER DIVERSITY

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at 31 December 2023:

	Female	Male
Board	11.11%	88.89%
Top Management	25.31%	74.69%
Middle Management	41.02%	58.98%
Overall Employee	49.91%	50.09%

The Board considers that the current gender diversity in the Board, senior management and other employees of the Group is satisfactory.

Details on the gender ratio of the Group together with relevant data can be found in the 2023 Environmental, Social and Governance Report of the Company to be published on the websites of the Company and of the Hong Kong Stock Exchange on the same day.

ACCOUNTABILITY AND AUDIT

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2023.

The Directors are responsible for overseeing the preparation of the financial statements of the Company with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and relevant statutory and regulatory requirements and applicable accounting standards are complied with.

The Board has received from the senior management the management accounts and such accompanying explanation and information as are necessary to enable the Board to make an informed assessment for approving the financial statements.

Extract of Independent Auditor's Report

Opinion

The following is an extract of the independent auditor's report issued by the Group's independent auditor, KPMG, Certified Public Accountants of Hong Kong on the consolidated financial statements of the Group for the year ended 31 December 2023:

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

We draw attention to note 1(b) to the consolidated financial statements, which indicates that the Group had (i) convertible bonds issued by the Company with a principal amount of US\$448 million which are due for redemption in June 2024 and (ii) short-term interest-bearing borrowings of US\$295.4 million which are due for repayment in 2024. In addition, the Group incurred a net loss of US\$649.2 million and had a net operating cash outflow of US\$231.9 million for the year ended 31 December 2023. These conditions, along with other matters as set forth in note 1(b) to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

CORPORATE GOVERNANCE REPORT

Material uncertainty related to going concern

As at 31 December 2023, the Company had convertible bonds issued by the Company with a principal amount of US\$448 million which are due for redemption in June 2024 and had short-term bank borrowings of US\$295.4 million which are due for repayment in 2024. The Group incurred a net loss of US\$649.2 million and a net operating cash outflow of US\$231.9 million for the year ended 31 December 2023. Given the above, the liquidity of the Group is primarily dependent on its ability to obtain external financing to meet the redemption requirement from the convertible bonds holders before June 2024 and its ability to renew or refinance existing banking facilities and to utilise its cash and cash equivalents available to the Group for repayment of its borrowings.

These conditions indicate the existence of material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

In view of these circumstances, the directors of the Company have given consideration to the future liquidity of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. The directors have reviewed the Group's cash flow projections prepared by management, which covers a period of at least 12 months from 31 December 2023. Certain plans and measures have been taken to mitigate the liquidity pressures and to improve its financial position. Details of the measures to improve the Group's financial positions are set out in note (1) b to the consolidated financial statements.

The plans and measures as described above incorporate assumptions about future events and conditions. If the plans and measures are successful, the Group will be able to generate sufficient financing and operating cash flows to meet its liquidity requirements for at least the next twelve months from the end of the reporting period. Based on the directors' intentions and the cash flow forecast mentioned above, the directors are of the opinion that it is appropriate to prepare the Group's financial statements for the year ended 31 December 2023 on a going concern basis. Should the Group not be able to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in these annual financial statements.

Having critically reviewed the opinion of KPMG, the cash flow forecast and the plans and measures as set out in note 1(b) to the consolidated financial statements, the Audit Committee concurs with the management's view above.

UPDATES ON THE FINANCING OF THE COMPANY

Reference is made to the announcement of the Company dated 5 April 2024. To repay the zero coupon convertible bonds due 2026 (the "2026 Convertible Bonds") (of which approximately US\$448 million remains outstanding), the Board is pleased to announce that on 5 April 2024, the Company entered into a convertible facility agreement with, among others, HFTY I Holdings Pte. Ltd., HFTY II Holdings Pte. Ltd., HFTY III Holdings Pte. Ltd. and Jumbo Glorious Limited (collectively, the "Original Lenders") pursuant to which the Original Lenders agreed to make available to the Company a US Dollars convertible term loan facility in an aggregate principal amount of US\$150,000,000 at an interest rate of 5.75% per annum, with an accordion option to increase the total commitments by an aggregate principal amount of up to US\$50,000,000 (the total commitments will be US\$200,000,000 if the accordion option is exercised in full). Meanwhile, the Board further announced that, as at the date of the announcement, the Company is expected to obtain more than US\$300 million credit support provided by financial institutions for the repayment of all outstanding amounts of the 2026 Convertible Bonds.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

In addition to the duties and responsibilities set out under its terms of reference, the Audit Committee assists the Board by providing an objective non-executive review of the effectiveness and efficiency of the internal control, risk management and governance processes of the Group on an annual basis.

The senior manager of the Company's Internal Audit Department attended Audit Committee meetings at the invitation of the committee.

Minutes of each Audit Committee meeting were circulated to all members of Audit Committee for their perusal prior to confirmation of the minutes at the subsequent Audit Committee meeting. Members might request for clarifications or raise comments before the minutes were confirmed.

Upon receipt of confirmation from the members at the Audit Committee meetings, the minutes were signed by the Chairman of the meeting as a record of the proceedings of the meeting. The minutes of the Audit Committee meetings were also submitted to the Board and for further action of the Board where appropriate.

The activities carried out by the Audit Committee during the year are set out in this Corporate Governance Report on pages 61 to 62 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems, reviewing their effectiveness at least once a year through Audit Committee. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. During the year of 2023, the Audit Committee has reviewed the Group's internal control and risk management systems and processes which covered the whole financial year.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, establishing and maintaining appropriate effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing the design, implementation, monitoring the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including sales, purchasing, financial reporting, expense, fixed assets, contract management, human resources, information technology and so on.

Through interviews and data review by projects, the Internal Audit Department conducted independent risk assessment regularly to identify risks that potentially impact the business of the Group and various aspects including strategic risks, financial risks, market risks, operation risks, legal risks and so on covering all key subsidiaries.

The Internal Audit Department is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The Internal Audit Department examined key issues in relation to the accounting practices and all material controls, provided its findings and recommendations for improvement to auditees and reported the remediation periodically to the Audit Committee.

The Board, as supported by the Audit Committee, reviewed the risk management and internal control systems, including the financial, operational and compliance controls periodically and considered such systems are effective and adequate.

The Company has in place the whistleblowing policy in the Code of Business Conduct and Ethics and mechanism for employees of the Company and those who deal with the Company to raise concerns, in confidence and anonymity, with the compliance function about possible improprieties in any matters related to the Company. The Code of Business Conduct and Ethics is available on the website of the Company.

CORPORATE GOVERNANCE REPORT

The Company has also in place the Anti-Bribery and Anti-Corruption Policy to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company to report any suspected corruption and bribery. Employees can also make anonymous reports to the compliance/internal audit function, which is responsible for investigating the reported incidents and taking appropriate measures. The Company continues to carry out anti-corruption and anti-bribery activities to cultivate a culture of integrity, and actively organizes anti-corruption training and inspections to ensure the effectiveness of anti-corruption and anti-bribery. During the Reporting Period, there were no legal cases involving bribery, monopoly, extortion, blackmail, fraud and money laundering that had a significant impact on the Company, nor any legal cases related to corrupt practices by the Group or its employees.

During the year ended 31 December 2023, training on business conduct and ethics, anti-bribery and anti-corruption was organized for all employees of the Group, and the pass rate was 100%. Please refer to the 2023 Environmental, Social and Governance Report of the Company to be published on the websites of the Company and of the Hong Kong Stock Exchange on the same day for more details.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Monitoring procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

The Company would appoint independent consulting firm to conduct a thorough review of risk management and internal control systems of the Company and its subsidiaries on regular intervals basis when necessary.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" on pages 73 to 79 in this annual report.

For the financial year ended 31 December 2023, the fees for audit services and non-audit services rendered by external auditor, KPMG were as follows:

Auditors	Fee (US\$'000)
<hr/>	
KPMG	
Audit services	
– Financial statement audits	2,670
Other services	
– Audit related	1,039
– Other non-audit services	251
	<hr/> 3,960 <hr/>

During the year ended 31 December 2023, non-audit services performed by KPMG are primarily in relation to tax and certain acquisitions related services.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Ms. Yuen Wing Yan Winnie (“**Ms. Yuen**”) of Tricor Services Limited, the external professional service provider, has been engaged by the Company as its company secretary in compliance with the Listing Rules since 15 January 2020.

Ms. Yuen had complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training during the year ended 31 December 2023.

During the year ended 31 December 2023, the primary contact person at the Company with whom Ms. Yuen had been contacting in respect of company secretarial matters was Ms. He Li, the Board Secretary of the Company, who was responsible for Board procedures and communications among Directors with shareholders and management.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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

The Company’s shareholders’ communication policy aims at promoting effective communication with shareholders and other stakeholders, encouraging shareholders to engage actively with the Company and enabling shareholders to exercise their rights effectively. The Board reviewed the implementation and effectiveness of the shareholders’ communication policy and the results were satisfactory.

<http://www.microport.com> is the Company’s official website where up-to-date information and updates on the Company’s business operations and developments, financial information, corporate governance practices and other information are available for public access. Investors may write to the Company at its principal place of business in Hong Kong or the PRC or via the Company’s website for enquiries. During the periods of interim results and annual results release, dual-languages conference calls, non-deal roadshows are held for ensuring effective and timely communication to shareholders and investors. Normally, the Company also accommodated shareholders’ and investors’ site visits by arranging meetings with senior managements.

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

In view of the above, the Board considers that the Shareholders communication policy is effective during the year ended 31 December 2023.

SHAREHOLDERS’ RIGHTS

To safeguard shareholders’ interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the re-election of individual Directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Hong Kong Stock Exchange after each general meeting pursuant to the Listing Rules.

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company normally will not deal with verbal or anonymous enquiries.

CORPORATE GOVERNANCE REPORT

Pursuant to Article 12.3 of the Articles of Association of the Company, an extraordinary general meeting shall be convened on the written requisition of (1) any one or more members of the Company; or (2) a recognized clearing house (or its nominees(s)) deposited at the principal place of business of the Company in Hong Kong (5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong) for the attention of the Board or, in the event the Company ceases to have such a principal place of business in Hong Kong, the registered office of the Company (PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands) for the attention of the Board.

The written requisition shall specify the objects of the extraordinary general meeting and signed by the requisitionist(s), provided that such requisitionist(s) held as at the date of deposit of the written requisition not less than one-tenth of the paid up capital of the Company which carries the voting rights at general meetings of the Company.

If the Board does not, within 21 days from the date of deposit of the written requisition, proceed duly to convene the extraordinary general meeting to be held within a further 21 days, the requisitionist(s) or any of them representing more than one-half of the total voting rights of all of them, may convene the extraordinary general meeting in the same manner, as nearly as possible, as that in which extraordinary general meeting may be convened by the Board, provided that any extraordinary general meeting so convened shall not be held after the expiration of 3 months from the date of deposit of the written requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

DIVIDEND POLICY

The Company has adopted a Dividend Policy on payment of dividends. When proposing the payment of dividends, various elements would be taken into consideration including but not limited to the Company's strategic objectives, operation plan, profitability, cash flow and financing requirements. The policy sets out the factors in consideration, procedures, methods and intervals of the payment of dividends with an objective to provide the shareholders with continuing, stable and reasonable returns on investment while maintaining the Company's business operation and achieving its long-term development goal.

CONTACT DETAILS

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: 1601 Zhangdong Road, Zhangjiang Hi-Tech Park, Shanghai 201203, The People's Republic of China (For the attention of the Board Secretary)
Fax: (86) (21) 50801305
Email: ir@microport.com

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full names, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2023, the Company has amended its Memorandum of Association and Articles of Association. Details of the amendments are set out in the circular dated 29 May 2023 to the Shareholders. An up to date version of the Company's Memorandum of Association and Articles of Association is also available on the Hong Kong Stock Exchange's website and the Company's website.

CORPORATE GOVERNANCE REPORT

CHANGES AFTER CLOSURE OF FINANCIAL YEAR

This report takes into account the significant changes that have occurred since the end of 2023 to the date of approval of this report.

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

Shanghai, the PRC
28 March 2024

INDEPENDENT AUDITOR'S REPORT



To the shareholders of MicroPort Scientific Corporation
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of MicroPort Scientific Corporation (“the Company”) and its subsidiaries (“the Group”) set out on pages 80 to 200, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”) together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 1(b) to the consolidated financial statements, which indicates that the Group had (i) convertible bonds issued by the Company with a principal amount of US\$448 million which are due for redemption in June 2024 and (ii) short-term interest-bearing borrowings of US\$295.4 million which are due for repayment in 2024. In addition, the Group incurred a net loss of US\$649.2 million and had a net operating cash outflow of US\$231.9 million for the year ended 31 December 2023. These conditions, along with other matters as set forth in note 1(b) to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Revenue recognition

Refer to note 3 to the consolidated financial statements and the accounting policies on pages 107 to 108.

The Key Audit Matter

The Group recognises revenue from the sale of medical devices at a point in time when control of goods is transferred to the customer.

The amount to which the Group expects to be entitled can vary due to sales rebates granted to customers explicitly identified in the sales contracts signed with customers. Sales rebates granted to customers are primarily volume based. Revenue from sales subject to volume rebate arrangements is recognised at the net amount of consideration to which the Group is entitled, after adjusting for the estimated amount that the Group may be required to rebate to the customer in respect of these sales, unless it is highly probable that the customer will not satisfy the rebate entitlement criteria within the rebate period.

In addition, in certain of the Group's business, the Group participates in arrangements that include multiple performance obligations. These arrangements require the allocation of the transaction price between the sale of medical devices performance obligation and other performance obligations.

How the matter was addressed in our audit

Our audit procedures to assess the recognition and measurement of revenue included the following:

- obtaining an understanding of and assessing and testing the design, implementation and operating effectiveness of management's key internal controls in relation to revenue recognition including the identification of performance obligations in contracts with customers, the variable consideration and management's review of the calculation of and adjustments for sales rebates;
- inspecting, on a sample basis, key customer contracts to identify terms and conditions relating to transfer of goods control, sales rebates, and identification of performance obligations and assessing the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards;
- selecting samples of sales rebate transactions recorded during the year and comparing the parameters used in the calculation of the rebate (including volumes and rebate rates) with the relevant source documents (including sales invoices, sales contracts and cumulative sales data in the system records) to assess whether the methodology adopted in the calculation of the sales rebates was in accordance with the terms and conditions defined in the corresponding customer contract;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Revenue recognition (continued)

Refer to note 3 to the consolidated financial statements and the accounting policies on pages 107 to 108.

The Key Audit Matter

The total transaction price is allocated to each performance obligation in an amount based on the estimated relative standalone selling prices of the goods or services underlying each performance obligation. If the observable stand-alone selling prices are not available, the Group uses an expected cost plus a margin approach to estimate the stand-alone selling price.

We identified the recognition of revenue as a key audit matter because (i) revenue is a key performance indicator of the Group and is, therefore, subject to possible manipulation through the timing of revenue recognition to meet targets or expectations, (ii) the variety of different terms of sale may affect the timing of the recognition of revenue; and (iii) significant management judgement can be required to estimate sales rebates and the standalone selling price.

How the matter was addressed in our audit

- comparing the actual sales rebates settled after the financial year end with the variable consideration adjustments estimated by the management in these respects during the year in order to assess the reliability of management's process for determining the consideration to which the Group is entitled and to assess if the adjustments for the related variable consideration had been made as a reduction of the transaction price in the appropriate financial period;
- understanding the methodology in determining the allocation of total transaction price to each performance obligation; and evaluating the key assumptions adopted in the estimation of stand-alone selling prices;
- comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with relevant underlying documentation, which included goods dispatch notes, shipping documents and goods receipt notes, as applicable under the different sales contracts, to assess whether the related revenue had been recognised in the appropriate financial period on the basis of the terms of sale as set out in the respective sales contracts; and
- inspecting underlying documentation for journal entries relating to revenue which were considered to be material or met other specific risk-based criteria.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Assessing potential impairment of goodwill and intangible assets

Refer to notes 11 and 12 to the consolidated financial statements and the accounting policies on page 100.

The Key Audit Matter

Goodwill arose from the acquisitions of business which has been primarily allocated to CRM business, surgical devices business, orthopedics devices business and intravascular imaging business, etc. Intangible assets principally comprise technology, product licenses, customer relationships and capitalised development costs, which have been allocated to various segments.

The carrying values of the Group's goodwill and intangible assets as at 31 December 2023 were US\$149 million and US\$234 million, respectively. During the year ended 31 December 2023, the Group recognised impairment losses on goodwill and intangible assets amounting to US\$120 million and US\$4 million, respectively.

Management performs annual impairment assessments of the Group's goodwill and intangible assets that are not yet available for use or have indications of impairment, by comparing the carrying values of these assets with their recoverable amounts being the higher of the fair value less costs of disposal and the value in use.

The preparation of discounted cash flow forecasts involves the exercise of significant management judgment, in particular in assessing future revenue growth, future gross margins, future capital expenditure and working capital movements and in determining the long-term growth rate and appropriate discount rates.

We identified the assessment of potential impairment of goodwill and intangible assets as a key audit matter because determining the level of impairment, if any, involves a significant degree of management judgement, which can be inherently uncertain and could be subject to management bias.

How the matter was addressed in our audit

Our audit procedures to assess the potential impairment of goodwill and intangible assets included the following:

- evaluating management's identification of CGUs and the allocation of goodwill and intangible assets to each CGU and assessing the methodology adopted by management in its impairment assessments with reference to the requirements of the prevailing accounting standards;
- evaluating the key assumptions adopted in the preparation of the discounted cash flow forecasts by comparing data in the discounted cash flow forecasts with the relevant data, including forecast revenue, forecast cost of sales and forecast operating expenses, in the financial budgets which was approved by the board of directors and with available industry statistics;
- comparing the data in discounted cash flow forecasts prepared in the prior year with the current year's performance to assess how accurate the prior year's discounted cash flow forecasts were and making enquiries of management as to the reasons for any significant variations identified;
- engaging KPMG valuation specialists to assist us in comparing the growth rates beyond the forecast period and discount rates applied in the discounted cash flow forecasts with those of comparable companies and external market data if available;
- performing a sensitivity analysis of key assumptions, including the growth rates beyond the forecast period and the discount rates applied in the discounted cash flow forecasts and considering the resulting impact on the impairment charge for the year and whether there were any indicators of management bias in the selection of these key assumptions; and
- considering the disclosures in the consolidated financial statements in respect of management's impairment assessments of goodwill and intangible assets with reference to the requirements of the prevailing accounting standards.

INDEPENDENT AUDITOR'S REPORT

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Au Yat Fo.

KPMG

Certified Public Accountants

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

28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2023

(Expressed in United States dollars)

	Note	2023 US\$'000	2022 US\$'000
Revenue	3	950,725	840,831
Cost of sales		(418,627)	(339,060)
Gross profit		532,098	501,771
Other net income	4	36,513	36,150
Research and development costs		(379,428)	(419,828)
Distribution costs		(334,939)	(328,232)
Administrative expenses		(201,688)	(247,532)
Other operating costs	5(c)	(168,722)	(49,279)
Loss from operations		(516,166)	(506,950)
Finance costs	5(a)	(96,036)	(78,401)
Gain on disposal of subsidiaries		2,845	7,107
Gain on deemed disposal of interests in equity-accounted investees	14	15,309	39,267
Share of profits less losses of equity-accounted investees	14	(32,467)	(42,541)
Loss before taxation	5	(626,515)	(581,518)
Income tax	6(a)	(22,642)	(6,597)
Loss for the year		(649,157)	(588,115)
Attributable to:			
Equity shareholders of the Company		(477,629)	(436,515)
Non-controlling interests		(171,528)	(151,600)
Loss for the year		(649,157)	(588,115)
Loss per share	9		
Basic (in cents)		(26.19)	(24.08)
Diluted (in cents)		(27.17)	(24.94)

The notes on pages 88 to 200 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 29(b).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2023
(Expressed in United States dollars)

	2023 US\$'000	2022 US\$'000
Loss for the year	(649,157)	(588,115)
Other comprehensive income for the year, net of tax		
Item that will not be reclassified to profit or loss:		
Remeasurement of net defined benefit liabilities	(204)	(463)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations, net of nil tax	(18,072)	(177,827)
Share of other comprehensive income of equity-accounted investees	(419)	1,512
Other comprehensive income for the year	(18,695)	(176,778)
Total comprehensive income for the year	(667,852)	(764,893)
Attributable to:		
Equity shareholders of the Company	(488,896)	(565,882)
Non-controlling interests	(178,956)	(199,011)
Total comprehensive income for the year	(667,852)	(764,893)

The notes on pages 88 to 200 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in United States dollars)

	Note	31 December 2023 US\$'000	31 December 2022 US\$'000
Non-current assets			
Investment properties	10	6,256	6,579
Property, plant and equipment	10	1,004,573	993,014
		1,010,829	999,593
Intangible assets	11	234,435	223,683
Goodwill	12	149,393	262,829
Equity-accounted investees	14	372,637	423,873
Financial assets measured at fair value through profit or loss ("FVPL")	15	10,003	18,072
Derivative financial assets	17	3,574	5,083
Deferred tax assets	25(b)	31,382	27,637
Other non-current assets	16	109,705	94,081
		1,921,958	2,054,851
Current assets			
Financial assets measured at FVPL	15	40,028	38,201
Inventories	18	414,868	352,428
Trade and other receivables	19	310,648	284,833
Pledged deposits and time deposits	20	225,352	60,765
Cash and cash equivalents	20	1,019,551	1,203,007
		2,010,447	1,939,234
Current liabilities			
Trade and other payables	21	448,342	380,554
Contract liabilities	22	18,770	22,598
Interest-bearing borrowings	23	295,438	185,387
Convertible bonds	27	456,634	-
Lease liabilities	24	46,915	51,944
Income tax payable	25(a)	4,985	17,470
Derivative financial liabilities	17	-	4,172
		1,271,084	662,125
Net current assets		739,363	1,277,109
Total assets less current liabilities		2,661,321	3,331,960

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in United States dollars)

	<i>Note</i>	31 December 2023 US\$'000	31 December 2022 US\$'000
Non-current liabilities			
Interest-bearing borrowings	23	508,330	336,689
Lease liabilities	24	85,327	124,373
Deferred income	26	42,344	38,123
Contract liabilities	22	27,669	24,839
Convertible bonds	27	306,103	769,553
Other payables	21	262,865	220,997
Deferred tax liabilities	25(b)	25,686	24,718
		1,258,324	1,539,292
NET ASSETS		1,402,997	1,792,668
CAPITAL AND RESERVES			
Share capital	29(c)	18	18
Reserves		757,801	1,135,012
Total equity attributable to equity shareholders of the Company		757,819	1,135,030
Non-controlling interests		645,178	657,638
TOTAL EQUITY		1,402,997	1,792,668

Approved and authorised for issue by the board of directors on 28 March 2024.

Zhaohua Chang
Chairman

Jonathan H. Chou
Director

The notes on pages 88 to 200 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023

(Expressed in United States dollars)

	Attributable to equity shareholders of the Company								Total equity US\$'000	
	Note	Share capital	Share premium	Exchange reserve	Capital reserve	Statutory general reserve	Accumulated losses	Total		Non-controlling interests
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000		US\$'000
Balance at 1 January 2022		18	664,862	46,507	1,110,446	119,075	(450,158)	1,490,750	726,742	2,217,492
Changes in equity for 2022:										
Loss for the year		-	-	-	-	-	(436,515)	(436,515)	(151,600)	(588,115)
Other comprehensive income		-	-	(130,539)	1,172	-	-	(129,367)	(47,411)	(176,778)
Total comprehensive income		-	-	(130,539)	1,172	-	(436,515)	(565,882)	(199,011)	(764,893)
Net contributions from non-controlling shareholders of subsidiaries		-	-	-	49,668	-	-	49,668	60,370	110,038
Acquisition of non-controlling interests		-	-	-	(5,370)	-	-	(5,370)	(14,999)	(20,369)
Appropriation of statutory general reserve		-	-	-	-	13,278	(13,278)	-	-	-
Equity-settled share-based transactions		-	-	-	44,747	-	-	44,747	16,164	60,911
Shares issued under share option scheme of the Company	29(c)(iii)	-	5,838	-	(1,391)	-	-	4,447	-	4,447
Shares issued under share option scheme of a subsidiary		-	-	-	152	-	-	152	777	929
Shares purchased under share award scheme		-	-	-	(14,330)	-	-	(14,330)	(8,873)	(23,203)
Shares granted under share award schemes	28(b)	-	-	-	11,714	-	-	11,714	178	11,892
Lapse of share options		-	-	-	(574)	-	574	-	-	-
Conversion of preferred shares to ordinary shares of a subsidiary		-	-	-	117,734	-	-	117,734	90,964	208,698
Dividends to holders of non-controlling interests		-	-	-	-	-	-	-	(12,085)	(12,085)
Others		-	-	-	1,400	-	-	1,400	(2,589)	(1,189)
Balance at 31 December 2022		18	670,700	(84,032)	1,315,368	132,353	(899,377)	1,135,030	657,638	1,792,668

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023

(Expressed in United States dollars)

	Note	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
		Share capital	Share premium	Exchange reserve	Capital reserve	Statutory general reserve	Accumulated losses	Total		
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000		
Balance at 1 January 2023		18	670,700	(84,032)	1,315,368	132,353	(899,377)	1,135,030	657,638	1,792,668
Changes in equity for 2023:										
Loss for the year		-	-	-	-	-	(477,629)	(477,629)	(171,528)	(649,157)
Other comprehensive income		-	-	(10,624)	(643)	-	-	(11,267)	(7,428)	(18,695)
Total comprehensive income		-	-	(10,624)	(643)	-	(477,629)	(488,896)	(178,956)	(667,852)
Net contributions from non-controlling shareholders of subsidiaries	30(c)	-	-	-	82,504	-	-	82,504	171,718	254,222
Disposal of a subsidiary		-	-	-	-	-	-	-	(427)	(427)
Acquisition of non-controlling interests		-	-	-	(4,323)	-	-	(4,323)	(1,005)	(5,328)
Appropriation of statutory general reserve		-	-	-	-	4,603	(4,603)	-	-	-
Equity-settled share-based transactions		-	-	-	22,891	-	-	22,891	11,146	34,037
Shares issued under share option scheme of the Company	29(c)(iii)	-	6,926	-	(1,564)	-	-	5,362	-	5,362
Shares issued under share option scheme of a subsidiary		-	-	-	28	-	-	28	460	488
Shares purchased under share award scheme	28(b)	-	-	-	(636)	-	-	(636)	(556)	(1,192)
Shares granted under share award schemes		-	-	-	4,951	-	-	4,951	671	5,622
Lapse of share options		-	-	-	(710)	-	710	-	-	-
Repurchase of convertible bonds issued by the Company	27(b)	-	-	-	(575)	-	-	(575)	-	(575)
Issuance of convertible bonds	27(b)	-	-	-	3,740	-	-	3,740	-	3,740
Dividends to holders of non-controlling interests		-	-	-	-	-	-	-	(12,544)	(12,544)
Others		-	-	-	(2,257)	-	-	(2,257)	(2,967)	(5,224)
Balance at 31 December 2023		18	677,626	(94,656)	1,418,774	136,956	(1,380,899)	757,819	645,178	1,402,997

The notes on pages 88 to 200 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2023

(Expressed in United States dollars)

	Note	2023 US\$'000	2022 US\$'000
Operating activities			
Cash used in operations	20(c)	(206,254)	(340,021)
Income tax refund received		12,529	14,251
Income tax paid		(38,148)	(17,533)
Net cash used in operating activities		(231,873)	(343,303)
Investing activities			
Payments for the purchase of property, plant and equipment		(166,723)	(235,392)
Settlements of consideration in connection with previous year's acquisitions of subsidiaries		(17,905)	(7,584)
Proceeds from sale of property, plant and equipment and intangible assets		1,092	428
Payments for intangible assets, including expenditure on development costs		(32,398)	(21,882)
Increase in pledged deposits and time deposits		(163,903)	(27,875)
Interest received		6,965	2,974
Cash received from partial disposal of interest in an equity-accounted investee		13,171	–
Payments for the investments in equity-accounted investees		(11,853)	(81,409)
Payments for the investments in financial assets at FVPL		(298,648)	(415,376)
Redemption of financial assets at FVPL		298,562	376,334
Advances to MicroPort Holdings Co., Ltd.		–	(50,000)
Repayment made by MicroPort Holdings Co., Ltd.		–	50,000
Loans to related parties	33(b)	(8,186)	(12,310)
Loans repaid by related parties	33(b)	3,080	8,985
Others		(62)	355
Net cash used in investing activities		(376,808)	(412,752)

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2023

(Expressed in United States dollars)

	Note	2023 US\$'000	2022 US\$'000
Financing activities			
Capital element of lease rentals paid	20(d)	(39,357)	(44,170)
Interest element of lease rentals paid	20(d)	(8,960)	(9,492)
Lease deposits paid		(532)	(6,493)
Proceeds from interest-bearing borrowings, net of transaction costs	20(d)	560,343	375,244
Repayments of interest-bearing borrowings	20(d)	(274,118)	(186,724)
Net proceeds from issuance of convertible bonds, net of transaction costs	20(d)	2,047	88,790
Payment for repurchase of convertible bonds	20(d)	(31,869)	–
Proceeds from issuance of financial instruments with redemption rights	21(ii)	19,077	–
Payments for acquisition of non-controlling interests		(4,888)	(20,369)
Net contributions from non-controlling interests		254,222	110,038
Proceeds from shares issued under the share option scheme		5,850	5,376
Interest paid for the convertible bonds	20(d)	(8,924)	–
Interest paid for interest-bearing borrowings	20(d)	(24,475)	(14,164)
Payment for repurchase of shares under share award scheme	28(b)	(1,192)	(23,203)
Dividends paid to holders of non-controlling interests		(12,544)	(12,085)
Others		217	10,248
Net cash generated from financing activities		434,897	272,996
Net decrease in cash and cash equivalents		(173,784)	(483,059)
Cash and cash equivalents at 1 January		1,203,007	1,754,414
Effect of foreign exchange rate changes		(9,672)	(68,348)
Cash and cash equivalents at 31 December		1,019,551	1,203,007

The notes on pages 88 to 200 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in equity-accounted investees.

Material uncertainty related to going concern

In determining the appropriate basis of preparation of financial statements, the directors are required to consider whether the Group could continue in operational existence for the foreseeable future.

As at 31 December 2023, the Company had convertible bonds issued by the Company with a principal amount of US\$448 million which are due for redemption in June 2024 (see note 27(b)) and had short-term bank borrowings of US\$295.4 million (see note 23) which are due for repayment in 2024. The Group incurred a net loss of US\$649.2 million and a net operating cash outflow of US\$231.9 million for the year ended 31 December 2023.

Given the above, the liquidity of the Group is primarily dependent on its ability to obtain external financing to meet the redemption requirement from the convertible bonds holders before June 2024 and its ability to renew or refinance existing banking facilities and to utilise its cash and cash equivalents available to the Group for repayment of its borrowings (see note 20(b)).

These conditions indicate the existence of material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern.

In view of these circumstances, the directors of the Company have given consideration to the future liquidity of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. The directors have reviewed the Group’s cash flow projections prepared by management, which covers a period of at least 12 months from 31 December 2023. Certain plans and measures have been taken to mitigate the liquidity pressures and to improve its financial position which include, but not limited to, the following:

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (continued)

- (1) The Group has planned or implemented various strategies to improve the liquidity of the Group including to maintain more stringent cost control measure, substantially reduce the budget for research and development costs, defer the plan for discretionary capital expenditure, and plan to realise additional cash from disposal of certain assets or certain equity interests in subsidiaries/equity-accounted investees of the Group;
- (2) The Group are actively engaged in negotiation with a number of banks and certain potential investors to refinance the convertible bonds issued by the Company; and
- (3) The Group are in active discussions with banks for the renewal of existing bank borrowings and obtaining new banking facilities.

The plans and measures as described above incorporate assumptions about future events and conditions. If the above plans and measures are successful, the Group will be able to generate sufficient financing and operating cash flows to meet its liquidity requirements for at least the next twelve months from the end of the reporting period. Based on the directors' intentions and the cash flow forecast mentioned above, the directors are of the opinion that it is appropriate to prepare the Group's financial statements for the year ended 31 December 2023 on a going concern basis. Should the Group not be able to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in these annual financial statements.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- investments in debt and equity securities (see note 1(g)); and
- derivative financial instruments (see note 1(h)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies

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

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

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

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any non-controlling interests ("NCI") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the Company. Loans from holders of NCI and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(r), (s), (t) and (u) depending on the nature of the liability.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests (continued)

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(m)(iii)).

(e) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group or the Company has joint control, whereby the Group or the Company has the rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

An interest in an associate or a joint venture is accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of those investees, until the date on which significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture after applying the expected credit losses ("ECL") model to such other long-term interests where applicable (see note 1(m)(i)).

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

In the Company's statement of financial position, an investment in an associate or a joint venture is stated at cost less impairment losses (see note 1(m)).

(f) Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see note 1(m)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Other investments in securities

The Group's policies for investments in securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 31(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Non-equity investments

Non-equity investments are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see note 1(z)(ii)(d)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in OCI. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.
- FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL, unless the investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in OCI. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income (see note 1(z)(ii)(c)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(h) Derivative financial instruments

Derivative financial instruments are initially measured at fair value. Subsequently, they are measured at fair value with changes therein recognised in profit or loss.

(i) Investment property

Investment properties are stated at cost less accumulated depreciation and impairment losses (see note 1(m)(iii)). Depreciation is calculated to write off the cost of investment property less its estimated residual value using the straight line method over its estimated useful life.

Any gain or loss on disposal of investment property is recognised in profit or loss. Rental income from investment properties is recognised in accordance with note 1(z)(ii)(a).

(j) Property, plant and equipment

Property, plant and equipment, including right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest (see note 1(l)) are stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses (see note 1(m)(iii)).

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

- Freehold land is not depreciated;
- Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion;
- Leasehold improvements are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being 5 to 10 years from the date of completion;
- Equipment and machinery 5 to 11 years
- Office equipment, furniture and fixtures 3 to 10 years
- Motor vehicles 4 to 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(k) Intangible assets (other than goodwill)

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets, including patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see note 1(m)).

Expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

– Technologies	9 to 20 years
– Products licences	12 to 17 years
– Capitalised development costs	5 to 10 years
– Customer contracts and related customer relationship	1.5 to 10 years
– Trademark and others	35 months to 20 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(I) Leased assets (continued)

(i) As a lessee (continued)

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less, and leases of low-value items such as laptops and office furniture. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(j) and 1(m)(iii)).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost (see notes 1(g)(i), 1(z)(ii)(d) and 1(m)(i)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

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

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16, *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(l) Leased assets (continued)

(ii) As a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. Otherwise, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 1(z)(ii)(a).

(m) Credit losses and impairment of assets

(i) Credit losses from financial instruments and lease receivables

The Group recognises a loss allowance for ECLs on:

- financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables, including those loans to associates and joint ventures that are held for the collection of contractual cash flows which represent solely payments of principal and interest);
- contract assets as defined in HKFRS 15 (see note 1(o)); and
- lease receivables.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate; and
- lease receivables: discount rate used in the measurement of the lease receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and lease receivables (continued)

Measurement of ECLs (continued)

ECLs are measured on either of the following bases:

- 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and
- lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments (including loan commitments issued) for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and lease receivables (continued)

Significant increases in credit risk (continued)

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or lease receivable is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group otherwise determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (continued)

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

The amount initially recognised as deferred income is subsequently amortised in profit or loss over the term of the guarantee as income.

The Group monitors the risk that the specified debtor will default on the contract and remeasures the above liability at a higher amount when ECLs on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees.

A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 1(m)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (continued)

(iii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of the following non-financial assets to determine whether there is any indication of impairment:

- investment properties;
- property, plant and equipment, including right-of-use assets;
- intangible assets;
- goodwill;
- investments in equity-accounted investees; and
- investments in subsidiaries and equity-accounted investees in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated annually whether there is any indication of impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (continued)

(iv) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 1(m)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(n) Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(o) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 1(z)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs (see note 1(m)(i)) and are reclassified to receivables when the right to the consideration becomes unconditional (see note 1(p)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 1(z)). A contract liability also includes variable considerations such as rebates which are to offset further purchases from the customers.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 1(z)(ii)(d)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(p) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. And only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see note 1(m)(i)).

Insurance reimbursement is recognised and measured in accordance with note 1(y).

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECLs (see note 1(m)(i)).

(r) Trade and other payables (other than refund liabilities)

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Preferred shares

The preferred shares issued by the subsidiaries are classified, on the basis of their component parts, as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Preferred shares issued by the subsidiaries are classified as equity if they are non-redeemable by the Group or redeemable only at the Group's option, and any dividends are discretionary. Dividends on preferred shares classified as equity are recognised as distributions within equity.

Preferred shares are classified as financial liabilities if they are redeemable on a specific date or at the option of the non-controlling shareholders, or upon occurrence/non-occurrence of contingent events which the Group is not able to control over, or if dividend payments are not discretionary. The liability is recognised and measured in accordance with the Group's policy for interest-bearing borrowings set out in note 1(t) and accordingly dividends thereon are recognised on an accrual basis in profit or loss as part of finance costs.

Conversion features of preferred shares are classified separately as equity if the option will be settled by exchange of a fixed amount of cash and other financial assets for a fixed number of the Group's own equity instruments. The equity component is the difference between the initial fair value of the preferred shares as a whole and the initial fair value of the liability component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity component in proportion to the allocation of proceeds.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(t) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with note 1 (bb).

(u) Convertible bonds issued

(i) Convertible bonds issued that contain an equity component

Convertible bonds that can be converted into ordinary shares at the option of the holder, where a fixed number of shares are issued for a fixed amount of cash or other financial assets, are accounted for as compound financial instruments, i.e. they contain both a liability component and an equity component.

The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

If the bonds are converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued.

On early redemption of convertible bonds, the redemption payment is allocated to the liability and equity components. The method used is consistent with that used initially to allocate the instrument between its debt and equity components. The fair value of the liability component at the redemption date is compared with the carrying amount, giving rise to a gain or loss on redemption that is recognised in profit or loss. The remainder of the redemption payment is recognised in equity.

(ii) Other convertible bonds

Convertible bonds which do not contain an equity component and contain several embedded derivatives, have been designated entirely as financial liabilities at FVPL. At initial recognition, the convertible bonds are measured at fair value. Transaction costs that relate to the issue of the convertible bonds are recognised immediately in profit or loss. Subsequent changes in the fair value of convertible bonds are recognised in profit or loss.

If the convertible bonds are converted, the fair value of the convertible bonds is transferred to share capital and share premium as consideration for the shares issued. If the convertible bonds are redeemed, any difference between the amount paid and the carrying amount of the convertible bonds is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(v) Repurchase and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is deducted from equity attributable to the Company's equity holders, except for shares repurchased that are qualified as plan assets, which should be measured at fair value and not presented as a deduction from equity. Repurchased shares held at the end of reporting period are classified as treasury shares and are presented as a decrease in the capital reserve. When treasury shares are sold or reissued subsequently, the consideration received, net of any directly attributable transaction costs, is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in capital reserve.

(w) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount.

The calculation of defined benefit obligation is performed by using the projected unit credit method.

Remeasurements arising from defined benefit plans, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of any asset ceiling (excluding interest), are recognised immediately in OCI. Net interest expense for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

(iii) Share-based payments

The grant-date fair value of equity-settled share-based payments granted to employees is measured using the binomial lattice model. The amount is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(w) Employee benefits (continued)

(iv) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

(v) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

(x) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax, comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(x) Income tax (continued)

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(y) Provisions, contingent liabilities and onerous contracts

Generally, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract (see note 1(m)(iii)).

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(z) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

(a) Sale of medical devices

Revenue from product sales is recognised when the customer takes possession of and accepts the products, depending on the terms set forth in the customer contract. The Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less.

Provisions for estimated discounts and rebates to customers, returns/exchanges and other adjustments are accounted for as variable consideration and recorded as a reduction in sales.

In certain of the Group's business, the Group participates in arrangements that include multiple performance obligations. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis except when a variable consideration is allocated to a specific performance obligation in the contract. Generally, the Group establishes standalone selling prices with reference to the observable prices of products or services sold separately in comparable circumstances to similar customers. If the observable stand-alone selling prices are not available, the Group uses an expected costs plus a margin approach to estimate the stand-alone selling price.

(b) Revenue from rendering of services

Revenue from rendering of services is recognised over time by measuring the progress of that performance obligation.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(z) Revenue and other income (continued)

(ii) Revenue from other sources and other income

(a) Rental income from operating leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(b) Finance lease income

Finance lease income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the lease receivables to the gross carrying amount of the lease receivables.

(c) Dividends

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

(d) Interest income

Interest income is recognised using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(e) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income and subsequently recognised in profit or loss on a systematic basis over the useful life of the asset.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(aa) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into United States dollars ("US\$") at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into US\$ at the exchange rates at the end of each month.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(bb) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(cc) Asset acquisition

Groups of assets acquired and liabilities assumed are assessed to determine if they are business or asset acquisitions. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantial process and whether the acquired assets has the ability to produce outputs.

The Group has an option to apply, on an acquisition-by-acquisition basis, 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.

When a group of assets acquired and liabilities assumed do not constitute a business, the overall acquisition cost is allocated to the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. An exception is when the sum of the individual fair values of the identifiable assets and liabilities differs from the overall acquisition cost. In such case, any identifiable assets and liabilities that are initially measured at an amount other than cost in accordance with the Group's policies are measured accordingly, and the residual acquisition cost is allocated to the remaining identifiable assets and liabilities based on their relative fair values at the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(dd) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(ee) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgement:

(i) Consolidation of the entity in which the Group holds less than a majority of voting rights

In accordance the Group's accounting policy set out in note 1(d), in determining whether the Group has the controls over the entities where the Group holds less than a majority of voting rights, management evaluates relevant facts and circumstances available, including the size of the Group's relative holding of voting rights, dispersion of the holdings of other vote holders, voting patterns at previous shareholders' meetings of the entities and the practical ability to direct the relevant activities. Judgement is reassessed on a continuous basis. If management concludes the Group does not have power over the entity, the Group shall derecognise the assets and liabilities of the respective entity from the consolidated statement of financial position.

(ii) Determining the lease term

As explained in policy note 1(l), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(b) Sources of estimation uncertainty

Notes 5(b), 12, 28 and 31(e) contain information about the assumptions and their risk factors relating to defined benefit retirement plans, goodwill impairment, fair value of share options granted and financial instruments. Other key sources of estimation uncertainty are as follows:

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

2 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(b) Sources of estimation uncertainty (continued)

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions. Management reassesses these estimations at the balance sheet dates to ensure inventory is shown at the lower of cost and net realisable value.

(ii) Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The management carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of these transactions is reconsidered periodically to take into account changes in tax legislations. Deferred tax assets are recognised for deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which they can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(iii) Impairment of non-current assets

Internal and external sources of information are reviewed by the Group at the end of each reporting period to assess whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset or the cash-generating unit to which it belongs is estimated to determine impairment losses on the asset. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and revised estimates of recoverable amount, which would affect profit or loss in future years. Goodwill and intangible assets not yet available for use are tested for impairment at least annually even if there is no indication of impairment.

(iv) Revenue recognition

Revenue from sales of medical devices is after the deduction of sales discounts. Such revenue recognition is dependent on estimating the sales rebates granted to customers which are primarily volume based. Based on the Group's experience, the Group has made estimates to the extent which it considered that it is highly probable that the customer will satisfy the rebate entitlement criteria within the rebate period.

In addition, as explained in note 1(z)(i), in certain of the Group's business, such as the cardiac rhythm management business (the "CRM business") and the surgical robot business, the Group participates in sales arrangements that include multiple performance obligations. The total transaction price is allocated to each performance obligation in an amount based on the estimated relative stand-alone selling prices of the goods or services underlying each performance obligation. The Group estimates stand-alone selling prices with reference to the observable prices of products or services sold separately in comparable circumstances to similar customers. If the observable stand-alone selling prices are not available, the Group uses an expected costs plus a margin approach to estimate the stand-alone selling price. For the CRM business, the Group also considers the average costs, the frequency of the provision of each post-sales service and the estimated product lives.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

2 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(b) Sources of estimation uncertainty (continued)

(iv) Revenue recognition (continued)

These estimates are based on the historical information as well as prevailing market conditions. Management reassessed the estimation based on related available information at reporting period end. Changes in facts and circumstances may result in revisions to the conclusion, which would affect profit or loss.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

(i) Disaggregation of revenue

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

	2023 US\$'000	2022 US\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
– Sales of medical devices	928,686	822,484
– Others	15,192	15,933
	943,878	838,417
Revenue from other sources	6,847	2,414
	950,725	840,831

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in notes 3(b)(i) and 3(b)(iii) respectively.

Revenue from each major customer which accounted for 10% or more of the Group's revenue is set out below:

	2023 US\$'000	2022 US\$'000
Customer A	N/A*	97,004

* Less than 10% of the Group's revenue in the respective years

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Revenue (continued)

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2023, the aggregated amount of the transaction price allocated to the remaining performance obligation under the Group's existing contracts was US\$45,249,000 (2022: US\$44,652,000). This amount represents revenue expected to be recognised in the future from rendering post-sales services and extended warranty services. The Group will recognise the expected revenue in future when or as the service is rendered.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of medical devices that had an original expected duration of one year or less.

(b) Segment reporting

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

Cardiovascular devices business	sales, manufacture, research and development ("R&D") of cardiovascular devices, such as drug eluting stents.
Orthopedics devices business	sales, manufacture, R&D of orthopedics devices.
CRM business	sales, manufacture, R&D of cardiac rhythm management devices.
Endovascular and peripheral vascular devices business	sales, manufacture, R&D of endovascular and peripheral vascular devices.
Neurovascular devices business	sales, manufacture, R&D of neurovascular devices.
Heart valve business	sales, manufacture, R&D of heart valve devices.
Surgical robot business	sales, manufacture, R&D of surgical robot devices.
Surgical devices business	sales, manufacture, R&D of surgical devices.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all current and non-current assets with the exception of corporate assets. Segment liabilities include liabilities directly attributable to the activities of each individual segment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment profit/(loss) includes the Group's share of profit/(loss) arising from the activities of the Group's equity-accounted investees that directly held by the respective reportable segment. However, other than reporting inter-segment sales, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The measure used for reporting segment profit/(loss) is "reportable segment net profit/(loss)". Items that are not specifically attributed to individual segments, such as unallocated exchange gain/(loss), unallocated corporate income and expenses, unallocated equity-settled share-based payment expenses and the People's Republic of China ("PRC") dividends withholding tax are excluded from segment net profit/(loss).

In addition to receiving segment information concerning reportable segment net profit/(loss), management is provided with segment information concerning revenue from external customers, interest income from bank deposits, interest expenses, depreciation and amortisation, impairment losses of non-current assets, ECLs on trade and other receivables and additions to non-current segment assets used by the segments in their operations.

Disaggregation of revenue from contracts with customers by the 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 years ended 31 December 2023 and 2022 is set out below.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

	2023									
	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 robot business US\$'000	Surgical devices business US\$'000	Others*	Total US\$'000
Disaggregated by timing of revenue recognition										
Point in time	145,322	235,626	197,173	167,983	93,605	47,134	11,015	7,581	27,858	933,297
Over time	1,914	1,714	9,843	-	280	-	-	-	3,677	17,428
Revenue from external customers	147,236	237,340	207,016	167,983	93,885	47,134	11,015	7,581	31,535	950,725
Inter-segment revenue	11,645	1,026	25	238	284	381	3,791	180	-	17,570
Reportable segment revenue	158,881	238,366	207,041	168,221	94,169	47,515	14,806	7,761	31,535	968,295
Reportable segment net profit/(loss)	4,313	(79,852)	(103,200)	69,052	19,086	(66,829)	(145,062)	(130,315)	(101,678)	(534,485)
Interest income from bank deposits	1,929	138	3,661	1,312	2,337	12,084	1,249	12	1,080	23,802
Interest expense	3,329	10,777	26,093	209	490	555	2,609	740	4,116	48,918
Depreciation and amortisation for the year	21,476	29,016	16,464	7,158	8,295	10,086	15,805	9,099	14,130	131,529
Provision for impairment of:										
- Property, plant and equipment	-	-	-	-	-	-	-	143	2,109	2,252
- Equity-accounted investees	-	-	-	-	4,309	11,526	-	-	-	15,835
- Intangible assets	-	-	3,507	-	-	-	-	-	565	4,072
- Goodwill	-	18,070	-	-	-	-	-	101,473	-	119,543
- Trade and other receivables	10	3,892	-	189	-	-	-	79	-	4,170
Reportable segment assets	518,621	528,697	394,871	599,250	276,821	363,584	201,498	98,459	612,588	3,594,389
Additions to non-current segment assets during the year	37,357	80,715	25,059	54,349	15,235	16,484	23,936	17,683	83,582	354,400
Reportable segment liabilities	259,757	431,171	461,700	53,413	45,114	33,522	129,499	117,093	198,359	1,729,628

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

	2022									
	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 robot business US\$'000	Surgical devices business US\$'000	Others*	Total US\$'000
Disaggregated by timing of revenue recognition										
Point in time	133,057	222,787	191,083	133,179	79,900	36,808	3,092	4,511	20,403	824,820
Over time	1,073	768	13,156	-	-	-	-	-	1,014	16,011
Revenue from external customers	134,130	223,555	204,239	133,179	79,900	36,808	3,092	4,511	21,417	840,831
Inter-segment revenue	12,521	1,780	940	89	302	209	-	-	356	16,197
Reportable segment revenue	146,651	225,335	205,179	133,268	80,202	37,017	3,092	4,511	21,773	857,028
Reportable segment net profit/(loss)	(7,412)	(88,550)	(101,121)	52,425	(4,318)	(66,331)	(168,748)	(30,356)	(77,802)	(492,213)
Interest income from bank deposits	905	74	278	1,669	1,426	5,344	3,734	11	1,151	14,592
Interest expense	2,488	5,980	21,983	308	15,213	768	1,646	737	2,789	51,912
Depreciation and amortisation for the year	22,272	26,919	14,971	6,659	8,508	15,012	16,034	7,261	14,748	132,384
Provision for impairment of:										
- Property, plant and equipment	-	-	-	-	-	-	-	-	32	32
- Intangible assets	-	-	-	-	-	7,050	-	-	-	7,050
- Goodwill	-	16,481	-	-	-	-	-	-	-	16,481
- Trade and other receivables	98	4,233	-	389	-	-	-	-	86	4,806
Reportable segment assets	565,823	489,305	471,111	287,148	260,852	433,178	276,960	213,392	560,184	3,557,953
Additions to non-current segment assets during the year	17,719	54,597	6,607	66,882	6,379	22,762	48,070	10,777	72,508	306,301
Reportable segment liabilities	239,368	335,395	438,940	35,813	47,417	35,304	73,491	67,526	152,192	1,425,446

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(ii) Reconciliation of reportable segment profit or loss, assets and liabilities

	2023 US\$'000	2022 US\$'000
Profit or loss		
Reportable segment net loss	(534,485)	(492,213)
Share awards scheme	(4,241)	(6,223)
Other equity-settled share-based payment expenses	(12,589)	(35,991)
Interest expenses on convertible bonds issued by the Company	(35,883)	(16,254)
Unallocated exchange loss	(3,721)	(2,905)
Impairment losses of equity-accounted investees	(14,266)	-
Gain on disposal of subsidiaries, net of tax	2,845	7,107
Unallocated expenses, net	(46,817)	(41,636)
Consolidated loss for the year	(649,157)	(588,115)
Assets		
Reportable segment assets	3,594,389	3,557,953
Elimination of inter-segment assets	(88,974)	(118,929)
Unallocated corporate assets:		
– Cash and cash equivalents	49,390	243,035
– Pledged and time deposits	106,388	-
– Equity-accounted investees	71,217	102,450
– Property, plant and equipment	143,551	160,556
– Others	56,444	49,020
Consolidated total assets	3,932,405	3,994,085

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(ii) Reconciliation of reportable segment profit or loss, assets and liabilities (continued)

	2023 US\$'000	2022 US\$'000
Liabilities		
Reportable segment liabilities	1,729,628	1,425,446
Elimination of inter-segment liabilities	(88,974)	(118,929)
Convertible bonds	669,901	676,623
Interest-bearing borrowings	154,452	135,865
Lease liabilities	20,782	21,109
Income tax payable arising from partial disposal of equity interests in a subsidiary	–	11,254
Unallocated corporate liabilities	43,619	50,049
Consolidated total liabilities	2,529,408	2,201,417

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(iii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment property, property, plant and equipment, intangible assets, goodwill and investments in equity-accounted investees ("specified non-current assets"). The geographical location of customers is based on the location at which the goods are delivered and services are rendered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in case of goodwill and intangible assets, and the location of operations, in case of investments in equity-accounted investees.

	Revenues from external customers		Specified non-current assets	
	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
The PRC (country of domicile)	492,789	405,636	1,342,232	1,376,300
North America	99,928	96,455	140,431	185,972
Europe	253,576	246,848	248,540	295,549
Asia (excluding the PRC)	71,424	64,094	35,059	50,370
South America	22,814	12,065	837	1,516
Others	10,194	15,733	195	271
	950,725	840,831	1,767,294	1,909,978

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

4 OTHER NET INCOME

	2023 US\$'000	2022 US\$'000
Government grants (i)	21,712	18,789
Interest income on financial assets measured at amortised cost	32,700	19,107
Net loss on disposal of property, plant and equipment	(6,732)	(455)
Net foreign exchange (loss)/gain	(7,705)	4,495
Net realised and unrealised loss on financial instruments carried at FVPL	(13,001)	(751)
Gain on repurchase of convertible bonds (note 27(b)(i))	9,300	–
Others	239	(5,035)
	36,513	36,150

(i) Majority of the government grants are subsidies received from government for the encouragement of R&D projects.

5 LOSS BEFORE TAXATION

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

(a) Finance costs

	2023 US\$'000	2022 US\$'000
Interest on the convertible bonds (note 27(b))	35,883	16,254
Interest on interest-bearing borrowings	24,522	13,728
Interest on preferred shares issued by subsidiaries (note 21(ii))	24,123	34,958
Interest on lease liabilities (note 10(b))	8,960	9,575
Total interest expense on financial liabilities not at fair value through profit or loss	93,488	74,515
Less: interest expense capitalised into properties under development*	(756)	(603)
Add: fee charges and others	3,304	4,489
	96,036	78,401

* Borrowing costs have been capitalised at a rate of 2.15% – 4.05% per annum in 2023 (2022: 1.55% – 4.20%).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

5 LOSS BEFORE TAXATION (CONTINUED)

(b) Staff costs

	2023 US\$'000	2022 US\$'000
Contributions to defined contribution retirement plans	30,751	34,674
Expenses recognised in respect of defined benefit retirement plans	633	749
Equity-settled share-based payment expenses (note 28(f))	39,659	72,803
Cash-settled share-based payment expenses and other long-term employee benefits	2,245	4,272
Salaries, wages and other benefits	483,049	452,627
	556,337	565,125

(i) Defined contribution retirement plans

The PRC

As stipulated by the labour regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at a specified proportion of the eligible employees' salaries. The Group's contributions made to the plans are non-refundable and cannot be used to reduce the future or existing level of contribution of the Group should any forfeiture be resulted from the plans.

The United States (the "US")

The Group sponsors a defined contribution plan under Section 401(k) of the Internal Revenue Code, which covers US employees who are 21 years of age and over. Under this plan, the Group matches voluntary employee contributions at a rate of 100% for the first 3% of an employee's annual compensation and at a rate of 50% for the next 2% of an employee's annual compensation.

(ii) Defined benefit retirement plans

The Group makes contribution to several defined benefit retirement plans in Italy, France and Japan. In Italy and France, the Group maintains a severance defined benefit plan that obligates the employer to pay a severance payment in case of resignation, dismissal or retirement. In other jurisdictions, non-contributory defined benefit plans are designated to provide a guaranteed minimum retirement benefits to eligible employees.

The defined benefit plans expose the Group to various demographic and economic risks such as longevity risks, investment risks, currency and interest risks and inflation risks. When calculating the defined benefit liabilities, the Group estimated the key assumptions by reference to actuarial valuations. The Group recorded the present value of funded obligation of approximately US\$8,500,000 as at 31 December 2023 (31 December 2022: US\$8,088,000), with actuarial gain of US\$91,000 being recorded in other comprehensive income for the year ended 31 December 2023 (31 December 2022: gain of US\$532,000).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

5 LOSS BEFORE TAXATION (CONTINUED)

(b) Staff costs (continued)

(iii) Long-term defined benefit plans

The Group adopted a long-term defined benefit plan, pursuant to which, eligible employees of the Group in the PRC will receive a lump-sum benefit calculated by predetermined formula upon the fulfilment of 30-year service period or retirement. The plan is funded by contributions from the Group and administered by an independent trustee, whose assets are held separately from those of the Group. The trustees are required by the trust deed to repurchase and hold the shares of the Company as investments.

The plan exposes the Group to interest rate risks, investment risks, equity price risks and other economic risks. The Group recorded the present value of funded obligation of approximately US\$1,773,000 as at 31 December 2023 (31 December 2022: US\$1,422,000), with an actuarial loss of US\$295,000 being recorded in other comprehensive income for the year ended 31 December 2023 (31 December 2022: a loss of US\$69,000).

(c) Other operating costs

	2023 US\$'000	2022 US\$'000
Legal and profession fee	4,105	5,262
Impairment losses of non-current assets (note 5(d))	155,975	23,531
Donations and others	8,642	20,486
	168,722	49,279

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

5 LOSS BEFORE TAXATION (CONTINUED)

(d) Other items

	2023 US\$'000	2022 US\$'000
Amortisation of intangible assets* (note 11)	19,466	19,430
Depreciation charge*		
– owned property, plant and equipment (note 10)	83,335	67,699
– right-of-use assets (note 10)	49,231	54,863
Less: Amounts capitalised as development costs	(787)	(645)
Total amortisation and depreciation	151,245	141,347
Impairment losses on		
– trade and other receivables	4,171	4,806
– property, plant and equipment	2,257	32
– equity-accounted investees	30,101	–
– intangible assets	4,074	7,050
– goodwill	119,543	16,481
	160,146	28,369
R&D expenditures	406,203	431,291
Less: Amortisation of capitalised development costs	(8,814)	(8,657)
Costs capitalised into intangible assets	(30,802)	(11,463)
	366,587	411,171
Cost of inventories* (note 18(b))	470,225	392,110
Auditors' remuneration		
– audit services	3,709	4,725
– other services	251	948
	3,960	5,673

* Cost of inventories includes US\$117,112,000 (2022: US\$118,997,000) relating to staff costs and depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2023 US\$'000	2022 US\$'000
Current tax – PRC Corporate Income Tax (“CIT”)		
Provision for the year	18,208	13,562
Under-provision in respect of prior years	1,928	527
	20,136	14,089
Current tax – other jurisdictions		
Provision for the year	6,419	2,931
Over-provision in respect of prior years	(526)	(787)
	5,893	2,144
Total current tax	26,029	16,233
Deferred tax		
Origination and reversal of temporary differences (note 25(b))	(3,387)	(9,636)
	22,642	6,597

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

(b) Pillar Two income tax

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

(c) Reconciliation between income tax expense and accounting loss at applicable tax rates:

	2023 US\$'000	2022 US\$'000
Loss before taxation	(626,515)	(581,518)
Notional tax on loss before taxation, calculated at the rates applicable to profit in the countries concerned	(132,301)	(113,216)
Effect of the PRC preferential tax rate	(13,223)	(3,905)
Effect of other non-deductible expenses	39,820	8,362
Effect of additional deduction on research and development expenses	(19,720)	(31,757)
Effect of tax losses and temporary differences not recognised	151,639	151,803
Effect of non-taxable income	(5,859)	(4,447)
Withholding tax	1,839	1,484
Under/(over)-provision in respect of prior years	1,402	(260)
Others	(955)	(1,467)
Actual tax expenses	22,642	6,597

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

7 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2023						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Equity-settled share-based payment (Note)	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Executive director							
Zhaohua Chang	-	-	200	-	200	2,160	2,360
Non-executive directors							
Norihiro Ashida	71	-	-	-	71	-	71
Hongliang Yu (resigned on 30 August 2023)	-	-	-	-	-	-	-
Yasuhisa Kurogi (resigned on 19 June 2023)	-	-	-	-	-	-	-
Hiroshi Shirafuji (appointed on 19 June 2023)	36	-	-	-	36	-	36
Weiqin Sun (appointed on 30 August 2023)	-	-	-	-	-	-	-
Qiyi Luo (appointed on 30 August 2023) (ii)	24	231	-	-	255	433	688
Bo Peng (appointed on 10 November 2023) (ii)	10	234	-	21	265	574	839
Independent non-executive directors							
Jonathan Chou	71	44	-	-	115	3	118
Guoen Liu	71	7	-	-	78	3	81
Chunyang Shao	71	5	-	-	76	3	79
	354	521	200	21	1,096	3,176	4,272

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

7 DIRECTORS' EMOLUMENTS (CONTINUED)

	2022						Total US\$'000
	Directors' fees US\$'000	Salaries, allowances and benefits in kind US\$'000	Discretionary bonuses US\$'000	Retirement scheme contributions US\$'000	Sub-Total US\$'000	Equity-settled share-based payment (Note) US\$'000	
Executive director							
Zhaohua Chang	-	-	226	-	226	13,735	13,961
Non-executive directors							
Norihiro Ashida	37	-	-	-	37	-	37
Hongliang Yu	-	-	-	-	-	-	-
Yasuhisa Kurogi	-	-	-	-	-	-	-
Independent non-executive directors							
Jonathan Chou	33	41	-	-	74	79	153
Guoen Liu	74	7	-	-	81	79	160
Chunyang Shao	74	8	-	-	82	79	161
	218	56	226	-	500	13,972	14,472

Notes:

- (i) These represent the estimated value of share options granted to the directors under the Group's share option scheme and estimated value of the restricted shares granted under the Company's share award scheme. The value of these share options and restricted shares is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(w)(iii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option schemes" in report of the director and note 28.

- (ii) Qiyi Luo and Bo Peng were key management personnel of the Group since the appointment as the directors of the Group. Their remuneration disclosed above include those for services rendered by them as key management personnel during the year.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2022: one) is director whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other four (2022: four) individual are as follows:

	2023 US\$'000	2022 US\$'000
Salaries and other benefits	527	495
Discretionary bonuses	267	466
Equity-settled share-based payment	11,242	12,390
	12,036	13,351

The emoluments of the four (2022: four) individuals with the highest emoluments are within the following bands:

	2023 Number of Individuals	2022 Number of Individuals
HK\$11,500,001 to HK\$12,000,000	1	–
HK\$12,500,001 to HK\$13,000,000	1	–
HK\$13,000,001 to HK\$13,500,000	–	1
HK\$14,000,001 to HK\$14,500,000	–	1
HK\$25,000,001 to HK\$25,500,000	1	–
HK\$29,500,001 to HK\$30,000,000	–	1
HK\$44,500,001 to HK\$45,000,000	1	–
HK\$47,000,001 to HK\$47,500,000	–	1

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

9 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of US\$477,629,000 (2022: US\$436,515,000) and the weighted average number of ordinary shares of 1,823,930,000 shares (2022: 1,812,826,000 shares) in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares

	2023 '000	2022 '000
Issued ordinary shares at 1 January	1,827,618	1,820,751
Effect of share options exercised	4,661	3,426
Effect of treasury shares held	(8,349)	(11,351)
Weighted average number of ordinary shares at 31 December	1,823,930	1,812,826

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

9 LOSS PER SHARE (CONTINUED)

(b) Diluted loss per share

The calculation of diluted loss per share is based on the loss attributable to ordinary equity shareholders of the Company of US\$495,554,000 (2022: loss of US\$453,474,000) and the weighted average number of ordinary shares of 1,823,930,000 shares (2022: 1,817,910,000 shares) after adjusting the effects of dilutive potential issuable ordinary shares under a put option granted to Sino Rhythm Limited ("SRL") that may be settled in ordinary shares of the Company, calculated as follows.

(i) Loss attributable to ordinary equity shareholders of the Company (diluted)

	2023 US\$'000	2022 US\$'000
Loss attributable to ordinary equity shareholders	(477,629)	(436,515)
Effect of deemed exercise of put option granted to SRL in respect of share repurchase obligation (note 17(ii))	(17,925)	(16,959)
Loss attributable to ordinary equity shareholders (diluted)	(495,554)	(453,474)

(ii) Weighted average number of ordinary shares (diluted)

	2023 '000	2022 '000
Weighted average number of ordinary shares at 31 December	1,823,930	1,812,826
Effect of deemed exercise of put option granted to SRL in respect of share repurchase obligation	–	5,084
Weighted average number of ordinary shares (diluted) at 31 December	1,823,930	1,817,910

Save as disclosed above, the calculation of diluted loss per share amount for the year ended 31 December 2023 has not included the potential effects of the deemed issue of shares under the share option schemes adopted by the Company (see note 28(a)(i)) and the deemed conversion of the convertible bonds issued by the Company (see note 27(b)) into ordinary shares during the year and neither included the effects of potential ordinary shares in or issued by subsidiaries and equity-accounted investees of the Group, as they had anti-dilutive effects on the basic loss per share amount.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

10 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Ownership interests in land and buildings held for own use US\$'000	Leasehold improvements US\$'000	Equipment and machinery US\$'000	Office equipment, furniture and fixtures US\$'000	Motor vehicles US\$'000	Right-of-use assets US\$'000	Construction in progress US\$'000	Sub-total US\$'000	Investment property US\$'000	Total US\$'000
Cost:										
At 1 January 2022	384,684	51,960	304,561	78,587	3,080	314,349	104,184	1,241,405	9,296	1,250,701
Exchange adjustments	(32,446)	(923)	(25,489)	(3,024)	(264)	(23,689)	(6,973)	(92,808)	(793)	(93,601)
Transfer	3,747	48,781	54,374	13,654	393	-	(120,949)	-	-	-
Additions	260	662	26,041	1,531	169	41,953	194,901	265,517	236	265,753
Disposals	(260)	(295)	(4,248)	(1,536)	(38)	(7,464)	(140)	(13,981)	-	(13,981)
At 31 December 2022 and 1 January 2023	355,985	100,185	355,239	89,212	3,340	325,149	171,023	1,400,133	8,739	1,408,872
Exchange adjustments	(3,770)	(1,711)	(2,719)	(896)	(53)	(1,566)	(3,016)	(13,731)	(146)	(13,877)
Transfer	18,324	28,351	41,465	6,177	29	-	(94,346)	-	-	-
Additions	3	1,692	21,261	4,659	26	14,573	154,902	197,116	-	197,116
Disposals	(17)	(13,686)	(19,043)	(3,706)	(44)	(30,237)	(1,024)	(67,757)	-	(67,757)
At 31 December 2023	370,525	114,831	396,203	95,446	3,298	307,919	227,539	1,515,761	8,593	1,524,354

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

10 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Reconciliation of carrying amount (continued)

	Ownership interests in land and buildings held for own use US\$'000	Leasehold improvements US\$'000	Equipment and machinery US\$'000	Office equipment, furniture and fixtures US\$'000	Motor vehicles US\$'000	Right-of-use assets US\$'000	Construction in progress US\$'000	Sub-total US\$'000	Investment properties US\$'000	Total US\$'000
Accumulated depreciation, amortisation and impairment:										
At 1 January 2022	44,040	20,544	143,458	55,283	2,359	52,847	-	318,531	1,889	320,420
Exchange adjustments	(4,874)	(645)	(9,968)	(3,276)	(202)	(3,545)	-	(22,510)	(173)	(22,683)
Charge for the year	10,982	11,854	37,906	6,187	358	54,863	-	122,150	444	122,594
Written back on disposals	(134)	(269)	(3,833)	(1,390)	(36)	(5,390)	-	(11,052)	-	(11,052)
At 31 December 2022 and 1 January 2023	50,014	31,484	167,563	56,804	2,479	98,775	-	407,119	2,160	409,279
Exchange adjustments	(511)	(674)	(630)	(477)	(39)	952	-	(1,379)	(36)	(1,415)
Charge for the year	9,720	21,278	41,206	12,899	276	49,231	-	134,610	213	134,823
Written back on disposals	(3)	(3,544)	(8,324)	(2,288)	(41)	(14,962)	-	(29,162)	-	(29,162)
At 31 December 2023	59,220	48,544	199,815	66,938	2,675	133,996	-	511,188	2,337	513,525
Net book value:										
At 31 December 2023	311,305	66,287	196,388	28,508	623	173,923	227,539	1,004,573	6,256	1,010,829
At 31 December 2022	305,971	68,701	187,676	32,408	861	226,374	171,023	993,014	6,579	999,593

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

10 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Note	31 December 2023 US\$'000	31 December 2022 US\$'000
Land use rights, carried at depreciated cost	(i)	49,305	51,309
Properties leased for own use and others, carried at depreciated cost	(ii)	124,618	175,065
		173,923	226,374

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2023 US\$'000	2022 US\$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Land use rights	1,104	2,110
Properties leased for own use and others	48,127	52,753
	49,231	54,863
Interest on lease liabilities (note 5(a))	8,960	9,575
Expense relating to short-term leases and leases of low-value assets	4,885	3,401

During the year, the Group entered into a number of lease agreements for use of property and machinery, and therefore recognised the additions to right-of-use assets of US\$14,573,000 (2022: US\$21,808,000).

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 20(e) and 31(b), respectively.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

10 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Right-of-use assets (continued)

(i) Land use rights

The Group has obtained land use rights in the PRC where certain manufacturing facilities are located. The land use rights are typically granted for 30 to 50 years, on the expiry of which the land reverts back to the PRC state. The payment for leasing the land is normally made in full at the start of the land use rights period.

(ii) Properties leased for own use

The Group has obtained the right to use other properties as its manufacturing facilities, warehouses and office buildings through tenancy agreements. The leases typically run for an initial period of 1 to 10 years. None of the leases includes variable lease payments.

(c) Investment property

The Group leases out investment property located in the PRC under operating leases. The leases typically run for an initial period of 1 to 5 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the lease includes variable lease payments.

As at 31 December 2023, the fair value of investment property is approximately US\$12.3 million (2022: US\$11.1 million), which is determined by management with reference to the market price of comparable properties.

Undiscounted lease payments under non-cancellable operating leases in place at 31 December 2023 is US\$2,323,000 (2022: US\$2,194,000), which will be receivable by the Group within 5 years.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

11 INTANGIBLE ASSETS

	Technologies US\$'000	Products licences US\$'000	Capitalised development costs US\$'000	Customer contracts and related customer relationship US\$'000	Trademark and others US\$'000	Total US\$'000
Cost						
At 1 January 2022	116,367	18,274	155,967	25,915	11,823	328,346
Exchange adjustments	(7,648)	2,110	(14,111)	(701)	(3,564)	(23,914)
Additions	372	1,292	11,463	187	5,109	18,423
Additions through acquisitions	(1,590)	–	–	(2,619)	–	(4,209)
Disposal	–	(539)	–	–	(2)	(541)
At 31 December 2022 and 1 January 2023	107,501	21,137	153,319	22,782	13,366	318,105
Exchange adjustments	1,757	191	(2,687)	472	360	93
Additions	736	163	30,802	24	3,005	34,730
Disposal	–	–	–	–	(301)	(301)
At 31 December 2023	109,994	21,491	181,434	23,278	16,430	352,627
Accumulated amortisation and impairment:						
At 1 January 2022	15,904	12,023	28,273	13,685	1,852	71,737
Exchange adjustments	(434)	(594)	(2,553)	(406)	269	(3,718)
Amortisation charge for the year	6,117	1,610	10,177	1,226	300	19,430
Impairment charge for the year	–	–	7,050	–	–	7,050
Written back on disposals	–	(77)	–	–	–	(77)
At 31 December 2022 and 1 January 2023	21,587	12,962	42,947	14,505	2,421	94,422
Exchange adjustments	555	152	(717)	207	33	230
Amortisation charge for the year	7,233	1,802	8,581	1,176	674	19,466
Impairment charge for the year	–	–	–	567	3,507	4,074
At 31 December 2023	29,375	14,916	50,811	16,455	6,635	118,192
Net book value:						
At 31 December 2023	80,619	6,575	130,623	6,823	9,795	234,435
At 31 December 2022	85,914	8,175	110,372	8,277	10,945	223,683

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

11 INTANGIBLE ASSETS (CONTINUED)

Capitalised development costs primarily related to product candidates of cardiovascular devices, endovascular and peripheral vascular devices and neurovascular devices business segments, of which, US\$80,879,000 (2022: US\$53,269,000) are not yet available for use as at 31 December 2023.

Amortisation of intangible assets has been charged to the consolidated statement of profit or loss as follows:

	2023 US\$'000	2022 US\$'000
Cost of sales	1,557	3,411
Research and development costs	14,336	12,149
Distribution costs	1,777	1,580
Administrative expenses	1,796	2,290
	19,466	19,430

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

12 GOODWILL

	US\$'000
Cost:	
At 1 January 2022	318,090
Other changes	1,591
Exchange adjustments	(15,172)
At 31 December 2022 and 1 January 2023	304,509
Exchange adjustments	5,686
At 31 December 2023	310,195
Accumulated impairment losses:	
At 1 January 2022	27,525
Charged for the year	16,481
Exchange adjustments	(2,326)
At 31 December 2022 and 1 January 2023	41,680
Charged for the year	119,543
Exchange adjustments	(421)
At 31 December 2023	160,802
Carrying amount:	
At 31 December 2023	149,393
At 31 December 2022	262,829

NOTES TO THE FINANCIAL STATEMENTS

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12 GOODWILL (CONTINUED)

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to place of operations and operating segment as follow:

	2023 US\$'000	2022 US\$'000
CRM business	105,829	103,327
OrthoRecon business	19,907	37,977
Surgical devices business	–	97,468
Intravascular imaging business	19,229	19,555
Multiple units without significant goodwill	4,428	4,502
	149,393	262,829

The recoverable amounts of the CGUs are higher of the fair value less costs of disposals and the value in use.

Surgical devices business

Due to the delay in clinical trial in the US and the PRC and the underperformance of sales during the year ended 31 December 2023, management estimated the recoverable amount of the CGU at the year end based on cash flow projections covering a 11-year period, with the final year representing a steady state in the development of the business. The carrying value of the CGU under the surgical devices business exceeded its recoverable amount of US\$12,206,000 by US\$101,473,000 as at 31 December 2023. Accordingly, an impairment loss of US\$101,473,000 was recognised in profit or loss and reduced the carrying amount of goodwill. Any adverse change in the assumptions used in the calculation of recoverable amount of the surgical devices business would result in further impairment losses.

OrthoRecon business

During the year ended 31 December 2023, the factory located in the US had supply chain issues caused by the shortage of components resulting in a significant unfavourable impact on the gross profit margin of OrthoRecon business. In addition, revenue was behind management's expectation. As at 31 December 2023, management performed an impairment test based on cash flow projections covering a 6-year period, with the final year representing a steady state in the development of the business. It indicated that the carrying value of the CGU under OrthoRecon business exceeded its recoverable amount of US\$41,859,000 by US\$18,070,000. Accordingly, an impairment loss of US\$18,070,000 was recognised in profit or loss and reduced the carrying amount of goodwill. Any adverse change in the assumptions used in the calculation of recoverable amount of the OrthoRecon business would result in further impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

12 GOODWILL (CONTINUED)

Impairment tests for cash-generating units containing goodwill (continued)

Key assumptions for the impairment tests

The key assumptions for the value-in-use calculation are as follows, which are based on either the past experience or external sources of information:

	2023		2022	
	Growth rate beyond the forecast period	Pre-tax discount rate	Growth rate beyond the forecast period	Pre-tax discount rate
OrthoRecon business	3%	17%	3%	17%
CRM business	2%	15% – 16%	2% – 3%	13%
Surgical devices business	2%	23%	2%	22%
Intravascular imaging business	2%	20%	2%	20%

The recoverable amount of the CGU of CRM business and intravascular imaging business is estimated to exceed the carrying amount of the CGU at 31 December 2023 by US\$591,566,000 and US\$20,088,000, respectively.

The recoverable amount of each CGU would equal its carrying amount if key assumptions were changed to the following rates:

	2023		2022	
	Growth rate beyond the forecast period	Pre-tax discount rate	Growth rate beyond the forecast period	Pre-tax discount rate
Intravascular imaging business	0%	22.5%	0%	24.8%

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated:

Name of company	Place of incorporation and business	Issued/registered capital	Proportion of ownership interest		Principal activity
			As at 31 December 2023	As at 31 December 2022	
Shanghai MicroPort Medical (Group) Co., Ltd. ("Shanghai MicroPort") (上海微創醫療器械(集團)有限公司) (i)	The PRC	US\$350,000,000	100%	100%	Manufacture, distribution, research and development of medical devices
MicroPort Sinica Co., Ltd. (微創投資控股有限公司) (i)	The PRC	RMB4,714,028,763/ RMB5,000,000,000	100%	100%	Investment holding, management service and research and development of medical devices
Suzhou MicroPort Orthopedics Scientific (Group) Co., Ltd. ("Suzhou MP Orthopedics") (蘇州微創骨科學(集團)有限公司) (iii)	The PRC	US\$375,735,736	85.17%	85.17%	Manufacture, distribution, research and development of orthopedics devices
Suzhou MicroPort OrthoRecon Co., Ltd. (蘇州微創關節醫療科技有限公司) (ii)	The PRC	RMB20,000,000	85.17%	85.17%	Manufacture, distribution, research and development of orthopedics devices
Shanghai MicroPort Orthopedics Co., Ltd. (上海微創骨科醫療科技有限公司) (ii)	The PRC	RMB2,715,000,000	85.17%	85.17%	Manufacture, distribution, research and development of orthopedics devices
MicroPort Orthopedic Instruments Suzhou Co., Ltd. (蘇州微創骨科醫療工具有限公司) (ii)	The PRC	RMB20,000,000	85.17%	85.17%	Manufacture, distribution, research and development of orthopedics devices
Shanghai MicroPort Endovascular MedTech Co., Ltd. ("MP Endo") (上海微創心脈醫療科技(集團)股份有限公司) (iii)&(iv)&(v)	The PRC	RMB82,726,253	40.32%	46.34%	Manufacture, distribution, research and development of endovascular devices
MicroPort NeuroTech Limited ("MP NeuroTech")	Cayman Islands	US\$9,228/US\$50,000	53.38%	53.35%	Investment holding
MicroPort NeuroTech (Shanghai) Co., Ltd. ("MP Neuro") (微創神通醫療科技(上海)有限公司) (i)	The PRC	RMB163,531,250	53.38%	53.35%	Manufacture, distribution, research and development of medical devices
MicroPort CardioFlow Medtech Corporation ("MP CardioFlow") (iv)	Cayman Islands	US\$12,018/US\$50,000	47.09%	47.26%	Investment holding
Shanghai MicroPort CardioFlow Medtech Co., Ltd. (上海微創心通醫療科技有限公司) (i)&(iv)	The PRC	RMB1,400,000,000/ RMB1,770,000,000	47.09%	47.26%	Manufacture, distribution, research and development of heart valve devices

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and business	Issued/ registered capital	Proportion of ownership interest		Principal activity
			As at 31 December 2023	As at 31 December 2022	
Shanghai MicroPort MedBot (Group) Co., Ltd. ("MP MedBot") (上海微創醫療機器人(集團)股份有限公司) (iii)	The PRC	RMB958,593,831	50.51%	50.52%	Manufacture, research and development of surgical robot devices
MicroPort SynCreo Biotechnology Co., Ltd ("MP SynCreo") (上海微創生成生物技術有限公司) (ii)	The PRC	RMB104,880,000/ RMB105,000,000	95.35%	100%	Manufacture, distribution, research and development of active pharmaceutical ingredients
Fujian Kerui Pharmaceutical Co., Ltd. ("Kerui Pharma") (福建科瑞藥業有限公司) (ii)&(vii)	The PRC	RMB25,000,000	49.58%	52%	Manufacture, distribution, research and development of active pharmaceutical ingredients
Shenzhen MicroPort Surgical Medical (Group) Co., Ltd. ("Shenzhen Surgical") (深圳微創外科醫療(集團)有限公司) (ii)	The PRC	RMB213,167,323/ RMB217,135,134	59.53%	59.56%	Manufacture, distribution, research and development of surgical devices
MicroImaging (Shenzhen) Medical Equipment Co., Ltd ("Shenzhen MicroImaging") (深圳微創蹤影醫療裝備有限公司) (i)	The PRC	RMB306,734,375/ RMB312,500,000	70.09%	70.09%	Manufacture, distribution, research and development of intravascular imaging devices
Suzhou MicroPort Argus Medtech Co., Ltd. ("Suzhou Argus") (蘇州微創阿格斯醫療科技有限公司) (ii)&(vi)	The PRC	RMB13,153,929/ RMB13,587,242	35.75%	35.75%	Manufacture, distribution, research and development of intravascular imaging devices
MicroPort Urocare (Jiaxing) Co., Ltd. ("MP UroCare") (微創優通醫療科技(嘉興)有限公司) (iii)	The PRC	RMB102,531,108/ RMB104,413,636	74.14%	74.14%	Manufacture, distribution, research and development of medical devices
MicroPort Vision Power MedTech (Shanghai) Co., Ltd. ("Vision Power") (微創視神醫療科技(上海)有限公司) (ii)	The PRC	RMB109,129,288/ RMB115,174,800	83.46%	83.46%	Research and development of ophthalmology related medical devices
MicroPort Medical (Jiaxing) Co., Ltd. (嘉興微創醫療科技有限公司) (i)	The PRC	RMB415,000,000	100%	100%	Research and development of medical devices
Hemovent GmbH ("Hemovent") (viii)	Germany	EUR126,592	59.53%	100%	Manufacture, research and development of surgical devices
MicroPort Scientific S.R.L.	Italy	EUR2,000,000	85.17%	85.17%	Distribution of medical devices
MicroPort Orthopedics Japan K.K.	Japan	JPY100,000,000	85.17%	85.17%	Distribution of medical devices
MicroPort Scientific Ltd.	United Kingdom	GBP1	85.17%	85.17%	Distribution of medical devices

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(Expressed in United States dollars unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and business	Issued/registered capital	Proportion of ownership interest		Principal activity
			As at 31 December 2023	As at 31 December 2022	
Sorin CRM SAS	France	EUR171,576,128	76.88%	76.88%	Manufacture of cardiac rhythm management devices
Sorin Group DR, S.R.L.	Dominican Republic	US\$26,502,400	76.88%	76.88%	Manufacture of cardiac rhythm management devices
MicroPort CRM S.R.L.	Italy	EUR3,932,700	76.88%	76.88%	Manufacture, distribution, research and development of cardiac rhythm management devices
MicroPort Cardiac Rhythm B.V.	Netherlands	EUR133	76.88%	76.88%	Investment holding
MicroPort Cardiac Rhythm Management Limited ("CRM Cayman")	Cayman Islands	US\$50,000	76.88%	76.88%	Investment holding
MicroPort CRM B.V.	Netherlands	EUR1	76.88%	76.88%	Distribution of medical devices

Notes:

- (i) These subsidiaries are wholly foreign-owned enterprises.
- (ii) These subsidiaries are domestic enterprises.
- (iii) These subsidiaries are sino-foreign equity joint venture enterprises. These entities are accounted for as the Group's subsidiaries as they are controlled by the Group.
- (iv) Management believe the Group retains control over MP Endo and MP CardioFlow even though it holds less than half of the voting rights of MP Endo and MP CardioFlow. In making this judgement, the Group has taken into account that the Group continues to be the single major shareholder of MP Endo and MP CardioFlow and holds relatively larger voting rights than other dispersed public shareholders in aggregate.
- (v) As disclosed in note 30(a), as a result of the placement completed in December 2023 by MP Endo, the Group's interest in MP Endo was diluted from 46.34% to 40.32%.
- (vi) As at 31 December 2023, Shenzhen Microlmaging directly held 51% equity interest in Suzhou Argus and the Group held 70.09% equity interest in Shenzhen Microlmaging.
- (vii) As at 31 December 2023, MP SynCrea directly held 52% equity interest in Kerui Pharma and the Group held 95.35% equity interest in MP SynCrea.
- (viii) Hemovent was previously a fully owned subsidiary of the Group. In August 2023, the Group conducted a reorganisation, upon which, Shenzhen Surgical indirectly held 100% equity interest in Hemovent. As at 31 December 2023, the Group held 59.53% equity interest in Shenzhen Surgical.

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13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following table lists out the information relating to Group's subsidiaries that have material non-controlling interests ("NCI") as at 31 December 2023. The summarised financial information presented below represents the amounts before any inter-company elimination.

	2023					Total US\$'000
	MP Endo US\$'000	MP MedBot US\$'000	MP CardioFlow US\$'000	MP NeuroTech US\$'000	Other individually immaterial subsidiaries US\$'000	
NCI percentage	59.68%	49.49%	52.91%	46.62%		
Current assets	475,136	112,111	288,214	188,141		
Non-current assets	124,382	89,494	75,645	88,680		
Current liabilities	(44,159)	(96,754)	(27,332)	(35,191)		
Non-current liabilities	(9,864)	(34,009)	(6,871)	(10,327)		
Net assets	545,495	70,842	329,656	231,303		
Carrying amount of NCI	323,887	36,330	174,422	107,834	2,705	645,178
Revenue	168,221	14,330	47,651	94,333		
Profit/(loss) for the year	69,052	(145,062)	(66,829)	19,074		
Total comprehensive income	68,991	(144,755)	(61,603)	20,662		
Profit/(loss) allocated to NCI	37,843	(71,791)	(35,359)	8,892	(111,113)	(171,528)
Dividend paid to NCI	(12,544)	-	-	-	-	(12,544)
Cash flows from operating activities	76,667	(79,448)	(29,418)	21,795		
Cash flows from investing activities	(25,145)	(8,275)	(84,477)	(33,045)		
Cash flows from financing activities	227,050	53,630	(3,629)	(4,716)		

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(Expressed in United States dollars unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

	2022					Other individually immaterial subsidiaries US\$'000	Total US\$'000
	MP Endo US\$'000	MP MedBot US\$'000	MP CardioFlow US\$'000	MP NeuroTech US\$'000			
NCI percentage	53.66%	49.53%	52.84%	46.65%			
Current assets	185,846	157,772	325,925	184,459			
Non-current assets	101,239	119,361	104,742	76,432			
Current liabilities	(26,826)	(46,710)	(25,447)	(35,006)			
Non-current liabilities	(9,428)	(28,276)	(10,096)	(12,570)			
Net assets	250,831	202,147	395,124	213,315			
Carrying amount of NCI	136,190	99,151	208,784	100,496	113,017	657,638	
Revenue	133,179	3,197	37,149	80,164			
Profit/(loss) for the year	52,450	(169,636)	(67,419)	(4,389)			
Total comprehensive income	32,712	(196,514)	(76,941)	(10,963)			
Profit/(loss) allocated to NCI	27,626	(84,855)	(35,803)	(286)	(58,282)	(151,600)	
Dividend paid to NCI	(12,085)	–	–	–	–	(12,085)	
Cash flows from operating activities	48,792	(132,964)	(28,926)	31,622			
Cash flows from investing activities	(65,753)	(39,636)	(24,691)	(45,045)			
Cash flows from financing activities	(23,682)	(4,136)	(20,189)	48,190			

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(Expressed in United States dollars unless otherwise indicated)

14 EQUITY-ACCOUNTED INVESTEEES

	2023 US\$'000	2022 US\$'000
Investments in equity-accounted investees	357,078	419,240
Amounts due from and other convertible debt securities issued by equity-accounted investees	15,559	4,633
	372,637	423,873

The following list contains only the particulars of material equity-accounted investees held by the Group as at 31 December 2023:

Name of equity-accounted investees	Form of business structures	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest			Principal Activity
				Group's effective interests	Held by the Company	Held by a subsidiary	
Shanghai MicroPort EP MedTech Co., Ltd. ("EP MedTech") (i)	Incorporated	The PRC	RMB471 million	32.7%	-	32.7%	Manufacture, distribution, R&D of electrophysiology devices
Shanghai Huarui Bank Co., Ltd. ("SHRB") (ii)	Incorporated	The PRC	RMB3 billion	13.8%	-	13.8%	Commercial bank providing wholesale and retail banking products and service

Notes:

- (i) EP Medtech is listed on the Sci-Tech Innovation Board of the Shanghai Stock Exchange. As at 31 December 2023, the fair value of the shares of EP Medtech held by the Group is approximately US\$557 million, which is referenced to its quoted market price (31 December 2022: US\$585 million).
- (ii) SHRB is an unlisted corporate entity whose quoted market price is not available.
- (iii) During the year ended 31 December 2023, several equity-accounted investees of the Group completed new rounds of financing or conversion of convertible bonds previously issued to preferred shares. The transaction was accounted for as deemed disposal of the Group's interest in these equity-accounted investees with a gain of US\$15,309,000 recognised in profit or loss for the year ended 31 December 2023 (2022: US\$39,267,000).
- (iv) Both external and internal sources of information of associates are considered in assessing whether there is any indicator that the equity-accounted investee may be impaired, including the information about business performance and liquidity assessment of these equity-accounted investees. If the impairment indicators are identified, the Group perform the impairment assessment to calculate the respective recoverable amounts. During the year ended 31 December 2023, an aggregate impairment loss of US\$30,101,000 (2022: nil) has been recognised in profit or loss.

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14 EQUITY-ACCOUNTED INVESTEEES (CONTINUED)

Summarised financial information of the material equity-accounted investees, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	EP Medtech	
	2023 US\$'000	2022 US\$'000
Gross amount		
Current assets	214,499	230,215
Non-current assets	47,743	34,542
Current liabilities	(13,669)	(11,173)
Non-current liabilities	(5,377)	(5,873)
Equity	243,196	247,711
Revenue	46,656	38,522
Loss for the year	(759)	(1,330)
Total comprehensive income	(759)	(1,330)
Reconciled to the Group's interest in equity-accounted investees		
Gross amounts of net assets of equity-accounted investees	243,196	247,711
Group's effective interest	32.7%	32.7%
Group's share of net assets of equity-accounted investees	79,525	81,001
Goodwill	32,851	33,409
Dilution effect of share-based payments arrangement of an equity-accounted investee	(2,293)	(2,208)
Carrying amount in the consolidated financial statements	110,083	112,202

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(Expressed in United States dollars unless otherwise indicated)

14 EQUITY-ACCOUNTED INVESTEEES (CONTINUED)

	SHRB	
	2023 US\$'000	2022 US\$'000
Gross amount		
Total assets	6,951,540	6,091,538
Total liabilities	6,369,714	5,504,628
Equity	581,826	586,910
Net operating income (Note)	207,291	144,871
Profit/(loss) for the year	7,703	(50,536)
Other comprehensive income	(2,983)	10,954
Total comprehensive income	4,720	(39,582)
Reconciled to the Group's interest in equity-accounted investees		
Gross amounts of net assets of equity-accounted investees	581,826	586,014
Group's effective interest	13.8%	13.8%
Group's share of net assets of equity-accounted investees	80,292	80,870
Goodwill	1,308	1,330
Group's carrying amount in the consolidated financial statements	81,600	82,200

Note: Net operating income represents the sum of net interest income, net fee and commission income and other net income of the equity-accounted investee for each reporting period.

Aggregate information of equity-accounted investees that are not individually material:

	2023 US\$'000	2022 US\$'000
Aggregate carrying amount of individually immaterial investment in equity-accounted investees	165,395	224,838
Aggregate amounts of the Group's share of those equity-accounted investees		
Loss for the year	(33,282)	(35,176)
Other comprehensive income	(59)	292
Total comprehensive income	(33,341)	(34,884)

All of the Group's investments in equity-accounted investees are accounted for using the equity method in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

15 FINANCIAL ASSETS MEASURED AT FVPL

	2023 US\$'000	2022 US\$'000
Non-current assets		
Unlisted equity securities outside Hong Kong	10,003	16,279
Unlisted debt securities outside Hong Kong	–	1,793
	10,003	18,072
Current assets		
Wealth management products (Note)	40,028	38,201

Note: During the year ended 31 December 2023, MP NeuroTech purchased several wealth management products from certain segregated portfolio companies incorporated in the Cayman Islands, at an expected return rate from 3% to 5.5% per annum. The wealth management products can be redeemed by the Company at any time without any lock-up period. Their fair values are within level 3 of the fair value hierarchy as disclosed in Note 31(e).

16 OTHER NON-CURRENT ASSETS

	2023 US\$'000	2022 US\$'000
Lease and security deposits (Note)	46,319	46,940
Income tax recoverable (note 25(a))	13,045	13,127
Lease receivables	11,506	5,539
Value-added tax recoverable	6,450	3,280
Prepayment for non-current assets	27,674	16,937
Others	4,711	8,258
	109,705	94,081

Note: Lease and security deposits are typically paid for leased properties, which are refundable after the expiry of the leases. The Group entered into a 5-year lease agreement (the "Lease Agreement") with Shanghai Huiqingcheng Investment Management Co., Ltd. ("Huiqingcheng Investment") in respect of certain leasehold properties for use of manufacturing facilities, warehouses and office buildings. As at 31 December 2023, the carrying amount of lease and security deposits paid to Huiqingcheng Investment is US\$41,081,000 (31 December 2022: US\$40,827,000).

NOTES TO THE FINANCIAL STATEMENTS

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17 DERIVATIVE FINANCIAL INSTRUMENTS

	2023 US\$'000	2022 US\$'000
Derivative financial assets		
Call options to acquire additional interests in a subsidiary from NCI (i)	3,574	5,083
Derivative financial liabilities		
Put options written to SRL ("SRL Put Option") (ii)	–	871
Put options written to Witney Global Limited ("Witney Put Option") (iii)	–	3,262
Foreign currency forward contract	–	39
	–	4,172
Less: amount included under "current liabilities"	–	(4,172)
	–	–

Notes:

(i) In October 2021, the Group entered into an equity transfer and capital increase agreement in connection with the acquisition of Suzhou Argus, pursuant to which, the Group was granted a call option (the "Argus Call Option") to acquire entire or part of equity interests in Suzhou Argus held by its NCI at an exercise price based on the predetermined formula associated with certain milestone achievements and other factors. The Argus Call Option can be exercised on or before 30 June 2025 and upon the exercise of the Argus Call Option, the Group shall pay its consideration in cash or with the unanimous approval from the Group and person designated by NCI of Suzhou Argus, in combination with shares of a designated subsidiary of the Group. The Argus Call Option is classified as a derivative financial asset which was measured at fair value.

(ii) Pursuant to the latest shareholders' agreement among CRM Cayman and its existing shareholders, in the event that an initial public offering ("IPO") or a trade sale of the CRM business has not occurred on or prior to 30 April 2023, SRL has the right to require the Company to purchase any or all of series A preferred shares of CRM Cayman held by SRL at a price equal to the original investment being US\$45,894,000 plus an annual internal return of 8%.

Upon receipt of SRL's notice of exercising the SRL Put Option, the Company shall have the right to decide whether to pay its consideration in cash or by issuing to SRL new shares of the Company, or with a combination of cash and shares of the Company. The SRL Put Option is considered to be a derivative financial liability which was measured at fair value on initial recognition.

As at 31 December 2023, the fair value of the SRL Put Option has become immaterial as the exercise price of SRL Put Option is less than the fair value of underlying shares.

(iii) In January 2019, the Group granted a put option to Witney Global Limited ("Witney"), who is a co-investor of certain investees in which the Group also invested. Pursuant to the terms of the Witney Put Option, in the event of these investees' failure to submit a feasibility study protocol or clinical trial protocol to the relevant authorities in overseas markets or a qualified exit not occurring before the fifth anniversary of the investments made by Witney, Witney has the right to require the Group to purchase all of the interests in above investees held by Witney at a price equal to the original investment totalling US\$4,900,000 plus interests at the 3-month London Interbank Offered Rate ("LIBOR") in US\$ plus 1% by cash.

In October 2023, the Witney Put Option in relation to an investee has been exercised and the Group entered into a share purchase agreement with Witney, pursuant to which, the Group agreed to acquire and Witney agree to sell all of equity interest in the investee at a consideration of US\$6,618,000.

NOTES TO THE FINANCIAL STATEMENTS

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18 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2023 US\$'000	2022 US\$'000
Raw materials	140,058	120,953
Work in progress	90,620	72,770
Finished goods	184,190	158,705
	414,868	352,428

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2023 US\$'000	2022 US\$'000
Carrying amount of inventories sold	398,244	332,080
Write down of inventories	20,148	6,782
Reversal of write down of inventories	(1,174)	(271)
Cost of inventories directly recognised as research and development costs and distribution costs	53,007	53,519
	470,225	392,110

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19 TRADE AND OTHER RECEIVABLES

	31 December 2023 US\$'000	31 December 2022 US\$'000
Trade receivables due from:		
– third party customers	201,983	183,387
– related parties	4,658	3,175
	206,641	186,562
Less: Loss allowance (note 31(a))	(20,193)	(15,689)
Trade receivables, net of loss allowance	186,448	170,873
Other debtors	37,871	12,532
Amounts due from a related party in relation to transfer of non-current assets	10,672	–
Income tax recoverable	4,564	3,347
Deposits and prepayments	71,093	98,081
	310,648	284,833

All of the above trade and other receivables are expected to be recovered or recognised as expense within one year.

Ageing analysis

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

	2023 US\$'000	2022 US\$'000
Within 1 month	92,500	74,650
1 to 3 months	64,396	69,211
3 to 12 months	26,025	23,508
More than 12 months	3,527	3,504
	186,448	170,873

Further details of the Group's credit policy and credit risk arising from trade debtors and lease receivables are set out in note 31(a).

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20 PLEDGED DEPOSITS AND TIME DEPOSITS, CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Pledged deposits and time deposits:

	2023 US\$'000	2022 US\$'000
Deposits with original maturities over three months	219,921	57,384
Pledged deposits	5,431	3,381
	225,352	60,765

(b) Cash and cash equivalents

As at 31 December 2023, the balance of the deposits in the designated bank accounts of MP Endo is US\$262,741,000 (2022: US\$40,511,000) which is not available for general usage and could only be used for purposes specified in the IPO and placing prospectus of MP Endo.

Apart from the above, as at 31 December 2023, cash and cash equivalents situated in Chinese Mainland amounted to US\$657,991,000 (2022: US\$509,156,000), which are not freely remissible to the Company as the remittance of funds out of Chinese Mainland is subject to relevant rules and regulations of foreign currency exchange control.

NOTES TO THE FINANCIAL STATEMENTS

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20 PLEDGED DEPOSITS AND TIME DEPOSITS, CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(c) Reconciliation of loss before taxation to cash generated from operations:

	Note	2023 US\$'000	2022 US\$'000
Loss before taxation		(626,515)	(581,518)
Adjustments for:			
Amortisation and depreciation	5(d)	151,245	141,347
Impairment loss on non-current assets	5(d)	155,975	23,563
Finance costs	5(a)	92,732	73,912
Interest income		(10,296)	(993)
Gain on disposal of subsidiaries		(2,845)	(7,107)
Changes in fair value of financial instruments carried at FVPL	4	13,001	751
Net loss on disposal of property, plant and equipment	4	6,732	455
Gain on disposal of interests in equity-accounted investees		(15,309)	(39,267)
Gain on repurchase of convertible bonds	4	(9,300)	–
Share of profits less losses of equity-accounted investees		32,467	42,541
Equity-settled share-based payment expenses	5(b)	39,659	72,803
Others		571	2,816
Changes in working capital:			
Increase in inventories		(62,473)	(79,330)
(Increase)/decrease in trade and other receivables		(27,971)	23,646
Increase/(decrease) in trade and other payables		52,735	(18,363)
Decrease in contract liabilities		(1,541)	(1,241)
Increase in deferred income		4,879	5,964
Cash used in operations		(206,254)	(340,021)

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20 PLEDGED DEPOSITS AND TIME DEPOSITS, CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(d) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Interest-bearing borrowings (note 23) US\$'000	Convertible bonds (note 27) US\$'000	Shares repurchased obligations issued by subsidiaries (note 21) US\$'000	Lease liabilities (note 24) US\$'000	Total US\$'000
At 1 January 2023	522,076	769,553	192,163	176,317	1,660,109
Changes from financing cash flows:					
Proceeds from interest-bearing borrowings, net of transaction costs	560,343	-	-	-	560,343
Net proceeds from issuance of convertible bonds by the Company, net of transaction costs	-	2,047	-	-	2,047
Proceeds from issuance of financial instruments with redemption rights	-	-	19,077	-	19,077
Repayments of interest-bearing borrowings	(274,118)	-	-	-	(274,118)
Interest paid for interest-bearing borrowings	(24,475)	-	-	-	(24,475)
Interest paid for convertible bonds	-	(8,924)	-	-	(8,924)
Payment for repurchase of convertible bonds	-	(31,869)	-	-	(31,869)
Capital element of lease rentals paid	-	-	-	(39,357)	(39,357)
Interest element of lease rentals paid	-	-	-	(8,960)	(8,960)
Total changes from financing cash flows	261,750	(38,746)	19,077	(48,317)	193,764
Exchange adjustments	(4,580)	-	(807)	(5,015)	(10,402)
Changes in fair value	-	8,830	-	-	8,830
Other changes:					
Interest charge (note 5(a))	24,522	35,883	24,123	8,960	93,488
Gain on repurchase of convertible bonds	-	(9,300)	-	-	(9,300)
Movement of equity components of financial instruments	-	(3,165)	5,224	-	2,059
Increase in lease liabilities from entering into new leases during the year	-	-	-	14,184	14,184
Decrease in lease liabilities due to termination of lease	-	-	-	(13,887)	(13,887)
Others	-	(318)	-	-	(318)
Total other changes	24,522	23,100	29,347	9,257	86,226
At 31 December 2023	803,768	762,737	239,780	132,242	1,938,527

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20 PLEDGED DEPOSITS AND TIME DEPOSITS, CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(d) Reconciliation of liabilities arising from financing activities (continued)

	Interest-bearing borrowings (note 23) US\$'000	Convertible bonds (note 27) US\$'000	Preferred shares issued by subsidiaries (note 21) US\$'000	Lease liabilities (note 24) US\$'000	Total US\$'000
At 1 January 2022	364,383	660,369	365,903	218,942	1,609,597
Changes from financing cash flows:					
Proceeds from interest-bearing borrowings, net of transaction costs	375,244	–	–	–	375,244
Proceeds from issuance of convertible bonds by a subsidiary, net of transaction costs	–	88,790	–	–	88,790
Repayments of interest-bearing borrowings	(186,724)	–	–	–	(186,724)
Interest paid for interest-bearing borrowings	(14,164)	–	–	–	(14,164)
Capital element of lease rentals paid	–	–	–	(44,170)	(44,170)
Interest element of lease rentals paid	–	–	–	(9,492)	(9,492)
Total changes from financing cash flows	174,356	88,790	–	(53,662)	209,484
Exchange adjustments	(29,788)	–	–	(16,978)	(46,766)
Changes in fair value	–	2,930	–	–	2,930
Other changes:					
Interest charge (note 5(a))	13,125	16,254	34,958	9,575	73,912
Transaction cost	–	1,210	–	–	1,210
Increase in lease liabilities from entering into new leases during the year	–	–	–	18,440	18,440
Conversion of the preferred shares into ordinary shares	–	–	(208,698)	–	(208,698)
Total other changes	13,125	17,464	(173,740)	28,015	(115,136)
At 31 December 2022	522,076	769,553	192,163	176,317	1,660,109

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(Expressed in United States dollars unless otherwise indicated)

20 PLEDGED DEPOSITS AND TIME DEPOSITS, CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(e) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2023 US\$'000	2022 US\$'000
Within operating cash flows	4,885	3,401
Within investing cash flows	22,651	20,684
Within financing cash flows	48,317	53,662
	75,853	77,747
These amounts relate to the following:		
Lease rentals paid	53,202	57,063
Purchase of leasehold property	22,651	20,684
	75,853	77,747

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

21 TRADE AND OTHER PAYABLES

	31 December 2023 US\$'000	31 December 2022 US\$'000
Current		
Trade payables due to:		
– third party suppliers	171,098	134,251
– related parties	14,753	9,010
Total trade payables (i)	185,851	143,261
Consideration payables in connection with the acquisition of subsidiaries (iii)	2,497	23,499
Other payables and accrued charges	259,994	213,794
	448,342	380,554
Non-current		
Share repurchase obligations (ii)	239,780	192,163
Consideration in connection with the acquisition of a subsidiary (iii)	5,105	8,823
Net defined benefit obligation (note 5(b))	10,273	9,510
Other payables	7,707	10,501
	262,865	220,997

All current trade and other payables are expected to be settled within one year or are repayable on demand.

Notes:

(i) As of the end of the reporting period, the ageing analysis of the trade payables based on invoice date is as follows:

	2023 US\$'000	2022 US\$'000
Within 1 month	118,895	111,694
Over 1 month but within 3 months	34,593	16,794
Over 3 months but within 6 months	6,617	3,169
Over 6 months but within 1 year	14,857	4,806
Over 1 year	10,889	6,798
	185,851	143,261

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

21 TRADE AND OTHER PAYABLES (CONTINUED)

Notes: (continued)

(ii) Share repurchase obligations

As at 31 December 2023, CRM Cayman had several series of preferred shares issued to certain investors in connection with its financings. These preferred shares include liquidation preference right, redemption right and conversion right, etc., granted to the investors.

In June 2023, MP Urocare entered into a capital contribution agreement with several investors, pursuant to which, these investors contributed in aggregate RMB140 million in cash to subscribe for the additional registered capital of MP Urocare of RMB13 million. MP Urocare also granted liquidation preference right and redemption right to these investors.

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

Movements of the share repurchase obligations arising from these shares are as follows:

	Preferred shares issued by CRM Cayman US\$'000	Redemption rights issued by MP Urocare US\$'000	Redemption rights issued by other subsidiary US\$'000	Total US\$'000
As at 1 January 2023	192,163	–	–	192,163
Exchange adjustments	–	(722)	(85)	(807)
Issuance and other additions during the year	–	19,077	5,224	24,301
Charge to finance costs (note 5(a))	22,865	673	585	24,123
At 31 December 2023	215,028	19,028	5,724	239,780

(iii) Consideration in business combinations

The consideration payable in connection with the acquisition of subsidiaries primarily includes the contingent consideration payable to the former shareholders of Hemovent, subject to certain milestones and conditions within 5 years from October 2021. The contingent consideration is measured at fair value with subsequent changes charged into profit or loss. Valuation techniques and significant assumptions for determining the fair value of the contingent consideration was set out in note 31(e).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

22 CONTRACT LIABILITIES

Current

Unfulfilled performance obligations	
Advanced receipts from customers for sales of medical devices	
Others	

Non-current

Unfulfilled performance obligations	
Others	

31 December 2023 US\$'000	31 December 2022 US\$'000
6,113	9,291
9,189	9,529
3,468	3,778
18,770	22,598
27,118	24,583
551	256
27,669	24,839

Movements in contract liabilities:

	2023 US\$'000	2022 US\$'000
Balance at 1 January	47,437	49,833
Exchange adjustments	543	(1,942)
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities as at 1 January	(21,436)	(23,951)
Net movement in sales discounts	6,257	14,425
Increase in contract liabilities as a result of receiving advance payments during the year	10,302	2,792
Increase in contract liabilities as a result of accruing interest expense on advances	3,336	6,280
Balance at 31 December	46,439	47,437

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

23 INTEREST-BEARING BORROWINGS

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

	2023 US\$'000	2022 US\$'000
Within 1 year or on demand	295,438	185,387
After 1 year but within 2 years	135,925	68,460
After 2 years but within 5 years	280,597	187,697
After 5 years	91,808	80,532
	508,330	336,689
	803,768	522,076

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

	2023 US\$'000	2022 US\$'000
Bank loans		
– secured	288,883	236,427
– unsecured	514,885	285,649
	803,768	522,076

At 31 December 2023, the bank facilities drawn down by the Group of US\$120,773,000 (2022: US\$92,665,000) were secured by land use rights and buildings held for own use with net book value of US\$9,803,000 and US\$176,604,000, respectively (2022: US\$10,220,000 and US\$138,443,000, respectively).

At 31 December 2023, the bank loans totalling US\$168,110,000 (31 December 2022: US\$143,762,000) were secured by the Group's equity interest in several subsidiaries including Kerui Pharma, Suzhou Argus, Vision Power, Hemovent and Shanghai Huanbo Digital Technology Co., Ltd., etc.

Part of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's financial ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 31(b). As at 31 December 2023 and 2022, none of the covenants relating to drawn down facilities had been breached.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

24 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2023 US\$'000	2022 US\$'000
Within 1 year or on demand	46,915	51,944
After 1 year but within 2 years	43,146	47,802
After 2 years but within 5 years	29,123	75,260
After 5 years	13,058	1,311
	85,327	124,373
	132,242	176,317

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2023 US\$'000	2022 US\$'000
Current income tax recoverable	(4,564)	(3,347)
Non-current income tax recoverable	(13,045)	(13,127)
Income tax payable	4,985	17,470
	(12,624)	996

Income tax recoverable primarily represents to a tax credit of US\$17,609,000 (2022: US\$16,474,000) 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 31 December 2023, the France CIR are classified as current and non-current receivables amounting US\$4,564,000 and US\$13,045,000 (2022: US\$3,347,000 and US\$13,127,000), respectively.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax (assets)/liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Accrued expense US\$'000	Withholding tax on retained profits of PRC subsidiaries US\$'000	Fair value adjustments in respect of net assets acquired in business combinations US\$'000	Unused tax losses and others US\$'000	Total US\$'000
Deferred tax arising from:					
At 1 January 2022	(13,674)	3,589	24,902	(7,493)	7,324
Exchange adjustments Credited to profit or loss (note 6(a))	663 (2,634)	– –	(2,044) (1,194)	774 (5,808)	(607) (9,636)
At 31 December 2022 and 1 January 2023	(15,645)	3,589	21,664	(12,527)	(2,919)
Exchange adjustments Charged/(credited) to profit or loss (note 6(a))	349 3,115	– –	383 (2,483)	(122) (4,019)	610 (3,387)
At 31 December 2023	(12,181)	3,589	19,564	(16,668)	(5,696)

Reconciliation to the consolidated statement of financial position:

	2023 US\$'000	2022 US\$'000
Net deferred tax assets recognised in the consolidated statement of financial position	(31,382)	(27,637)
Net deferred tax liabilities recognised in the consolidated statement of financial position	25,686	24,718
	(5,696)	(2,919)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(x), the Group has not recognised deferred tax assets in respect of cumulative tax losses attributable to certain subsidiaries of US\$1,654,428,000 at 31 December 2023 (2022: US\$1,314,365,000), as the directors consider that it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entities.

The tax losses incurred by PRC subsidiaries of US\$1,128,771,000 will expire in the period from 2024 to 2033. The tax losses of US\$525,656,000 are incurred by subsidiaries in other jurisdictions primarily in US and France, of which tax losses could be carried forward indefinitely.

(d) Deferred tax liabilities not recognised

At 31 December 2023, temporary differences relating to the undistributed profits of PRC subsidiaries amounted to US\$305,225,000 (2022: US\$201,375,000). Deferred tax liabilities of US\$30,523,000 (2022: US\$20,138,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

26 DEFERRED INCOME

	Government subsidies for research and development projects US\$'000
At 1 January 2022	35,098
Additions	9,583
Government grant recognised as other income	(3,264)
Exchange adjustments	(3,294)
At 31 December 2022 and 1 January 2023	38,123
Additions	11,805
Government grant recognised as other income	(6,926)
Exchange adjustments	(658)
At 31 December 2023	42,344

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

27 CONVERTIBLE BONDS

	2023 US\$'000	2022 US\$'000
Convertible bonds issued by a subsidiary (a)	92,836	92,930
Convertible bonds issued by the Company (b)	669,901	676,623
	762,737	769,553
Representing		
Current portion	456,634	–
Non-current portion	306,103	769,553
	762,737	769,553

(a) Convertible bonds issued by a subsidiary

In October 2022, CRM Cayman issued convertible bonds with the principal amount of US\$90 million (the “CRM Convertible Bonds”) to several external investors.

The CRM Convertible Bonds bear the interest rate of LIBOR in US\$ plus 5% per annum before 30 June 2023 and Secured Overnight Financing Rate (“SOFR”) plus 5.26% per annum on or after 30 June 2023, paid in lieu of cash quarterly. The CRM Convertible Bonds also bear the paid-in-kind interest (“PIK Interest”) initially at compound rate of 9% per annum, which shall, as long as no qualified IPO of the shares of CRM Cayman has occurred within 24 months from the issue date, increase by 0.5% per annum quarterly after 24 months. The accumulated unpaid PIK interests shall be annually added to the outstanding principal amount of the CRM Convertible Bonds in order to calculate PIK interests next year.

The maturity date of the CRM Convertible Bonds is three years from the Issue Date, and each bondholder may, in its sole discretion, exercise a one-time option to extend the maturity date for two years for the CRM Convertible Bonds held. Upon the maturity, CRM Cayman shall repay the principal and accumulated cash and PIK interests of outstanding CRM Convertible Bonds. The bondholders also have the right to require CRM Cayman to early redeem the outstanding CRM Convertible Bonds upon the occurrence of any of the events specified in the subscription agreement at the price of the principal amounts and unpaid cash and PIK interests. CRM Cayman has a call option to redeem the outstanding CRM Convertible Bonds at the price of the principal amounts plus interest at compound rate of 15% inclusive of previous interest paid at any time after the completion of a qualify IPO and achievement of certain market value conditions set out in the subscription agreement.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

27 CONVERTIBLE BONDS (CONTINUED)

(a) Convertible bonds issued by a subsidiary (continued)

The bondholders have the option to elect to convert part of or the entire outstanding bond, including all accrued but unpaid cash interest and PIK Interests, into CRM Preferred Shares if the conversion is to be consummated prior to the completion of IPO of CRM Cayman on the Main Board of the Stock Exchange (the "CRM Listing"), or into fully paid ordinary shares of the CRM Cayman if upon or after the CRM Listing, at the initial conversion price based on the enterprise value of CRM Cayman at US\$1.25 billion before issuance of the CRM Convertible Bonds per share (subject to adjustments).

CRM Convertible bonds are designated as financial liabilities at FVPL in accordance with the accounting policies set out in note 1(u). Valuation techniques and significant assumptions for determining the fair values of CRM Convertible Bonds as at 31 December 2023 are set out in note 31(e).

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

	2023 US\$'000	2022 US\$'000
Balance at 1 January	92,930	–
Issued by the subsidiary	–	90,000
Changes in fair value recognised in profit or loss during the year	8,830	2,930
Interests paid	(8,924)	–
Balance at 31 December	92,836	92,930

(b) Convertible bonds issued by the Company

(i) 2021 Convertible Bonds

In June 2021, the Company issued the convertible bonds with a principal amount of US\$700 million (the "2021 Convertible Bonds"). The 2021 Convertible Bonds do not bear any interest and were listed on the Stock Exchange. As at 31 December 2023, the quoted market value of the 2021 Convertible Bonds is approximately US\$427.84 million.

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

The maturity date of the 2021 Convertible Bonds is 11 June 2026 and the Company shall redeem the 2021 Convertible bonds at the price equals to 105.11% of the principal amount on the maturity date. In addition, the bondholders also have a right to require the Company to redeem entire or partial of the 2021 Convertible Bonds on 11 June 2024 at the price equals to the 103.04% of the principal amount.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

27 CONVERTIBLE BONDS (CONTINUED)

(b) Convertible bonds issued by the Company (continued)

(i) 2021 Convertible Bonds (continued)

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

In June and December 2023, the 2021 Convertible Bonds with an aggregated principal amount of US\$252,000,000 were repurchased by the Company, of which, US\$31,869,000 were paid by cash and US\$214,830,000 were offset by proceeds from convertible bond newly issued (see note 27(b)(ii)). The Group determined the fair value of the liability component and allocated this amount to the liability component of the acquisition price. The amount of US\$9,300,000, being the difference between the consideration allocated to the liability component of the acquisition price and the carrying amount of the liability is recognised in profit and loss. The remainder of the acquisition price of US\$575,000 was recognised in equity.

The movement of the 2021 Convertible Bonds during the year represents as follow:

	Liability component US\$'000	Equity component US\$'000	Total US\$'000
At 1 January 2023	676,623	37,928	714,551
Interest charged (note 5(a))	35,435	–	35,435
Repurchase by the Company	(255,424)	(575)	(255,999)
At 31 December 2023	456,634	37,353	493,987

No conversion of the 2021 Convertible Bonds had occurred up to 31 December 2023.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

27 CONVERTIBLE BONDS (CONTINUED)

(b) Convertible bonds issued by the Company (continued)

(ii) 2023 Convertible Bonds

In December 2023, the Company issued the convertible bonds with a principal amount of US\$220 million (the “2023 Convertible Bonds”), which have been listed on the Stock Exchange. The 2023 Convertible Bonds bear an interest rate of 5.75% per annum and the interests are payable semi-annually. The Company received the net proceeds of US\$2,047,000 upon the issuance of 2023 Convertible Bonds, being the gross proceed of US\$220,000,000 after netting off the consideration for repurchase of the 2021 Convertible Bonds of US\$214,830,000 and deducting related fees and commissions of US\$3,123,000 in total.

Pursuant to the terms of the 2023 Convertible Bonds, the bondholders could convert part of or the entire outstanding bond balances at the option of the bondholders into fully paid ordinary shares of the Company at an initial conversion price of HK\$12.7790 per share, subject to the adjustment under certain terms and conditions at the fixed exchange rate of HK\$7.8148 to US\$1 before the maturity date.

The maturity date of the 2023 Convertible Bonds is 19 December 2028 and the Company shall redeem the 2023 Convertible bonds at its principal amount together with accrued and unpaid interests. In addition, the bondholders also have a right to require the Company to redeem entire or partial of the 2023 Convertible Bonds on 21 December 2026 at their principal amount together with interest accrued but unpaid.

The initial recognition and subsequent measurement of the 2023 Convertible Bonds is similar to the 2021 Convertible Bonds as disclosed above.

	Liability component US\$'000	Equity component US\$'000	Total US\$'000
At 1 January 2023	–	–	–
Issued by the Company	212,819	3,740	216,559
Interest charged (note 5(a))	448	–	448
At 31 December 2023	213,267	3,740	217,007

No conversion of the 2023 Convertible Bonds had occurred up to 31 December 2023.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

28 SHARE-BASED PAYMENT TRANSACTIONS

(a) Share schemes (equity-settled)

(i) Share schemes adopted by the Company

On 3 September 2010 and 18 June 2020, the Company adopted the share schemes (referred as the “2010 Option Plan” and “2020 Option Plan”, respectively), pursuant to which, the board of directors may authorise, at their discretion, the issuance of share options to the executives, employees, external consultants or business associates of the Group. Each option gives the holder the right to subscribe for one ordinary share of the Company.

The terms, conditions and fair values at the grant date of the grants are as follows:

	Number of options	Fair value US\$'000	Weighted average fair value per share option US\$	Weighted average exercise price US\$
Options granted to executives and directors on:				
21 January 2014	650,000	184	0.28	0.69
28 August 2014	500,000	118	0.24	0.61
20 January 2015	29,400,000	4,459	0.15	0.41
30 June 2015	300,000	53	0.18	0.41
7 December 2015	2,000,000	306	0.15	0.39
30 March 2016	40,970,000	6,737	0.16	0.45
27 June 2016	700,000	122	0.17	0.50
23 January 2017	23,340,000	7,308	0.31	0.73
30 March 2017	3,277,472	950	0.29	0.75
25 August 2017	2,000,000	559	0.28	0.96
29 March 2018	2,451,474	1,100	0.45	1.10
24 December 2018	30,739,346	8,425	0.27	0.99
23 January 2019	4,570,994	292	0.06	1.00
1 April 2019	4,061,604	1,283	0.32	0.96
30 August 2019	500,000	131	0.26	0.90
31 March 2020	1,417,997	1,354	0.96	2.26
31 March 2021	795,383	1,676	2.11	5.61
14 May 2021	17,118,723	49,405	2.89	7.39
31 August 2021	6,500,000	20,945	3.22	6.17
2 November 2021	1,740,000	4,095	2.35	4.72
21 January 2022	696,003	936	1.35	3.57
1 April 2022	743,757	658	1.13	2.31
16 May 2022	15,763,657	10,991	0.70	1.82
10 October 2023	17,840,780	11,666	0.65	1.48
	208,077,190	133,753		

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

28 SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(a) Share schemes (equity-settled) (continued)

(i) Share schemes adopted by the Company (continued)

	Number of options	Fair value US\$'000	Weighted average fair value per share option US\$	Weighted average exercise price US\$
Options granted to employees on:				
31 March 2020	345,225	251	0.73	2.26
28 August 2020	750,000	1,018	1.36	4.48
28 December 2020	1,150,000	1,922	1.67	5.44
31 March 2021	654,003	1,287	1.97	5.61
21 January 2022	3,420,334	4,645	1.35	3.57
1 April 2022	10,233,893	10,979	1.41	2.31
16 May 2022	3,356,598	2,340	0.70	1.82
23 June 2022	300,000	375	1.25	2.54
31 March 2023	18,027,634	17,352	0.96	2.56
12 September 2023	200,000	142	0.71	1.65
	38,437,687	40,311		
Options granted to consultants and business associates on:				
1 September 2016	750,000	199	0.27	0.64
8 October 2018	500,000	280	0.56	1.29
12 September 2023	1,115,322	794	0.71	1.65
	2,365,322	1,273		

The above share options are vested in instalments over an explicit vesting period of one month to seven years. Each instalment is accounted for as a separate share-based compensation arrangement. The contractual life of options is ten years.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

28 SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(a) Share schemes (equity-settled) (continued)

(i) Share schemes adopted by the Company (continued)

The number and weighted average exercise prices of share options are as follows:

	2023		2022	
	Weighted average exercise price US\$	Number of options	Weighted average exercise price US\$	Number of options
Outstanding at the beginning of the year	2.10	155,687,600	2.00	130,646,179
Granted during the year	2.01	37,183,736	2.20	34,595,533
Exercised during the year	0.77	(6,859,615)	0.67	(6,852,884)
Forfeited during the year	3.33	(4,212,238)	2.59	(2,629,630)
Expired during the year	2.04	(2,233,363)	3.21	(71,598)
Outstanding at the end of the year	2.10	179,566,120	2.10	155,687,600
Exercisable at the end of the year	1.94	127,862,028	1.88	122,701,466

All the share options granted are exercisable by the grantees upon vesting and will expire in a period from January 2024 through October 2033. As at 31 December 2023, the weighted average remaining contractual life for the share options granted under the 2010 and 2020 Share Option Plans was 4.03 years (2022: 5.13 years).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

28 SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(a) Share schemes (equity-settled) (continued)

(i) Share schemes adopted by the Company (continued)

The fair value of services received in return for share options is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial tree model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial tree model.

Fair value of share options and assumptions	2023	2022
Fair value at measurement dates	HK\$5.36 to HK\$9.24	HK\$3.91 to HK\$15.55
Share price	HK\$11.54 to HK\$18.46	HK\$17.7 to HK\$28.05
Exercise price	HK\$11.54 to HK\$20.01	HK\$14.26 to HK\$28.05
Expected volatility (expressed as a weighted average volatility used in the modelling under binomial tree model)	53.84% to 54.04%	49.34% to 51.07%
Option life	10 years	10 years
Suboptimal exercise factor	1.2 to 1.5	1.3 to 1.5
Expected dividend yield	0.10%	0.10%
Average risk-free interest rate	3.14% to 3.97%	1.80% to 3.10%

The expected volatility is determined by the historical volatility of the Company. Changes in the subjective input assumptions could materially affect the fair value estimate. Expected dividend yield is based on historical dividends.

In respect of share options granted during 2023 and 2022, the service condition has been taken into account in the grant date fair value measurement of the services received. There was no market condition associated with these share options.

The total expenses recognised in the consolidated statement of profit or loss for the above transactions were US\$10,773,000 for the year ended 31 December 2023 (2022: US\$27,805,000).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

28 SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(a) Share schemes (equity-settled) (continued)

(ii) Share scheme adopted by MP CardioFlow

In March 2020, MP CardioFlow adopted its share scheme (the “CardioFlow SOS”). CardioFlow SOS provides the eligible person with the options to acquire proprietary interests in MP CardioFlow. Each option gives the holder the right to subscribe for one ordinary share of MP CardioFlow.

During the year ended 31 December 2023, 22,964,000 share options (2022: 20,319,000) were granted under the CardioFlow SOS at a weighted-average exercise price of HK\$2.24 (2022: HK\$3.52) per share of MP CardioFlow and 3,093,000 share options (2022: 5,821,000 share options) were exercised at a weighted-average exercise price of HK\$1.24 (2022: HK\$1.24) per share.

The above share options are vested in instalments over an explicit vesting period of five years. Each instalment is accounted for as a separate share-based compensation arrangement. The contractual life of options is ten years.

The fair value of services received in return for share options is measured by reference to the fair value of share options granted. The share price was determined by the closing price of the shares of MP CardioFlow at the grant date for the years ended 31 December 2023 and 2022. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial tree model.

Fair value of share options and assumptions	2023	2022
Fair value at measurement dates	HK\$0.59 to HK\$0.80	HK\$0.61 to HK\$1.51
Share price	HK\$1.91 to HK\$2.43	HK\$2.63 to HK\$3.62
Exercise price	HK\$1.91 to HK\$2.534	HK\$2.63 to HK\$3.75
Expected volatility	41.65% to 42.22%	42.51% to 42.55%
Option life	10 years	10 years
Expected dividend yield	0.00%	0.00%
Risk-free interest rate	3.78% – 3.85%	1.95% to 3.22%

The total expenses recognised in the consolidated statement of profit or loss for the above transaction were US\$1,438,000 for the year ended 31 December 2023 (2022: US\$1,803,000).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

28 SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(a) Share schemes (equity-settled) (continued)

(iii) Restricted share units plan adopted by MP Endo

In October 2021, MP Endo adopted a restricted share units plan (the "Endo RSU Plan"). Endo RSU Plan provides the eligible persons with the restricted share units of MP Endo ("Endo RSU"). Each Endo RSU gives the holder the right to subscribe for one ordinary share of MP Endo at the designated exercise price.

As at 31 December 2023, the outstanding number of Endo RSUs granted at an exercise price of RMB184.55 per share of MP Endo is 671,713 (31 December 2022: 671,173). There is no new grant for the year ended 31 December 2023.

The above Endo RSUs are vested in instalments over an explicit vesting period of five to six years. Each instalment is accounted for as a separate share-based compensation arrangement. The contractual life of options is seven years.

The fair value of services received in return for Endo RSUs is measured by reference to the fair value of the Endo RSUs granted in 2021. The estimate of the fair value of the Endo RSUs granted is measured based on a binomial tree model. The contractual life of the Endo RSUs is used as an input into this model. Expectations of early exercise are incorporated into the binomial tree model.

The total expenses recognised in the consolidated statement of profit or loss for the above transaction were US\$2,559,000 for the year ended 31 December 2023 (2022: US\$2,156,000).

(iv) Equity option plan adopted by Suzhou MP Orthopedics

In April 2021, Suzhou MP Orthopedics adopted an equity option scheme (the "Orthopedics EOS"), which provides the eligible employees with the options to proprietary equity interests in equity interests in Suzhou MP Orthopedics. Each option gives the holder the right to subscribe for US\$1 registered capital of Suzhou MP Orthopedics ("Orthopedics Registered Capital Unit").

During the year ended 31 December 2023, 2,115,311 options were granted under Orthopedics EOS at an exercise price at US\$1.58 per Orthopedics Registered Capital Unit. As at 31 December 2023, the total outstanding options were 9,750,582 units under Orthopedics EOS at an exercise price at US\$1.58 per Orthopedics Registered Capital Unit.

These equity options will vest in instalments and are exercisable only upon the completion of an IPO of Suzhou MP Orthopedics. If Suzhou MP Orthopedics fails to complete an IPO prior to the date as specified in the offer letters of certain option holders (the "Option Holders with Guarantee"), the options granted to the Option Holders with Guarantee will be forfeited and the Option Holders with Guarantee could receive cash payments approximately totalling US\$5,737,000. The contractual life of options is ten years.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

28 SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(a) Share schemes (equity-settled) (continued)

(v) Share scheme adopted by MP NeuroTech

In July 2023, MP NeuroTech adopted its share scheme (the "NeuroTech SS"). NeuroTech SS provides the eligible person with the options to acquire proprietary interests in MP NeuroTech. Each option gives the holder the right to subscribe for one ordinary share of MP NeuroTech.

During the year ended 31 December 2023, 1,176,000 share options were granted under the NeuroTech SS. Except 7,000 shares forfeited during the year, all the share options granted are exercisable by the grantees upon vesting and will expire in a period from July 2028 through July 2033.

The above share options are vested in instalments over an explicit vesting period of five years. The contractual life of the options is ten years.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Fair value of share options and assumptions

Fair value at measurement date

Share price

Exercise price

Expected volatility (expressed as weighted average volatility used in the modelling under binomial lattice model)

Option life

Expected dividends yield

Risk-free interest rate

2023

HK\$6.93 to HK\$6.96

HK\$13.52

HK\$13.52

51.61%

10 years

0.10%

3.71%

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

28 SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(b) Share award scheme (equity-settled)

(i) Share award scheme adopted by the Company

Pursuant to the share award scheme (as amended) of the Company, which was adopted and approved by the Board in 2021, the Company may purchase its own shares and grant such shares to certain employees of the Group at nil consideration.

For the year ended 31 December 2023, the Company granted 1,803,541 shares (2022: 1,662,672) to the Group's executives and employees with a fair value of US\$4,241,000 (2022: US\$11,555,000).

The consideration paid for the purchase of the Company's shares is reflected as a decrease in the capital reserve of the Company. The fair value of the employee services received in exchange for the grant of shares is recognised as staff costs in profit or loss with a corresponding increase in capital reserve, which is measured based on the grant date share price of the Company.

(ii) Share award scheme adopted by MP CardioFlow

Pursuant to a share award scheme adopted by MP CardioFlow in 2022, MP CardioFlow may purchase its own shares and grant such shares to certain eligible persons.

For the year ended 31 December 2023, MP CardioFlow purchased nil own shares (2022: 44,098,000) at nil consideration (2022: US\$16,813,000) and 1,386,223 shares (2022: 1,030,424) of MP CardioFlow were granted.

(iii) Share award scheme adopted by MP NeuroTech

Pursuant to a share award scheme adopted by MP NeuroTech in 2023, MP NeuroTech may purchase its own shares and grant such shares to certain eligible person.

For the year ended 31 December 2023, MP NeuroTech purchased 517,000 own shares at cash consideration of US\$1,192,000 and 516,717 shares of MP NeuroTech were granted.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

28 SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(c) Employee share purchase plans (“ESPP”) (equity-settled)

Since 2014, the Group adopted several ESPPs, pursuant to which, the partnership firms, whose limited partners consisted of employees of the Group, invested in the Group’s subsidiaries and equity-accounted investees (together, the “Target Companies”) by way of subscribing newly issued equity interests of the Target Companies, or acquiring equity interests from the Group. All participants of above ESPPs have purchased equity interests in respective partnership firms at amounts specified in the respective partnership agreements.

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

The fair value of the equity interests subscribed was measured by reference to either (i) the price at which third party investors made contributions to these Targeted Companies or (ii) the valuation reports prepared by the external valuers and reviewed and approved by the management.

The total expenses recognised in the consolidated statement of profit or loss for the above transaction were US\$15,846,000 for the year ended 31 December 2023 (2022: US\$20,563,000).

(d) Long-term incentive awards (equity-settled)

In 2020, CRM Cayman adopted a long-term incentive plan (the “CRM LTI Plan”), pursuant to which, the Group granted performance-based restricted share units (the “CRM 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 CRM Cayman or the Company, as the case may be.

The fair value of services received in return for CRM RSUs is measured by reference to the fair value of the underlying ordinary shares of CRM Cayman and the Company in 2020. Back-solve method was used to determine the equity fair value of the ordinary shares of CRM Cayman and key assumptions used are summarised as below. The fair value of the underlying ordinary shares of the Company is measured based on the share price of the Company as of the grant date.

The total expenses recognised in the consolidated statement of profit or loss for the above transaction were US\$2,213,000 for the year ended 31 December 2023 (2022: US\$6,321,000).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

28 SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(e) Bonus distribution plan (equity-settled)

On 30 March 2022, the board of the Company approved a bonus distribution plan, pursuant to which, the Company may purchase the shares of the designated subsidiaries and grant such shares to the executive and the employee of the Group at nil consideration.

During the year ended 31 December 2023, 400,000 ordinary shares of MP CardioFlow (2022: 8,631,000), nil ordinary shares of MP MedBot (2022: 624,500) and 652,000 ordinary shares of MP NeuroTech (2022: nil) were purchased with aggregated consideration of US\$1,277,000 (2022: US\$5,388,000) in cash.

During the year ended 31 December 2023, 2,356,875 ordinary shares of MP CardioFlow (2022: 6,503,842), 53,239 ordinary shares of MP MedBot (2022: 154,546) and 499,520 ordinary shares of MP NeuroTech (2022: nil) were granted with a fair value of US\$1,816,000 (2022: US\$2,927,000).

(f) Equity-settled share-based payment expenses recognised in the consolidated statement of profit or loss during the current and prior years:

	2023 US\$'000	2022 US\$'000
Research and development costs	17,315	21,459
Distribution costs	9,528	9,713
Administrative expenses	12,266	40,765
Cost of sales	550	866
	39,659	72,803

The compensation expenses resulting from those equity-settled schemes were reflected as equity-settled share-based payment expenses in the consolidated statement of profit or loss with a corresponding increase primarily in the equity of the Group.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

29 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

<i>Note</i>	Share capital US\$'000	Share premium US\$'000	Capital reserve US\$'000	Accumulated losses US\$'000	Total US\$'000
Balance at 1 January 2022	18	664,862	98,538	(63,935)	699,483
Changes in equity for 2022:					
Profit and total comprehensive income	-	-	69	6,036	6,105
Equity-settled share-based transactions	-	-	28,883	-	28,883
Shares issued under share option scheme	29(c)(iii)	5,838	(1,391)	-	4,447
Shares purchased under share award scheme	28(b)(i)	-	(6,390)	-	(6,390)
Shares granted under share award scheme	28(b)(i)	-	11,555	-	11,555
Balance at 31 December 2022 and 1 January 2023	18	670,700	131,264	(57,899)	744,083
Changes in equity for 2023:					
Loss and total comprehensive income	-	-	(295)	(20,101)	(20,396)
Issuance of convertible bonds	27(b)	-	3,740	-	3,740
Repurchase of convertible bonds	27(b)	-	(575)	-	(575)
Equity-settled share-based transactions	-	-	10,842	-	10,842
Lapse of share options	-	-	(447)	447	-
Shares issued under share scheme	29(c)(iii)	6,926	(1,564)	-	5,362
Shares granted under share award scheme	28(b)(i)	-	4,241	-	4,241
Balance at 31 December 2023	18	677,626	147,206	(77,553)	747,297

(b) Dividends

The directors of the Company did not propose any payment of final dividend in respect of the previous year during the year ended 31 December 2023 (2022: nil).

The directors of the Company did not propose any payment of final dividend for the year ended 31 December 2023 (2022: nil).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

29 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

(i) Ordinary shares

	2023		2022	
	Number of shares '000	Amount US\$'000	Number of shares '000	Amount US\$'000
Authorised:				
Ordinary shares of US\$0.00001 each	5,000,000	50	5,000,000	50
Ordinary shares, issued and fully paid:				
At 1 January	1,827,618	18	1,820,751	18
Shares issued under share schemes (note 29(c)(iii))	6,859	-	6,867	-
At 31 December	1,834,477	18	1,827,618	18

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Purchase of own shares

During the year ended 31 December 2023, the Company did not purchase any of its own ordinary shares (for the year ended 31 December 2022: 2,755,400 ordinary shares) through the designated trustees under the share award scheme (note 28(b)).

Repurchased shares held at the end of the reporting period under the share award scheme are classified as treasury shares and are presented as a decrease in the capital reserve.

At 31 December 2023, the trustee under a long-term benefit plan held 172,000 ordinary shares of the Company (31 December 2022: 172,000 ordinary shares). These shares are treated as plan assets and carried at fair value with reference to the share price of ordinary shares of the Company, which are presented as a deduction of non-current defined benefit obligation.

(iii) Shares issued under the share schemes

During the year ended 31 December 2023, 6,859,615 (2022: 6,866,884) share options were exercised to subscribe for 6,859,615 (2022: 6,866,884) ordinary shares in the Company at a total consideration of US\$5,362,000 (2022: US\$4,447,000), of which nil (2022: nil) and US\$5,362,000 (2022: US\$4,447,000) was credited to share capital and share premium, respectively. In addition, an amount of US\$1,564,000 (2022: US\$1,391,000) was transferred from the capital reserve to the share premium account in accordance with policies set out in note 1(w)(iii).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

29 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of certain subsidiaries within the Group. The reserve is dealt with in accordance with the accounting policies set out in note 1(aa).

(iii) Capital reserve

The capital reserve primarily comprises the following:

- the fair value of the actual or estimated number of unexercised share options granted to executives, employees and external consultants of the Group and other equity-settled share-based payment transactions (note 28) in accordance with the accounting policy adopted for share-based payments in note 1(w)(iii);
- the consideration paid for the purchase of the Company's shares net of the fair value of shares granted to the Group's executives under the share award scheme (note 28(b)(i));
- the amount allocated to the unexercised equity component of convertible bonds (note 1(u)(i)) and preferred shares (note 1(s)) and the amount allocated to the equity component of the convertible bonds upon its extinguishment before maturity or early redemption;
- gain/loss on acquisition or dilution of interests in subsidiaries where the Group's interest in a subsidiary is increased/decreased without losing control (note 1(d)) and net of direct tax effect; and
- remeasurement gain/loss arising from defined benefit plans.

(iv) Statutory general reserve

In accordance with the relevant PRC accounting rules and regulations, the PRC subsidiaries of the Company are required to make appropriation of its retained profits to statutory general reserve at the rate of 10% of its net profit each year, until the reserve balance reaches 50% of its paid up capital. The transfer to this reserve must be made before distribution of dividend to equity owners. The statutory reserve fund can be utilised to offset prior year's losses or converted into paid up capital.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

29 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Capital management

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

The Group defines "capital" as including all components of equity, lease liabilities, convertible bonds, non-current interest-bearing borrowings (including the current portion) and other non-current liabilities, less unaccrued proposed dividends based on the number of ordinary shares as at 31 December 2023. On this basis, the amount of capital employed at 31 December 2023 was US\$3,232,373,000 (2022: US\$3,414,721,000).

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

The Group is subject to covenants imposed by the lenders of the interest-bearing borrowings based on the Group's financial ratios relating to capital requirements. The Group complied with the imposed loan covenants as at 31 December 2023 and 2022. Except for the above, neither the Company nor any its subsidiaries are subject to externally imposed capital requirements.

30 DILUTION OF INTERESTS IN SUBSIDIARIES WITHOUT LOSING CONTROL

(a) MP Endo

In December 2023, MP Endo completed a placing of 10,748,106 new ordinary shares at a price of RMB168.33 per share (the "MP Endo Placing"). The net proceeds received from the MP Endo Placing is RMB1,781 million (equivalent to US\$252 million). As a result, the Group's equity interest in MP Endo was diluted to 40.32%.

(b) Other subsidiaries

During the year ended 31 December 2023, several ESPPs and investors made contributions to certain subsidiaries of the Group in aggregate amount of US\$2,707,000 in cash. The Group retained its control over these subsidiaries.

(c) Accounting impacts of dilution of interests in subsidiaries without losing control

The dilutions of the equity interest in the foresaid subsidiaries from notes 30(a) to (b) were treated as transactions within the shareholders in their capacity as equity holders. Hence, the amount of US\$82,504,000, being the different between (i) the cash consideration of US\$254,222,000 and (ii) the carrying amount of net assets in the proportion of the deemed disposed equity interests in the foresaid subsidiaries as at the date of disposal was credited to capital reserve of the Group.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents and pledged and time deposits is limited because the counterparties are banks and financial institutions which the Group considers to represent low credit risk. The Group's exposure to credit risk arising from refundable rental deposits is considered to be low, taking into account the remaining lease term and the period covered by the rental deposits.

Except for the guarantee issued by the Group as set out in note 21, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of the guarantee at the end of the reporting period is disclosed in note 31(b).

Trade receivables

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit period. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 360 days from the date of billing. Debtors with balances that are overdue are requested to settle all outstanding balances before any further credit is granted. The Group does not obtain collateral from customers.

The Group has no significant concentration of credit risk in countries in which the customers operate. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 9% (2022: 13%) and 25% (2022: 28%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The Group segments its trade receivables based on business lines, due to different loss pattern experienced in the different businesses.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Trade receivables (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	2023		
	Expected loss rate %	Gross carrying amount US\$'000	Loss allowance US\$'000
Current and less than 1 year past due	2.2%	185,559	3,994
1-3 years past due	62.3%	12,213	7,613
More than 3 years past due	96.8%	8,869	8,586
		206,641	20,193
	2022		
	Expected loss rate %	Gross carrying amount US\$'000	Loss allowance US\$'000
Current and less than 1 year past due	3.8%	173,443	6,573
1-3 years past due	57.0%	6,405	3,654
More than 3 years past due	81.4%	6,714	5,462
		186,562	15,689

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Trade receivables (continued)

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2023 US\$'000	2022 US\$'000
Balance at 1 January	15,689	11,222
Amounts written off during the year	(231)	(478)
Provision for impairment during the year	4,171	4,806
Exchange adjustments	564	139
Balance at 31 December	20,193	15,689

The management has assessed that during the year ended 31 December 2023, lease receivables, other receivables and amounts due from associates have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management. The management of the Company expect the occurrence of losses from non-performance by the counterparties was remote and loss allowance provision was immaterial.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

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(Expressed in United States dollars unless otherwise indicated)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2023 Contractual undiscounted cash outflow					Carrying amount at 31 December US\$'000
	Within 1 year or on demand US\$'000	More than 1 year but less than 2 years US\$'000	More than 2 years but less than 5 years US\$'000	More than 5 years US\$'000	Total US\$'000	
Interest-bearing borrowings	319,650	160,125	308,624	112,274	900,673	803,768
Convertible bonds	474,269	102,988	257,950	–	835,207	762,737
Lease liabilities	44,417	46,027	32,535	14,941	137,920	132,242
Trade and other payables	322,609	279,799	33,769	–	636,177	585,918
	1,160,945	588,939	632,878	127,215	2,509,977	2,284,665
Financial guarantee issued: Maximum amount guaranteed	3,880	6,311	9,428	15,848	35,467	–

	2022 Contractual undiscounted cash outflow					Carrying amount at 31 December US\$'000
	Within 1 year or on demand US\$'000	More than 1 year but less than 2 years US\$'000	More than 2 years but less than 5 years US\$'000	More than 5 years US\$'000	Total US\$'000	
Interest-bearing borrowings	200,718	78,939	205,618	92,415	577,690	522,076
Convertible bonds	8,100	730,235	126,907	–	865,242	769,553
Lease liabilities	57,637	50,270	80,840	1,810	190,557	176,317
Trade and other payables	396,028	8,900	255,827	–	660,755	592,041
	662,483	868,344	669,192	94,225	2,294,244	2,059,987
Financial guarantee issued: Maximum amount guaranteed	–	–	3,733	–	3,733	–

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(Expressed in United States dollars unless otherwise indicated)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is primarily exposed to fair value interest rate risk from deposit with banks (note 20), loans to equity-accounted investees (note 14), interest-bearing borrowings (note 23), convertible preferred shares and redemption rights issued by subsidiaries (note 21(iii)) and convertible bonds issued by the Company (note 27(b)), which were issued at fixed rates, and cash flow risk from deposits with banks (note 20) and interest-bearing borrowings (note 23) that were issued at variable rates.

At 31 December 2023, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's loss for the year by approximately US\$5,614,000 (2022: decreased/increased loss by US\$9,124,000) and decreased/increased accumulated losses by approximately US\$3,680,000 (2022: decreased/increased accumulated losses by US\$6,474,000), respectively.

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax (and accumulated losses) that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's loss after tax (and accumulated losses) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis has been performed on the same basis as 2022.

(d) Currency risk

The Group is exposed to currency risk primarily from (i) sales and purchases which give rise to receivables, payables that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Euros and US\$ and (ii) intra-group borrowings that are denominated in RMB, between the PRC subsidiaries, whose functional currency is RMB and overseas subsidiaries, whose functional currency is Hong Kong dollars or US\$.

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31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (continued)

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in US\$, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of the entities into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in US\$)			
	2023		2022	
	US\$ US\$'000	RMB US\$'000	US\$ US\$'000	RMB US\$'000
Trade and other receivables	13,377	234	16,770	4,488
Cash and cash equivalents	43,748	3,494	118,421	2,424
Interest-bearing borrowings	-	(64,947)	-	-
Trade and other payables	(12,650)	-	(7,690)	(3)
Amounts due from/(to) group companies	9,574	(26,586)	8,916	(24,357)
Amounts due from related parties	2,465	-	997	-
Derivative financial liabilities	-	-	(3,262)	-
Net exposure arising from recognised assets and liabilities	56,514	(87,805)	134,152	(17,448)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after tax (and accumulated losses) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2023		2022	
	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses US\$'000	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses US\$'000
RMB (against US\$)	3%	2,634	3%	4,417
	(3)%	(2,634)	(3)%	(4,417)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' loss after tax and equity measured in the respective functional currencies, translated into US\$ at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of the entities into the Group's presentation currency. The analysis has been performed on the same basis for 2022.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

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

Fair value hierarchy (continued)

	Fair value measurements as at 31 December 2023 categorised into			
	Fair value at 31 December 2023 US\$'000	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000
Recurring fair value measurement				
Financial assets:				
Unlisted equity securities (note 15)	10,003	–	1,518	8,485
Convertible bond issued by an equity-accounted investee	7,427	–	4,000	3,427
Call options held (note 17(i))	3,574	–	–	3,574
Wealth management products	40,028	–	–	40,028
Financial liabilities:				
Contingent liabilities in business combination	(5,929)	–	–	(5,929)
Convertible bonds issued by a subsidiary (note 27(a))	(92,836)	–	–	(92,836)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

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

Fair value hierarchy (continued)

	Fair value at 31 December 2022 US\$'000	Fair value measurements as at 31 December 2022 categorised into		
		Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000
Recurring fair value measurement				
Financial assets:				
Unlisted debt and equity securities (note 15)	18,072	–	–	18,072
Convertible bond issued by an equity-accounted investee	4,000	–	4,000	–
Call options held (note 17(i))	5,083	–	–	5,083
Wealth management products	38,201	–	–	38,201
Financial liabilities:				
Contingent liabilities in business combination	(28,732)	–	–	(28,732)
Put option written to				
– SRL Put Option (note 17(ii))	(871)	–	–	(871)
– Witney Put Option (note 17(iii))	(3,262)	–	–	(3,262)
Convertible bonds issued by a subsidiary (note 27(a))	(92,930)	–	–	(92,930)
Foreign currency forward contract	(39)	–	(39)	–

During the year ended 31 December 2023, there were no transfers between Level 1 and Level 2, and unlisted equity securities amounting to US\$1,518,000 were transferred from Level 3 into Level 2 (2022: nil).

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

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

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range
Unlisted equity securities	Equity allocation model (Note a)	Expected volatility, taking into account the historical volatility of the comparable companies	74%
		Expected probability of event	45%
Convertible instruments	Default risk method (Note b)	Event probability	60%
		Probability of default of underlying equity	100%
Call options held	Binomial tree model (Note c)	Expected volatility, taking into account the historical volatility of the comparable companies	44%
Contingent liabilities	Probability-weighted discounted cash flow method (Note d)	Expected probability of achievement of milestones and conditions	34%
		Discount rate	From 2.81% to 3.56%
Wealth management products	Net asset value (Note e)	Expected rate of return	From 3.0% to 5.5%
Convertible bonds	Binomial tree model (Note f)	Expected volatility, taking into account the historical volatility of the comparable companies	32.19%
		Discount rate	13.46%

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

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

Information about Level 3 fair value measurements (continued)

Note a As at 31 December 2023, 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\$63,000/US\$75,000 and an increase/decrease in the expected volatility by 5% would have decreased/increased the Group's loss by US\$24,000/US\$9,000.

Note b As at 31 December 2023, it is estimated that with all other variables held constant, an increase/decrease in the probability of event by 10% would have decreased/increased the Group's loss by US\$571,000, and a decrease in the probability of default of underlying asset by 5% would have decrease the Group's loss by US\$105,000.

Note c As at 31 December 2023, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 5% would have decreased/increased the Group's loss by US\$447,000/US\$513,000.

Note d As at 31 December 2023, it is estimated that with all other variables held constant, a decrease in the expected probability of achievement of milestones and conditions by 10% would have decreased the Group's loss by US\$593,000 and an increase in the discount rate by 1% would have decreased the Group's loss by US\$149,000.

Note e The wealth management products measured at FVPL is redeemable at a redemption price equals to the net asset values as stated in the monthly shareholder's statement issued by the administrators, which represents a rate of return of 3.0%-5%. The fair value measurement is positively correlated to the expected rate of return. As at 31 December 2023, it is estimated that with all other variables held constant, an increase/decrease of 100 basis points in the expected rate of return would have increase/decrease the Group's profit by US\$5,000/US\$5,000.

Note f As at 31 December 2023, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 5% would have increase/decrease the Group's loss by US\$1,049,000/US\$2,109,000 and an increase/decrease in the discount rate by 5% would have decrease/increase the Group's loss by US\$6,456,000/US\$6,985,000.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

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

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	Financial assets US\$'000	Financial liabilities US\$'000
At 1 January 2023	61,356	(125,795)
Additions	303,883	–
Changes in fair value recognised in profit or loss during the year	(8,437)	(4,564)
Transfer to Level 2	(1,518)	–
Settlements	(299,441)	22,670
Interests paid	–	8,924
Exchange adjustments	(329)	–
At 31 December 2023	55,514	(98,765)

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

Except for the convertible bonds issued by the Company as disclosed in note 27(b), the carrying amounts of the Group's other financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2023 and 2022.

32 COMMITMENTS

Capital commitments outstanding at 31 December 2023 not provided for in the financial statements were as follows:

	2023 US\$'000	2022 US\$'000
Contracted for	18,373	184,904
Authorised but not contracted for	190,627	401,100
	209,000	586,004

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

33 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid individuals as disclosed in note 8, is as follows:

	2023 US\$'000	2022 US\$'000
Salaries and other benefits	7,932	7,555
Discretionary bonuses	1,359	4,426
Retirement scheme contributions	183	126
Defined benefit plans costs	–	140
Equity-settled share-based payment expenses	13,022	11,263
Cash-settled share-based payment expenses	235	128
	22,731	23,638

Total remuneration was included in staff costs (note 5(b)).

(b) Financing arrangements

	2023 US\$'000	2022 US\$'000
Loans to equity-accounted investees (Note)	8,186	12,310
Loans repaid by equity-accounted investees	3,080	8,985
Interest income on loans to equity-accounted investees	77	73

In addition, the Group provided financial guarantee to certain equity-accounted investees for their bank facilities. As at 31 December 2023, bank loans amounting to US\$35,467,000 drawn down by these equity-accounted investees were guaranteed by the Group (31 December 2022: US\$3,733,000). Management of the Group consider the default risk of financial guarantee is insignificant and no expected credit loss was recognised in this regard for the year ended 31 December 2023.

Note: As at 31 December 2023, loans to equity-accounted investees of the Group bore an interest rate at 3.00% - 7.00% p.a. (2022: 2.00% - 7.00%).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

33 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Cash deposits placed in SHRB

During the year ended 31 December 2023, the Group placed cash deposits in SHRB, an equity-accounted investee of the Group (note 14), with an interest rate from 1.80% to 3.45% per annum. As at 31 December 2023, the amount of bank deposits placed in SHRB was US\$24,252,000 (31 December 2022: US\$12,937,000).

During the year ended 31 December 2023, the Group received interest income from the above bank deposits amounting to US\$428,000 (2022: US\$152,000).

(d) Sales to related parties

For the years ended 31 December 2023 and 2022, the Group entered into sales 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"), the controlling party of 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
MP EP	Equity-accounted investee of the Group
Zhejiang Accupath Smart Manufacturing (Group) Co., Ltd. ("AccuPath")	Equity-accounted investee of the Group
Lombard Medical Limited ("Lombard")	Equity-accounted investee of the Group
Shanghai Horizon Medtech Co., Ltd. ("Horizon")	Equity-accounted investee of the Group
Purple Medical Solutions Private Limited ("Purple Medical")	Equity-accounted investee of the Group

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

	2023 US\$'000	2022 US\$'000
Subsidiaries of Otsuka holdings	2,561	934
AccuPath	5,744	5,592
MP EP	560	759
Lombard	6,248	4,747
Horizon	742	232
Purple Medical	1,293	1,059

Trade receivables due from related parties as disclosed in note 19 are unsecured, interest-free and expected to be recovered within one year.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

33 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Other transactions with related parties

Particulars of the Group's other transactions with related parties are as follows:

Name of party	Relationship
MP EP	Equity-accounted investee of the Group
AccuPath	Equity-accounted investee of the Group
Horizon	Equity-accounted investee of the Group
Endophix Medtech Corporation	Equity-accounted investee of the Group
SuZhou ProSteri Medical Technology Co., Ltd. ("SuZhou ProSteri")	Equity-accounted investee of the Group
Suzhou Reveda Medtech Co., Ltd.	Equity-accounted investee of the Group
Shanghai MicroPort Lifesciences Co., Ltd.	Equity-accounted investee of the Group
Brian Yale Chang ("Dr. Brian")	Immediate family of a director of the Company

	2023 US\$'000	2022 US\$'000
Purchase from equity-accounted investees	39,640	43,071
Service fee income from equity-accounted investees	8,370	5,703
Payment on behalf of equity-accounted investees by the Group	1,483	1,812
Transfer of non-current assets to equity-accounted investees	13,342	204
Service fee charged by Dr. Brian	174	74

(f) Applicability of the Listing Rules relating to connected transactions

The related party transactions with subsidiaries of Otsuka Holding constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided under the paragraph "Connected transactions" in the reports of the directors.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

34 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	31 December 2023 US\$'000	31 December 2022 US\$'000
Non-current assets		
Investments in subsidiaries	1,284,619	1,256,810
Interest in equity-accounted investees	4,000	4,000
Other non-current assets	–	3,035
	1,288,619	1,263,845
Current assets		
Other receivables	6,450	6,132
Pledged and time deposits	105,684	–
Cash and cash equivalents	29,391	207,061
	141,525	213,193
Current liabilities		
Amounts due to subsidiaries	1,672	1,672
Other payables	9,501	7,347
Convertible bonds (note 27(b))	456,634	–
Interest-bearing borrowings	–	11,255
Derivative financial liabilities	–	871
	467,807	21,145
Net current assets	(326,282)	192,048
Total assets less current liabilities	962,337	1,455,893
Non-current liabilities		
Convertible bonds (note 27(b))	213,267	676,623
Interest-bearing borrowings	–	33,765
Other payables	1,773	1,422
	215,040	711,810
NET ASSETS	747,297	744,083
CAPITAL AND RESERVES (note 29(a))		
Share capital	18	18
Reserves	747,279	744,065
TOTAL EQUITY	747,297	744,083

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, <i>Presentation of financial statements:</i> <i>Classification of liabilities as current or non-current ("2020 amendments")</i>	1 January 2024
Amendments to HKAS 1, <i>Presentation of financial statements:</i> <i>Non-current liabilities with covenants ("2022 amendments")</i>	1 January 2024
Amendments to HKFRS 16, <i>Leases: Lease liability in a sale and leaseback</i>	1 January 2024
Amendments to HKAS 7, <i>Statement of cash flows</i> and HKFRS 7, <i>Financial Instruments:</i> <i>Disclosures: Supplier finance arrangements</i>	1 January 2024
Amendments to HKAS 21, <i>The effects of changes in foreign exchange rates:</i> <i>Lack of exchangeability</i>	1 January 2025

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following:

Amendments to HKAS 1, *Presentation of financial statements (2020 and 2022 amendments)*

The 2020 and 2022 amendments impact the classification of a liability as current or non-current, and are to be applied retrospectively as a package.

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

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

Based on the assessment completed to date, the Group has identified CRM Convertible Bonds (note 27(a)) which are expected to be impacted by the amendments. As at 31 December 2023, the CRM Convertible Bonds measured as fair value of US\$92,836,000 were classified as non-current liabilities. Under the above amendments, such liabilities would be classified as current as seen from 1 January 2024, as the conversion rights of the CRM Convertible Bonds do not meet the definition of an equity instrument and are exercisable at any time at the bondholders' option.

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