MicroPort微创

2021 ANNUAL REPORT

MicroPort Scientific Corporation

微創醫療科學有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code:00853)

CONTENTS

CORPORATE INFORMATION

DIRECTORS

EXECUTIVE DIRECTOR

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

NON-EXECUTIVE DIRECTORS

Mr. Norihiro Ashida
Dr. Yasuhisa Kurogi
Mr. Hongliang Yu

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)*
Mr. Hongliang Yu
Dr. Guoen Liu

STRATEGIC COMMITTEE

Dr. Zhaohua Chang *(Chairman)*
Dr. Yasuhisa Kurogi
Mr. Jonathan H. Chou
Mr. Hongliang Yu

REGISTERED OFFICE

PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

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

1601 Zhangdong Road
Zhangjiang Hi-Tech Park
Shanghai 201203
The PRC

PLACE OF BUSINESS IN HONG KONG

Level 54 Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

KPMG
Public Interest Entity Auditor registered in accordance with the 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

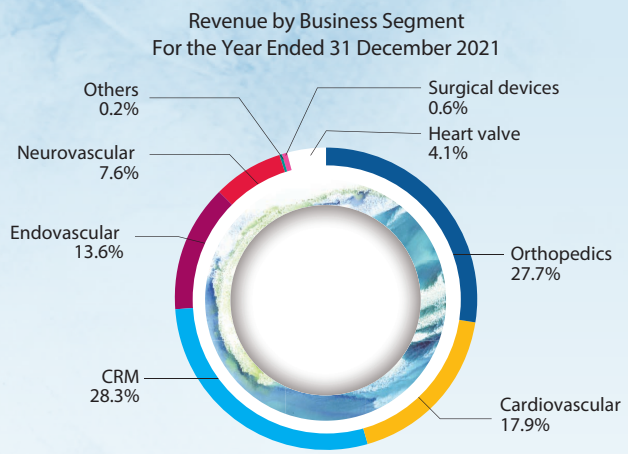
PRINCIPAL BANKERS

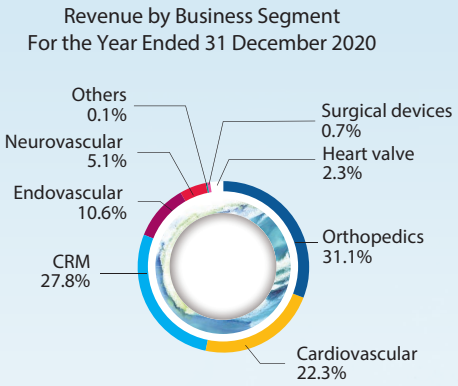
Bank of China (Hong Kong) Limited
China Construction Bank Corporation Shanghai Pudong Branch
Bank of China Limited Shanghai Zhangjiang Sub-Branch
China Minsheng Banking Corporation Limited
Bank of America
BNP Paribas

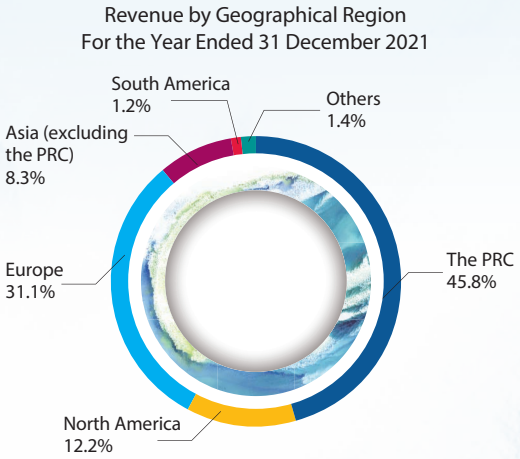
FINANCIAL HIGHLIGHTS

	Financial Year Ended		
	2021 US$'000	2020 US$'000	Change %
Revenue	**778,639**	648,732	20.0%
Gross profit	**491,773**	436,032	12.8%
Loss for the year	**(351,295)**	(223,348)	N/A
Loss attributable to equity shareholders of the Company	**(276,484)**	(191,252)	N/A
Loss per share –			
Basic (in cents)	**(15.29)**	(10.97)	N/A
Diluted (in cents)	**(16.54)**	(11.11)	N/A

Revenue Analysis







FIVE YEARS' FINANCIAL SUMMARY

	2021 US$'000	2020 US$'000	2019 US$'000	2018 US$'000	2017 US$'000
Revenue	**778,639**	648,732	793,493	669,490	444,190
(Loss)/profit for the year	**(351,295)**	(223,348)	29,009	18,381	16,951
Assets					
Non-current assets	**1,993,762**	989,270	856,997	719,756	473,918
Current assets	**2,386,767**	1,479,863	740,954	554,691	429,705
Total assets	**4,380,529**	2,469,133	1,597,951	1,274,447	903,623
Liabilities					
Current liabilities	**546,757**	519,379	431,801	440,390	198,893
Non-current liabilities	**1,616,280**	561,808	512,185	305,111	265,278
Total liabilities	**2,163,037**	1,081,187	943,986	745,501	464,171
Total equity	**2,217,492**	1,387,946	653,965	528,946	439,452

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 operates in multiple international markets across multiple fields, including cardiocascular devices, orthopedics devices, cardiac rhythm management ("CRM"), endovascular and peripheral vascular devices, neurovascular devices, heart valve, surgical robot, surgical devices and other businesses. Every six seconds, one of MicroPort's products is being used worldwide to save life, improve life quality or help create life. The Group is dedicated to becoming a patient-oriented global enterprise that will continuously innovate and provide trustworthy and universal access to state-of-the-art solutions of prolonging and reshaping all lives.

The Group is human-oriented and is committed to improving people's lives through practical application of innovative science. We continually develop leading technologies and products for physicians and provide trustworthy and universal access to state-of-the-art solutions of prolonging and reshaping all lives to patients. We are a young group with an ambition to establish MicroPort as a globally recognized 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, Jiaxing, Shenzhen in China, Memphis in the United States, Clamart in France, Saluggia in Italy and Dominican Republic, a strong focus on technological innovation with over 6,800* patents (including applications), and a global workforce of over 10,000*, MicroPort is committed to achieving its corporate vision.

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

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

OUR VISION

PEOPLE ORIENTED

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

OUR MISSION

CONTINUOUS INNOVATION

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

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

CHAIRMAN'S STATEMENT

Dr. Zhaohua Chang
Chairman

Dear shareholders,

In 2021, encountering the continuous widespread of the COVID-19 pandemic and the challenges brought by complicated changes of the global macro environment, with the commitment of "breaking barriers to support billions of people to thrive beyond 115 years", the Group strived to accelerate the global resource coordination and market development, and promote our high-quality innovative products in the global market, thereby benefiting more patients with the quality and affordable cutting-edge integrated medical solutions.

During the Reporting Period, the Group continued to accelerate and deepen its globalisation strategy with a dual enhancement in international market share and penetration rate and achieved a revenue of US$779 million, representing a significant increase of 15.0% compared with last year, while revenue recorded in South America, Europe, Middle East and Africa ("EMEA") and North America increased by 29.9%, 16.8% and 6.7% respectively. The heart valve business, the neurovascular devices business and the endovascular and peripheral vascular devices business maintained a strong growth momentum.

In cardiovascular devices business, the global sales volume of the Group's coronary stents amounted to 1.22 million units, representing an increase of 132.0% as compared to last year, with market share ranking the world's top two and Chinese top one in terms of sales volume. During the Reporting Period, the overseas business recorded an increase in revenue of 34.5% as compared to last year. In particular, the revenue in the EMEA and South America recorded year-on-year growth of 136.3% and 17.8%, respectively. In the Indian market, the Group has successfully launched Firehawk IN™ as its first locally manufactured coronary stent in overseas market, and realised the first batch of commercial sales, which will further accelerate our penetration in the local market with a huge growth potential. In the United States, the Group established headquarters for the Americas and commenced the construction of Southern California Innovation Center and Intelligent Manufacturing Base, laying a solid foundation for the international clinical registration and commercialization processes of multiple innovative products. After obtaining the registration certificate from the National Medical Products Administration ("NMPA") for our medical digital subtraction angiography ("DSA") system, a jointly developed China-made product with Siemens Medical, the Group strategically acquired the controlling interest of Suzhou Argus Medical Technology Corp., Ltd. and will actively promote the application of its OCT products and imaging technology in the global market.

As for the orthopedics business, despite the challenges brought by the complicated evolution of COVID-19, the global revenue still achieved a year-on-year growth of 5.1%, with the loss reduced sharply by 57.3%. The international (non-China) orthopedics business realised an increase of 11.8% as compared to last year, among which the revenue in the United States, EMEA and Japan increased by 6.7%, 27.6% and 6.7% respectively as compared to last year. In the PRC market, the Group's hip and knee joint products won the bids in the national volume-based procurement ("VBP"), and the trauma products won the bids in the VBP of a twelve-provincial league, achieving a great breakthrough in the expansion of sales channels. During the Reporting Period, the revenue of spine and trauma business recorded a significant increase of 47.4% as compared to last year.

During the Reporting Period, the CRM business recorded a revenue of US$220 million, representing an increase of 18.8% as compared to last year, among which the international (non-China) CRM business realised an increase of 17.2% in revenue. Particularly, the Group's revenue more than doubled in Japan, which is a high-margin market with direct-sales model, and the revenue in the EMEA increased by 13.3% as compared to last year. During the Reporting Period, the CRM business in the PRC recorded a year-on-year growth of 53.7% in revenue. Our made-in-China pacemakers have completed over 10,000 implantations accumulatively, further strengthening its leading position with the largest market share among all the domestic players.

CHAIRMAN'S STATEMENT

During the Reporting Period, the endovascular and peripheral vascular devices business achieved a record high revenue growth of 45.6% as compared to last year. The international business achieved a substantial year-on-year increase of over 100% in revenue with products already entering 18 overseas markets.

The neurovascular devices business also recorded a substantial increase of 72.5% in revenue and continued to maintain good profitability. After obtaining the CE Marking, the NUMEN® Coil Embolisation System was approved by the Ministry of Food and Drug Safety ("MFDS") in South Korea and the United States Food and Drug Administration ("FDA") successively, while several clinical implantations for NUMEN® Coil Embolisation System have been successfully completed in Chile, marking the overseas commercialisation for this business segment.

The heart valve business recorded a year-on-year growth of 93.2% in revenue, with a substantial rise of 15 percentage points in gross profit margin to 59.1%. The VitaFlow® Transcatheter Aortic Valve System completed multiple overseas commercial implantations in Argentina. The second generation product VitaFlow Liberty™ was approved for launching to the market in Argentina, and has filed the application for CE Marking in the European Union, creating new momentum for the growth of this business segment.

The surgical robot business achieved a revenue for the first time during the Reporting Period. One of the Group's flagship product, Toumai® Laparoscopic Surgical Robot was approved for launch in the market, being the first and currently the only four-arm laparoscopic robot approved for marketing developed by a Chinese company. Toumai® has completed all enrolled surgeries in the multidisciplinary, multicenter-registered clinical trials at the beginning of 2022, making it the second laparoscopic surgical robot in the world, and the first of its kind in China, that can cover important and complex procedures in the thoracic, abdominal and pelvic cavities (urology and gynecology). Another flagship product, the Honghu Orthopedic Surgical Robot is in the NMPA and FDA registration stage. In addition, the R-one® panvascular surgical robots and Mona Lisa percutaneous surgical robots have both launched the registrational clinical trails.

Achieved from the Group's strong emphasis in independent innovation, all R&D projects have yielded substantial results. From the beginning of 2021 and to the date of this report, the Group and its associated companies have 22 products obtaining the registration certificates from the NMPA, and 5 products admitted in the Innovative Medical Device Special Review and Approval Procedure (the "Green Path"), with a total of 26 "Green Path" products, ranking the first in the medical device industry for seven consecutive years. In the overseas market, we also obtained the registration certificates from the United States FDA for 7 products and the CE Markings for 15 products.

CHAIRMAN'S STATEMENT

In 2021, MicroPort Cardioflow Medtech Corporation and Shanghai MicroPort Medbot (Group) Co., Ltd., as the subsidiaries of the Group, were successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange"). Besides, MicroPort Neurotech Limited, another subsidiary of the Group, and Shanghai MicroPort EP MedTech Co., Ltd., an associated company of the Group, both have filed application for listing on the Main Board of the Hong Kong Stock Exchange and the STAR board of the Shanghai Stock Exchange, respectively, fully broadening the financing channels and strengthening the brand influence.

Adhering to the philosophy of "giving back to the societies in which we operate and co-develop with the community", the Group has always pursued green operation and sustainable and high-quality development, and continues to improve our low-carbon and environmental protection practice. We also actively participate in the construction of inclusive health care, rural revitalisation, education improvement and other public welfare undertakings, and promote technology innovation as well as industry communication and collaboration, in order to contribute to the comprehensive development of the medical industry and the society. In addition, we have incorporated "people-centric" into our corporate culture, and endeavor to benefit patients with our high-quality products and services in pursuit of details, and provide our employees with a safe and healthy working environment and a broad career development space, thereby constantly giving back to the society while achieving a mutual success.

As the leader of the global high-end innovative medical solutions, MicroPort® will continuously consolidate our global resources and markets of all business segments, and fully leverage on our advantages in the integrated operation as well as the strong synergies. While solidifying our current leading position in many segment markets, we will also make effort in diversifying multiple business portfolios to fully meet clinical needs, thereby striving to provide innovative medical solutions that cover the entire life cycle of human beings to physicians and patients around the world while creating the long-term and maximum common value for our shareholders, employees, society and other stakeholders.[i]

Dr. Zhaohua Chang
Chairman

30 March 2022

[i] All the revenue growth rates mentioned above are the information compared to the corresponding period of last year and excluding the foreign exchange impact.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

OVERVIEW

In 2021, as the COVID-19 pandemic continued to spread worldwide and kept evolving with more infectious variants, the global economy struggled to recover in an imbalance condition. In China, with the epidemic prevention and control entering the stage of normalisation and precision, the economy has gradually recovered while maintaining an overall growth, and outpatient visits and surgeries in medical institutions have also recovered to near pre-pandemic levels.

In China, with the focus on "Linkage of Three Medical Systems" regarding medical treatment, medical insurance and medicines, the medical system reform continued to proceed and deepen, aiming to achieve the "high-quality development". While the reform is redefining the industrial layout and operating environment, medical device companies are encouraged to increase their ability of continuous innovation and quality & brand construction. The successively issued *14th Five-Year Plan for National Medical Insurance* (《「十四五」全民醫療保障規劃》) and *14th Five-Year Plan for the Development of Medical Equipment Industry* (《「十四五」醫療裝備產業發展規劃》) are focused on improving the ability of providing medical and health service to the society with the large aging population, and accelerating the breakthrough of original and leading medical equipment in key areas such as treatment equipment, monitoring and life support equipment, health care and rehabilitation equipment and active intervention equipment. The above-mentioned plans also emphasize on improving the review and approval mechanism of innovative medical devices, in order to build a brand new and all-round life cycle medical equipment development system for the whole population. During the Reporting Period, the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) revised by the State Council was officially implemented, which would effectively strengthen the quality management of medical devices in the whole life cycle. During the Reporting Period, the first national volume-based procurement ("VBP") of coronary stents was implemented, followed by the issuance of the national VBP policy of artificial joints, marking the normalisation and institutionalisation of the VBP reform. The procurement rules and supporting policies of the VBP continued to be optimized, in order to advance the market-oriented pricing mechanism. Meanwhile, the reform of medical service prices has been steadily pushed forward, with the purpose of optimising the allocation of medical resources, promoting the refinement and standardized management of medical services, and driving the medical industry into the track of the high-quality development. The establishment of various policies aim to guide Chinese medical device companies to improve their capacity to apply the technology innovations and realize the large-scale and intelligent production, successfully developing real "intelligently made-in-China" brands in subdivided fields.

In the overseas market, the international trade situation has become more complex and ever-changing under the impact of the epidemic. The market entry barriers in most areas, especially the developed countries and regions, are becoming stricter, and the requirements for the technical parameters and clinical evidence of medical devices are more and more stringent. As such, only those enterprises equipped with innovative research and development ("R&D") capability, long-term clinical records, diversified product portfolio and mature sales channels, are able to build their brand recognition globally amongst the increasingly fierce competition, and to establish a solid presence in the international market by providing universal access to high-quality medical solutions in multiple disease areas.

In terms of reportable segments based on financial reporting, the Group has eight major business segments: cardiovascular devices, orthopedics devices, CRM, endovascular and peripheral vascular devices, neurovascular devices, heart valve, surgical robot and surgical devices. At the end of the Reporting Period, the Group (also through its associated companies) held more than 6,800 patents (including applications) around the world, covering over 20,000 hospitals in more than 80 countries and regions. The Group also offered nearly 300 medical solutions to patients around the world, covering the circulatory system, nervous system, exercise system, endocrine system, urinary system and reproductive system. As the world's leading innovative high-end medical device enterprise, the Group continues to promote the rapid development of global business and spare no effort to invest in research and development. During the Reporting Period, multiple innovative products were approved for marketing in the domestic and overseas markets, providing steady driving forces for the high-quality and sustainable growth of future business.

During the Reporting Period, the Group achieved a revenue of US$778.6 million, representing an increase of 15.0% (excluding the foreign exchange impact) as compared to last year, of which, the revenue from international (non-China) business was US$421.6 million, representing an improvement of 15.1% (excluding the foreign exchange impact) as compared to last year. Particularly, the revenue in South America, European, Middle East and Africa (collectively, the "EMEA"), and North America recorded growth of 29.9%, 16.8% and 6.7% (excluding the foreign exchange impact) as compared to last year, respectively. Excluding the contribution from the orthopedics and the CRM business, the international (non-China) business recorded a revenue growth of 25.8% (excluding the foreign exchange impact) as compared to last year.

It is encouraging that the heart valve business, the neurovascular devices business and the endovascular and peripheral vascular devices business of the Group all recorded rapid growth in revenue, representing an increase of 93.2%, 72.5% and 45.6% (excluding the foreign exchange impact) respectively as compared to last year. The Group recorded a net loss for the Reporting Period of US$351.3 million (loss attributable to equity shareholders of the Group: US$276.5 million).

During the Reporting Period, the Group raised approximately US$689 million from the issuance of convertible bonds, and approximately US$579 million in total from the spin-off listings of the heart valve business and the surgical robot business. In addition, the CRM business and the neurovascular devices business raised accumulative US$300 million from equity financing. The above financing will enable the Group to accelerate the R&D and commercialisation progress of its innovative products to satisfy the urgent clinical demand of physicians and patients globally.

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

Shanghai MicroPort MedBot (Group) Co., Ltd. (上海微創醫療機器人(集團)股份有限公司) ("MicroPort MedBot") (stock code: 02252) was successfully listed on the Main Board of the Hong Kong Stock Exchange on 2 November 2021 and became the third subsidiary of the Group to accomplish a spin-off listing.

MicroPort NeuroTech Limited (微創腦科學有限公司) ("MicroPort NeuroTech", a subsidiary of the Company) is seeking a proposed listing on the Main Board of the Hong Kong Stock Exchange. The listing application of MicroPort NeuroTech was submitted to the Hong Kong Stock Exchange on 28 December 2021.

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

CARDIOVASCULAR DEVICES BUSINESS

The cardiovascular devices business is committed to offering products and services for the treatment of coronary artery-related diseases, as well as developing, manufacturing and commercializing industry leading coronary stents and the related delivery systems, along with balloon catheters and accessories, to provide integrated, precise and intelligent all-round coronary heart disease treatment solutions to doctors and patients around the world.

This business segment has four drug eluting stents and four balloon products on sale in over 36 countries and regions around the world, being a leader in the global coronary interventional precise treatment area. During the Reporting Period, the Group's cardiovascular devices business recorded a revenue of US$139.5 million, representing a decrease of 10.8% (excluding the foreign exchange impact) as compared to last year. This decrease is due to the decline in the price of coronary stents as a result of the VBP in the PRC. Balloon and accessories products achieved global sales revenue of US$24.5 million, representing a significant increase of 47.5% over the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

With the expansion of the global aging population base, the incidence of cardiovascular disease is rising rapidly and has become a worldwide public health problem. The overall demand for coronary interventional therapy around the globe will maintain a steady growth trend. In terms of the number of surgeries, China is the world's largest market for percutaneous coronary interventional surgery (the "PCI surgery"). However, it still lags behind the developed countries such as European countries, the United States ("USA") and Japan in terms of PCI surgery penetration rate (number of surgeries per million population). Benefiting from the advancement of the construction of Chinese hierarchical medical system, primary hospitals continue to improve their medical technical capacity and quality in surgical treatment, further promoting the penetration of PCI surgeries in lower-tier regions. In addition, the development trend of PCI precision treatment, which is based on intracavity imaging technology, robot-assisted surgery and artificial intelligence, will also contribute to the constant market growth of coronary intervention treatment.

During the Reporting Period, the VBP of coronary stents was officially implemented, fully releasing the demand of the related clinical services. The global sales volume of the Group's coronary stents amounted to 1.22 million sets, representing an increase of 132.0% as compared to last year, with market share ranking to the world's top two and Chinese top one in terms of sales volume. With the support of the large-scale digitalised production and supply chain capacity, the Group had overfulfilled the sales of guaranteed purchase volume of the two bid-winning products ahead of schedule, namely Firebird2® Rapamycin Eluting Coronary CoCr Stent System ("Firebird2®") and Firekingfisher™ Rapamycin Eluting Coronary CoCr Stent System ("Firekingfisher™"). While fully undertaking our social responsibilities and satisfying patients' needs, we have also significantly expanded the market share and enhanced the penetration rate. During the Reporting Period, drug-eluting stent products newly penetrated about 610 hospitals, with a cumulative penetration of about 2,900 hospitals. Among which, Firehawk® ("Firehawk®") newly penetrated about 200 hospitals; balloon products newly penetrated about 455 hospitals, with a cumulative penetration of about 1,250 hospitals. The "Swallow Program", which focuses on serving the needs of patients in the primary markets, has penetrated over 1,400 county hospitals across the country, saving more than 100,000 patients during the Reporting Period, with a cumulative total of nearly 200,000 patients. Through independent R&D and external cooperation, the Group continues to strengthen the multiple layout of vascular interventional imaging products. After obtaining the registration certificate from the National Medical Products Administration ("NMPA") for our medical digital subtraction angiography ("DSA") system, a jointly developed China-made product with Siemens Medical, the Group strategically acquired the controlling interest of Suzhou Argus Medical Technology Corp., Ltd., a leader in intravascular Optical Coherence Tomography ("OCT") technology. We shall take advantage of the existing mature sales channels, services and clinical resources to promote the application of its OCT products and imaging technology in the global market, further complementing our integrated precision diagnosis and treatment solutions to pan-vascular diseases.

In the overseas markets, despite the significant decrease in the overall number of PCI surgeries due to the pandemic, with our constant cultivation of mature markets and exploration of emerging markets, the segment recorded revenue from overseas of approximately US$19.9 million during the Reporting Period, representing an increase of approximately 34.5% (excluding the foreign exchange impact) as compared to last year. In particular, the revenue in the EMEA and South America recorded year-on-year growth of 136.3% and 17.8% (excluding the foreign exchange impact), respectively. During the Reporting Period, the Group's drug-eluting stents obtained 14 initial registrations in 12 countries or regions, and have been approved for marketing in a total of 36 countries or regions. Balloon products obtained 13 initial registrations in 7 countries or regions, and have been approved for marketing in a total of 29 countries or regions and launched to the market for the first time in various overseas markets such as Singapore, Israel, Mexico, Columbia and Kazakhstan. In Turkey, benefited from the establishment of a new subsidiary with a localised marketing team, and the successive winning of government and hospital tenders, MicroPort® products have already penetrated into more than half of the local public and private hospitals. In the Indian market, which sees the third largest number of PCI cases in the globe, the Group has successfully launched Firehawk IN™ as its first locally manufactured coronary stent in overseas market, and realised the first batch of commercial sales. Leveraging on our high-quality product portfolio, combined with the strong local business channels and manufacturing expertise of the joint venture, we will further penetrate the Indian market. During the Reporting Period, the Group established headquarters for the Americas in Southern California, USA, and commenced the construction of Southern California Innovation Center and Intelligent Manufacturing Base, which will further improve our global supply chain system and accelerate the clinical registration and commercialization processes of multiple innovative products in the North America, especially the new generation of rapamycin target eluting coronary stent system Firehawk Liberty®.

MANAGEMENT DISCUSSION AND ANALYSIS

ORTHOPEDICS DEVICES BUSINESS

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

During the Reporting Period, the Group's global orthopedics devices business recorded a revenue of US$215.6 million, representing an increase of 5.1% (excluding the foreign exchange impact) as compared to the previous year. The Group continued to integrate its resources to facilitate the in-depth cooperation between the domestic and overseas R&D and supply chain teams to actively provide a diversified portfolio of orthopedics implants and instruments around the world, as well as to enhance efficiency and reduce costs. During the Reporting Period, the loss for the orthopedics devices business was substantially reduced by 57.3%.

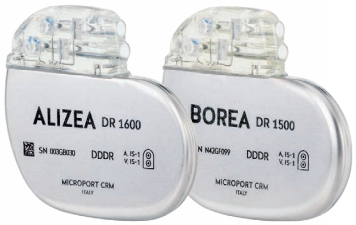
During the Reporting Period, the international (non-China) orthopedics business recorded a revenue of US$193.3 million, representing an increase of 11.8% (excluding the foreign exchange impact) as compared to last year. Impacted by the pandemic, the overall demand of surgeries in the overseas markets has not yet returned to the pre-pandemic level, but some of the major markets have achieved significant increase in revenue. Regionally, the revenue in EMEA achieved a year-on-year increase of 27.6% (excluding the foreign exchange impact), while the revenue in USA recorded a year-on-year increase of 6.7% (excluding the foreign exchange impact). Japan, one of the direct sales markets, recorded a year-on-year increase in revenue of 6.7% (excluding the foreign exchange impact). During the Reporting Period, the Prime® 3D printed acetabular cup system, the first product developed with additive manufacturing (3D printing) technology, was approved for marketing and completed its first clinical implantation in USA. The unique microporous structure of this technology is similar to the trabecular structure of human's cancellous bone, as such it can enhance the friction of acetabular cup and effectively facilitate bone fusion. While improving the stability and comfort of the implants, the 3D printing technology can also significantly reduce the unit cost of production and therefore meet the needs of large-scale production. In addition, various new products, including the Procotyl® P revision multi-hole acetabular cup system and augments, the Dynasty® dual-mobility cup system and the Prime® multi-hole acetabular cup system were launched to the market during the Reporting Period, further enriching the orthopedics product portfolio and enhancing the competitiveness in the international market. As for decreasing cost and improving efficiency, the Group has fully integrated the global supply chain capacity of the orthopedics business and strengthened the cross border collaboration. We have also relocated part of overseas manufacturing processes and capacities to the PRC and initiated a number of cost control projects, and thereby highly improved the production efficiency.

During the Reporting Period, the orthopedics devices business in the PRC recorded a revenue of US$22.4 million, representing a decrease of 31.7% (excluding the foreign exchange impact) as compared to last year, mainly due to the decrease in relevant orders after the issuance of the VBP policy for artificial joints. For the joint reconstruction business, backed by the long-term and reliable clinical verification data and excellent quality, both of our hip and knee joint products won bids in the state-organised VBP, significantly increasing our market share and penetration rate. During the Reporting Period, products newly entered over 700 hospitals nationwide, bringing the total coverage to more than 1,400 hospitals. The number of our cooperative distributors also hit a record high. Relying on the industry-leading intelligent manufacturing and innovative design capabilities, the Group has actively expanded its production capacity to meet the needs of the VBP. Meanwhile, we consolidate the foundamental research capacities and technical platforms, so as to comprehensively enhance our product portfolio of joints, intelligent auxiliary instruments and

MANAGEMENT DISCUSSION AND ANALYSIS

other market segment products. Through carrying out medical education and product marketing activities, we are committed to providing more clinical needs-oriented accessible medical solutions for the precision diagnosis and treatment to the patients with osteoarticular diseases in China. During the Reporting Period, the Group was fully engaged in the 14th Five-Year Plan National Key R&D Projects related to total knee replacement, and served as the unit-in-charge of sub-projects. Moreover, the Group's originally-developed Advance® Medial-Pivot Knee System was assigned the highest rating of "15A" by the ODEP (Orthopedic Data Evaluation Panel), an authoritative rating agency in the global orthopedics industry, being the only PRC enterprise with such rating so far. In terms of spine and trauma business, the revenue recorded during the Reporting Period amounted to US$5.5 million, representing a significant increase of 47.4% (excluding the foreign exchange impact) as compared to last year. Our trauma products won the bids in the VBP of twelve provinces league, achieving a great breakthrough in the expansion of sales channels. Through the establishment of intelligent manufacturing and paperless circulation system, the production capacity of orthopedic instruments has been significantly improved, hence further strengthening the scale advantage and reducing the production cost.

CRM BUSINESS



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

During the Reporting Period, the CRM business recorded a revenue of US$220.4 million, representing an increase of 18.8% (excluding the foreign exchange impact) as compared to last year, mainly due to the rapid growth of sales volume of newly launched products.

During the Reporting Period, the international (non-China) CRM business recorded a revenue of US$206.8 million, representing an increase of 17.2% (excluding the foreign exchange impact) as compared to last year. As the COVID-19 pandemic continued to spread and remained volatile, the production and operation activities in most overseas countries and regions have not yet completely returned to normal. However, through the unremitting efforts of the business team, we have achieved a substantial year-on-year revenue growth of 127.2% in Japan, a high-margin market with direct-sales model, and a year-on-year revenue growth of 13.3% (excluding the foreign exchange impact) in EMEA. As for the products commercialisation, implantable pacemakers Alizea™ and Borea™, and SmartView Connect™ home monitor, all equipped with Bluetooth® technology, have obtained the CE Markings and launched to the European market. The Alizea™ Bluetooth® pacemaker was also approved for marketing in Japan in early 2022. With their convenient remote monitoring functions, these products will effectively relieve the burden of the local medical system amid the epidemic. The Group's self-developed Ulys™, Edis™ and Gali™ defibrillators obtained CE Markings and were launched to the European market during the Reporting Period, and their MRI-compatible versions have submitted the application for CE Markings. Meanwhile, NAVIGO™ 4LV ARC and NAVIGO™ 4LV 2D, a new range of left ventricular pacing leads, have obtained CE Markings. These NAVIGO™ can be used in conjunction with Gali™, our latest implantable defibrillator featuring cardiac resynchronization (CRT-D), further enriching our product line to meet the diversified needs of patients.

During the Reporting Period, the CRM business in the PRC recorded a revenue of US$13.6 million, representing an increase of 53.7% (excluding the foreign exchange impact) as compared to last year. Our products have already covered over 920 hospitals in total across the country, and newly penetrated about 230 hospitals in various provinces and cities during the Reporting Period. As the first made-in-China pacemaker product with the world's leading quality that can perfectly fit the local needs in China, the "Rega series" implantable pacemakers have completed over 10,000 implantations accumulatively since their launch in 2018. The brand recognition and influence of our made-in-China pacemakers have been continuously strengthened, substantially solidifying our leading position with the largest market share among domestic players. In order to satisfy the huge clinical demands of domestic patients in the primary market, the Group has also made great efforts to explore the market of county-level hospitals and promote the cardiac pacemaker implantation surgeries to further penetrate into the primary medical institutions.

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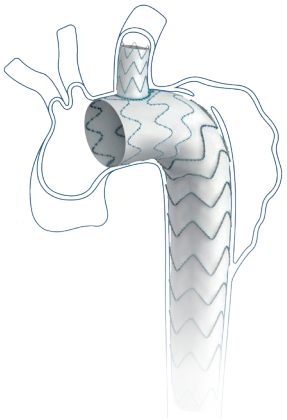
ENDOVASCULAR AND PERIPHERAL VASCULAR DEVICES BUSINESS

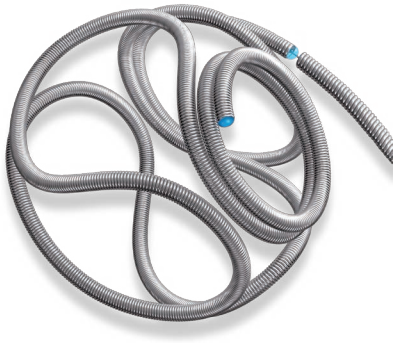


The endovascular and peripheral vascular devices business provides a range of products and services for the interventional treatment of thoracic and abdominal aortic aneurysm, peripheral vascular disease, aortic dissection, and other endovascular related diseases.

During the Reporting Period, the endovascular and peripheral vascular devices business achieved a revenue of US$106.0 million, representing an increase of 45.6% (excluding the foreign exchange impact) as compared to last year. The increase was mainly attributable to the rapid revenue growth from innovative products approved and launched in recent years. As for the aortic products, the Castor® Branched Aortic Stent Graft System ("Castor®"), being the world's first branched aortic stent graft and delivery system, has achieved continuous growth in sales, and has penetrated in over 700 hospitals in aggregate as of the date of this announcement. The clinical application article about Castor® was published in the renowned international medical journal Endovascular Today ("EVT") for the first time, demonstrating the wide recognition of its innovative characteristics by clinical experts. The Group's self-developed new generation abdominal aortic aneurysm and delivery system Minos® has substantially contributed to the growth of revenue, and has covered over 400 hospitals as of the date of this announcement across the country. Moreover, Reewarm® PTX Drug Balloon Dilation Catheter ("Reewarm®") has been applied in over 400 hospitals around the country since its launch in 2020, achieving a remarkable increase in market penetration.

In overseas market, the endovascular and peripheral vascular devices business achieved a substantial year-on-year revenue increase of over 100%. As at the end of the Reporting Period, our international business has covered 18 overseas markets with the expansion to European, South African and other Asia-Pacific countries and regions. During the Reporting Period, the first clinical implantation of Minos® Abdominal Aortic Aneurysm and Delivery System was successfully completed in Britain, Czech and Brazil, covering 12 overseas countries in total and obtained wide recognition. Hercules® Low Profile Aneurysm and Delivery System has been approved for marketing in India and the first implant was performed, marking the first debut in the Indian market for this business segment, and it has also completed the first clinical implantation in Britain, Switzerland, Greece and Turkey. The first clinical implantation of Castor® was successfully completed in Britain, Spain, Italy, Argentina, Brazil and German, laying a solid foundation for further exploring the overseas markets, which will allow our high-quality and inclusive "Chinese medical solutions" to benefit more patients around the world. With the aggregate five products with CE Markings for this sector, we will continue to enrich our product lines of the international business in the future to speed up our globalization layout.

NEUROVASCULAR DEVICES BUSINESS



The neurovascular devices business specialises in R&D, production and commercialisation of neurovascular therapeutic and access devices for neurovascular diseases, including hemorrhagic stroke, cerebral atherosclerotic stenosis and acute ischemic stroke.

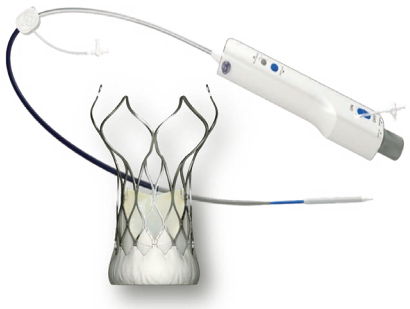
During the Reporting Period, the neurovascular devices business recorded a revenue of US$59.1 million, representing an increase of 72.5% (excluding the foreign exchange impact) as compared to last year, which continue to maintain good profitability, mainly benefited from the rebound in surgeries after the normalisation of the epidemic prevention, the rapid hospital penetration of products and improvement in market share. As at the end of the Reporting Period, the Group has penetrated a total of approximately 2,200 hospitals, including all the top 100 hospitals as monthly ranked by China's National Stroke Center during the Reporting Period. The Eagle & Swallows program, which focuses on serving stroke patients in the primary market, has covered about 80 lower-tier cities and counties. By expanding clinical applications and deepening academic education, the Tubridge® Flow-Diverting Stent achieved rapid growth in sales. The world's

MANAGEMENT DISCUSSION AND ANALYSIS

first and only intracranial stent graft for treating cerebral vessel diseases, Willis® has adopted a differentiated marketing scheme to focus on the characterised and unique treatment sector. During the Reporting Period, Willis® has achieved a significant increase in revenue. Benefited from the application in stenosis cases during emergency thrombectomy, the implantation of APOLLO™ Intracranial Arterial Stent System has grown rapidly. Three products launched in 2020, namely the NUMEN® Coil Embolisation System and the NUMEN FR® Coil Detachment System (collectively, the "NUMEN® Coil Embolisation System"), the Bridge® Rapamycin Target Eluting Vertebral Artery Stent System ("Bridge®") and the U-track® Intracranial Support Catheter System have gained a fast-growing market share in key areas, bringing new impetus to the continuous growth of the segment and further solidifying the Group's leading position among domestic neurointerventional medical device companies.

As to the overseas market, the self-developed NUMEN® Coil Embolisation System of the Group was approved by the Ministry of Food and Drug Safety ("MFDS") in South Korea and the United States Food and Drug Administration ("FDA") respectively after obtaining the CE Marking. Besides, the overseas clinical implantation for NUMEN® Coil Embolisation System was successfully completed in Chile, marking the overseas commercialisation for this business segment. Currently, the Group has established local sales teams in Brazil, Japan and the United Kingdom to expand its global sales network. We also plan to establish local R&D and manufacturing facilities in USA to further build our global supply capabilities. Meanwhile, the Group initiated collaboration around the world to build an international innovation platform. In particular, the Group has established an strategic collaboration with Israel-based Rapid Medical. The "dual stent" product combination of the self-developed Neurohawk® Stent Thrombectomy Device ("Neurohawk®") and the Rapid Medical's Tigertriever® Revascularization Device ("Tigertriever®"), as the world's first adjustable stent retriever with full visualization, makes the Group the only Chinese company who has stent retrievers that are compatible with procedures in varying sizes of blood vessels. The self-developed NUMEN® Coil Embolization System, together with Comaneci® Embolization Assist Device, which has obtained FDA breakthrough device designation, will further enhance the Group's global commercial competitiveness in the field of coil embolization surgery. In addition, both parties will leverage each other's mature and accumulated experience in sales channels to drive the adoption of innovative neurovascular disease solutions in the global market.

HEART VALVE BUSINESS



The Group's heart valve products include three in-house developed and commercialized 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 accessories as their offerings), Alwide® Plus Balloon Catheter, and various transcatheter aortic valve implantation ("TAVI") products, transcatheter mitral valve ("TMV") products, transcatheter tricuspid valve ("TTV") products, surgical valve products and procedural accessories at different development stage.

During the Reporting Period, the heart valve business recorded a revenue of US$31.3 million, representing an increase of 93.2% (excluding the foreign exchange impact) as compared to last year, with a substantial year-on-year rise of 15 percentage points in gross profit margin to 59.1%. The Group constantly integrates its resources and advantages in the treatment of heart and cardiovascular diseases, aiming to fully unleash synergies in market development, medical education and international business, and accelerate the popularization of its innovative transcatheter and surgical treatment solutions to structural heart disease. Leveraging on their excellent clinical performance, the VitaFlow® series products have been widely recognised by physicians in the industry since their launch in 2019. Our TAVI products have successfully covered nearly 310 hospitals nationwide, with about 160 hospitals newly penetrated during the Reporting Period, securing the largest market share in several major hospitals, which further strengthened the Group's leading position in the heart valve sector. During the Reporting Period, the second generation TAVI product VitaFlow Liberty™ was approved by the NMPA for marketing, becoming the China-made electrical retrieval TAVI product approved with international competitiveness, leading China's TAVI industry into the electrical retrieval era. In order to further explore the primary market, the TAVI sales team has cooperated with the Cardiovascular sales team, the "Swallow Program" team and distributors in the screening, diagnosis and referral of potential patients, with numerous referred surgeries successfully completed during the Reporting Period.

For the overseas market, the VitaFlow Liberty™, being the only Chinese self-developed TAVI product that conducted clinical trials in Europe, formally submitted the application for the CE Marking during the Reporting Period, marking another important progress in the international layout. Following the first overseas commercial implantation of the VitaFlow® in Argentina, several TAVI surgeries have been successfully completed thereafter. The VitaFlow Liberty™ was also approved in Argentina during the Reporting Period, laying a solid foundation for the market expansion of interventional heart valve treatment in Latin America.

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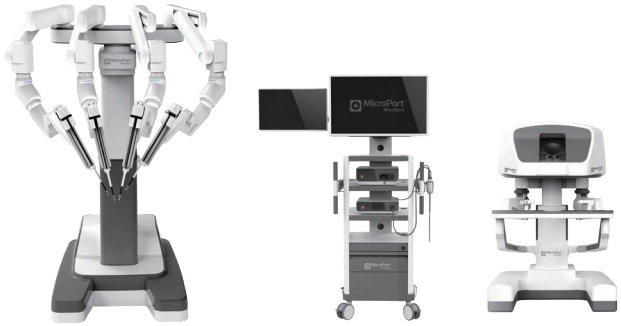
SURGICAL ROBOT BUSINESS

The surgical robot business is dedicated to designing, developing and commercialising innovative surgical robots. To meet the most cutting-edge development needs of minimally invasive surgery, we focus on the R&D of five foundation technologies in relation to surgical robots, including robot ontology, control algorithm, electrical engineering, image-based navigation and precision imaging, covering the whole life cycle of surgical robot development. Relying on our strong ability in product industrialization and operation, we innovatively provide robotic intelligent surgical total solutions that can prolong and reshape life.



The Group is the only company in the global surgical robot industry with a product portfolio covering five major and fast-growing surgical specialties, namely laparoscopic, orthopedic, panvascular, natural orifice and percutaneous surgical procedures. During the Reporting Period, the surgical robot business realized a revenue for the first time, mainly contributed by the first commercialized product DFVision® 3D Electronic Laparoscope ("DFVision®"). One of the Group's flagship products, Toumai® Laparoscopic Surgical Robot ("Toumai®"), was approved for marketing at the beginning of 2022, being the first four-arm laparoscopic robot approved for marketing developed by a Chinese company. The launch of Toumai® marks a major breakthrough in the field of Chinese laparoscopic surgical robots, which will rapidly improve the clinical performance of robotic surgery in China. Another flagship product, the Honghu Orthopedic Surgical Robot ("Honghu"), as the only Chinese-developed joint replacement surgical robot with a self-developed robotic arm, completed the registrational clinical trials for total knee arthroplasty (TKA), and has submitted the registration application to the NMPA and FDA respectively. On top of independent R&D, the joint R&D projects with the world's leading surgical robot companies, Robocath and Biobot, also proceeded well. The R-One® Vascular Interventional Surgical Robot and the Mona Lisa Robotic Transperineal Prostate Biopsy System, both have launched the registrational clinical trails.

In terms of market cultivation, the Group continues to facilitate the promotion of high-quality medical resources to primary areas by providing various clinical training and comprehensive services. During the Reporting Period, we have established more than ten clinical application and training centers with several hospitals nationwide to provide high-quality one-stop services including technical training, customer service and clinical support. With our innovative training and demonstration methodologies such as mobile platforms, we will continue to promote the "intelligently made-in-China" surgical robots to support hospitals at all levels, aiming to benefit more patients with intelligent robot-assisted surgical technology.

SURGICAL DEVICES BUSINESS

The surgical devices business focuses on the extracorporeal circulation and occlusion series products used for congenital heart disease. These products include extracorporeal circulation series consumable products such as oxygenation system (artificial lungs), occlusion series products used in congenital heart disease treatment (atrial septal defect occluder and delivery system, ductus arteriosus occluder and delivery system, ventricle septal defect occluder and delivery system) and general surgical polypropylene herniorrhaphy series products.

During the Reporting Period, the surgical devices business recorded a revenue of US$4.7 million, representing an increase of 11.6% (excluding the foreign exchange impact) as compared to last year. In the overseas market, the suction tube product obtained the CE Marking, and the single-use arterial micro-embolic filter and venous cannulas were certified for commercialisation in Colombia. During the Reporting Period, the Group acquired 100% interest of Hemovent GmbH ("Hemovent"), a German company specializing in the development of Extracorporeal Life Support (ECLS) systems. Hemovent's core product MOBYBOX System, an extracorporeal membrane oxygenation ("ECMO") system, has already obtained CE Marking in the European Union. MOBYBOX® System is the world's first fully integrated ECMO system that manages both perfusion and gas

exchange in a single device and is driven only by pneumatics. We are actively pursuing the internationalization application of the ECMO system through expediting the process of the clinical registration, manufacturing and commercialization, with the commitment to develop multiple pipeline products in the mechanically assisted circulation sector and provide more systematic and integrated solutions in cardiac surgery and critical care.

EMERGING BUSINESS SEGMENTS

While its established business segments are showing rapid growth, the Group is also actively exploring emerging business fields such as the non-vascular intervention, endocrinology, rehabilitation treatment, sports medicine, assisted reproduction, in vitro diagnostics (IVD), skin and body management, otolaryngology, ophthalmology and stomatology as well as disinfection and sterilisation through its subsidiaries or associates.

In the field of non-vascular intervention, the Group continues to improve the diversified strategic layout of urology, gynecology, digestion and respiration, and has obtained 16 registration certificates. At the beginning of 2022, our single-use flexible ureteropelvic electronic endoscopic catheter was approved, marking the strategic breakthrough in the field of endoscopic solutions. Meanwhile, another self-developed product, prostatic lift system, was newly admitted in the Innovative Medical Device Special Review and Approval Procedure (the "Green Path") of the NMPA. In the field of endocrinology, the Group has built an integrated patient glucose, chemotherapy and pain management platform with microinfusion technology as the core, and the first chemotherapy injection pump, AutoEx®, was approved for marketing by the NMPA in early 2022. For rehabilitation treatment, the Group actively deploys the fields of musculoskeletal rehabilitation, cardiopulmonary rehabilitation and neurological rehabilitation, owning a total of six approved products, multiple commercialised product lines and over 100 technical patents. During the Reporting Period, the TherMotion® Cryo-Thermo Compression Device obtained the registration certificate, being its first active device approved for marketing. As for sports medicine, Archimedes®, the world's first long-term implantable balloon rotator cuff system self-developed by an associated company, successfully performed the clinical implantation surgeries and commenced clinical trials in seven large sports medicine centers in the PRC. Four products, including non-absorbable surgical suture series and arthroscopic cannulas, have received medical device registration (filing) approvals from a number of drug administrations in China, becoming the first batch of certified products since the establishment of the business segment. In the field of assisted reproduction, the associated company's self-developed Orkid® Intrauterine Insemination Catheter and two Daylily® ovum aspiration needles were approved for commercialisation in the PRC, and the Daylily® Embryo Transfer Catheter and the Lotus™ Ovum Aspiration Needle were approved for commercialistion in Thailand. In the field of IVD, the Group's self-developed real-time PCR test, SARS-CoV-2 Nucleic Acid Test Kit received the CE Marking. The Group aims to solve the medical difficulties in clinical practice through the breakthrough of advanced technology by leveraging on the efficiency and synergies from group operation, and is committed to building a complete business portfolio from prevention and diagnosis to treatment and rehabilitation, that covers the entire life cycle of human beings.

RESEARCH AND DEVELOPMENT ("R&D")

During the Reporting Period, the Group's R&D expenses reached US$297.8 million, accounted for 38.2% of its revenue, and R&D projects achieved fruitful results. From the beginning of 2021 to the date of this report, the Group and associated companies have 22 products obtaining the registration certificates from the NMPA, and 5 products admitted in the Green Path and the Group had a total of 26 products being approved to enter the Green Path, ranking the first in the medical device industry for seven consecutive years. As for the overseas market, the Group also obtained the registration certificates from the United States FDA for 7 products and the CE Markings for 15 products.

As for the cardiovascular devices business, the Group has a variety of innovative products of iterative coronary stent and balloon catheter, active treatment device and angiography device under R&D, including the bioresorbable scaffold, the iterative products of drug-eluting stents, the coronary stent graft system and the drug-coated balloon, the coronary rotational atherectomy catheter, the intravascular lithotripsy balloon, the intra-aortic balloon pump ("IABP") and the intravascular ultrasound ("IVUS"). During the Reporting Period, the Firesorb® Bioresorbable Rapamycin Targeted Eluting Coronary Scaffold System ("Firesorb®") has completed the patient enrollment for its pre-market clinical trials FUTURE-III. Its FUTURE II research results was published on JACC Cardiovascular Interventions, a well-known cardiovascular journal, showed that the Firesorb® was comparable to a market-leading metal drug-eluting stent in terms of safety and reliability at the primary endpoint of one-year post surgery. The FUTURE series clinical studies of the Firesorb® will help promote the concept of "leave nothing behind" for bioabsorbable scaffolds to be widely applied in clinical practice. The TARGET series clinical studies conducted overseas in large scale for the Firehawk®, our coronary rapamycin targeted eluting stent system with international top quality, are under steady progress. As the world's lowest drug-loaded coronary stent, the

Firehawk®'s long-term safety and effectiveness has been repeatedly verified through plenty of strong clinical evidence, allowing a solid step forward in obtaining future approvals in USA, Canada and Japan. During the Reporting Period, our first DSA system has obtained approval from the NMPA for launching to the market. The approved DSA system has the advantages of low dose acquisitions, low contrast agent consumption, intelligent human-machine interactions and high-density resolution images, which will further strengthen our multiple layout of angiography products.

As for the orthopedics devices business, the Group has actively promoted a variety of products to obtain certifications in both domestic and overseas markets. For the international market, after obtaining certification in Canada, the self-developed Dynasty® Dual Mobility Acetabular Hip System has received the U.S. FDA registration approval, thereby enriching the Dynasty® product series effectively. The Prime® series 3D printed acetabular cup system and multi-hole acetabular cup system, and the Dynasty® series 3D printed acetabular cup system are approved to for marketing in USA and Canada. In Europe, various products including the revision multi-hole cup and augments for the Procotyl® P Acetabular Cup System, the Hip Head Tensioner Device, and the Profemur® Cemented XM® Femoral Stem were certified successively for commercialisation. In China, the VenusOne Bio-acetabular System with plasma spray coating, Procotyl®-L Acetabular System and Profemur® Preserve Femoral Stem have obtained registration certificates from the NMPA, while VenusOne Eco Bio-Acetabular System is under registration. The self-developed two knee systems "SoSuperior®+" and "MedalOne™" were approved by the NMPA in 2022, marking the basic completion of the layout of the domestic knee product line MedalOne. The Zirconium-Niobium Alloy Femoral Head was admitted in the Green Path. Through independent R&D and medical-engineering collaboration projects, the Group also strives to explore new business areas and strengthen the diversified product layout of revision products, small joints (such as wrist joint) replacement and biological products. The Group's self-developed "personalized and precise" wrist joint prosthesis have been used in dozens of wrist joint replacement surgeries, demonstrating our strength in R&D to deal with various complex and difficult cases, as well as our technology reserve to provide personalized and precise products. In terms of orthopedics intelligent instruments, the Group's research projects in 2D and 3D surgical imaging system are in smooth progress.

As for the CRM business, the Invicta™ Defibrillation Lead has completed the pre-market clinical research ahead of schedule and submitted the registration application for CE Marking. The product is conditionally compatible to 1.5T/3T magnetic resonance imaging ("MRI") and will become a major breakthrough in our brand new product series of implantable defibrillation system. As for the PRC market, the Group actively promotes the R&D progress of MRI-compatible products. Among them, Kora 100, an out-of-chest MRI-compatible pacemaker has been approved by the NMPA for launching; Rega®, the first made-in-China out-of-chest MRI-compatible pacemaker, along with Beflex™ pacing lead, has submitted for the NMPA registration; the self-developed "Green Path" product, the BonaFire® MRI compatible passive pacing lead, has successfully completed all patients enrollment for the pre-market clinical research; in addition, a new generation of MRI-compatible pacemaker series, ENO™/TEO™/OTO™ and the Vega pacing lead, have completed the first Chinese patient enrollment for the pre-market clinical research. For the cardiac defibrillation products, we have submitted the registration applications to the NMPA for the Platinium™ ICD and the Platinium™ CRT-D, and has built the first production line for the made-in-China defibrillation products.

As for the endovascular and peripheral vascular devices business, all pipeline products are under rapid R&D progress. For the aortic products, two "Green Path" products, namely the Talos® Thoracic Stent Graft System and the Fontus® Branched Surgical Stent Graft System have been approved by the NMPA for commercialisation. The upgrading of launched products are also proceeding steadily. The new generation Cratos Thoracic Endovascular Stent Graft System has obtained the type verification report and the new generation Aegis® Abdominal Aortic Stent Graft System has obtained the animal experiment report, which will further improve the product layout in the aortic field and solidify our leading position. For the peripheral vascular products, Ryflumen® Peripheral High-Pressure Balloon Dilatation Catheter has received the registration certificate from the NMPA during the Reporting Period. The Group's first venous product, the Vflower® Venous Stent System, has successfully completed all patients enrollment for pre-market clinical trials and entered the NMPA green path, being the sixth product included in the "Green Path" for this business segment. The Fishhawk mechanical thrombectomy catheter and the vena cava filter have obtained type verification report and animal experiment report respectively. The Group has carried out a series of interventional oncology related R&D projects. In particular, the TIPS Stent Graft System, one of our core products, has completed the animal study and is under type verification.

As for the neurovascular devices business, the Group's commercialized product portfolio has covered three major areas of neurovascular diseases. In hemorrhagic stroke treatment, the Group's self-developed NUMEN® Coil Embolisation System has obtained the FDA approval, CE marking and Korean MFDS approval, further demonstrating its safety and efficacy. With our iterative innovation, the new generation product, NUMEN Silk® 3D Electronically Detachable Coil was approved for launch in early 2022, effectively improving the safety of aneurysm embolization surgeries. Besides, the Rebridge® Intracranial Visualized Stent, a coil embolization assisting stent, has entered the clinical enrollment stage. In the treatment of cerebral

atherosclerotic stenosis, has the Diveer™ Intracranial Balloon Dilatation Catheter was approved for marketing in early 2022, further enriching the product line in this segment market. In acute ischemic stroke treatment, the Group's self-developed and fully visualized Neurohawk®, has been approved for launch in early 2022; the world's first diameter-adjustable stent retriever Tigertriever®, for which we act as the exclusive distributor of Rapid Medical, and our self-developed X-track™ Intracranial Distal Access Catheter, have submitted the registration application to the NMPA during the Reporting Period.

As for the heart valve business, the second generation of TAVI product, the VitaFlow Liberty™, has been approved for marketing in China and has submitted application for the CE Marking. During the Reporting Period, the Group released the five-year follow-up data for the clinical study of the VitaFlow®, further proving its safety and effectiveness in the treatment of patients with severe aortic valve calcification. In order to further improve the complementary TAVI procedural product portfolio, the Group also deployed resources for the development of cerebral embolism protection devices, which can be used to protect the brain during TAVI surgery. In addition, The Group has several TMV and TTV treatment products under development, which strategically covered all mainstream and feasible TMV and TTV therapies for mitral valve and tricuspid valve regurgitation. For TMV repair replacement products, our self-developed product and Helios™, the jointly-developed product with Valcare are both in the process of animal study. The AltaValve™, a jointly-developed TMV replacement product with 4C Medical, is in the stage of early feasibility study ("EFS") clinical trial. For the TMV repair products, the Group's self-developed product is at the design stage. The Amend™, a TMV repair product, jointly developed with Valcare, is an innovative semi-rigid TMV repair ring and has completed several trans-septal implantations. It can be used together with the TMV replacement product Helios™, providing a mitral regurgitation solution for patients that are ineligible for TMV repair. For the TTV repair products, the self-developed edge-to-edge repair product and the Trivid, a jointly-developed product with Valcre, are both in the design stage.

As for the surgical robot business, the Group continues to build an all-around fundamental technology system of surgical robotics, with an aim of laying a solid foundation for the technology of Chinese- developed surgical robots. For the laparoscopic surgical robots, following the completion of the registrational clinical trails during the Reporting Period for application in the field of urology, Toumai® has completed all enrolled surgeries in the multidisciplinary and multicenter-registered clinical trials at the beginning of 2022, making it the second laparoscopic surgical robot in the world, and the first of its kind in China, that can cover important and complex procedures in the thoracic, abdominal and pelvic cavities (urology and gynecology). In addition, Toumai® Single-arm Laparoscopic Surgical Robot ("Toumai® Single-arm") has completed the First-in-Man (FIM) trial of a robotic-assisted single-port laparoscopy cholecystectomy in China. In the future, with the support of the National Key Technologies R&D Program under the Ministry of Science and Technology, the Group will work closely with universities, research institutes, and hospitals in a joint effort to fill the gap in the area of single-arm laparoscopic surgical robot. For the orthopedics surgical robots, Honghu® has completed the registrational clinical trails for total knee arthroplasty and has filed the registration application to the NMPA and the United States FDA, respectively. In addition, the panvascular surgical robots and percutaneous surgical robots, which are jointly developed with world-renowned partners, have both entered the registrational clinical trial stage. Relying on our continuous exploration and accumulation of cutting-edge technologies including surgical robotics and artificial intelligence, the Group's self-developed Madam Curie™ Fully-Automated Unmanned Surgical Platform ("Madam Curie™ Platform") achieved a success in the animal experiment of interventional cryoablation for prostatic hyperplasia. The Madam Curie™ Platform consists of three core technological systems: intelligent imaging diagnosis, intelligent path planning, and automated robotic technology for precision treatment, laying an important foundation for exploring the feasibility, clinical implication and commercialisation of the fully-automated surgical technology.

As for the surgical devices business, through continuous technological innovation, the Group strives to improve the overall level of extracorporeal life support solutions, including oxygenators and premium cannulas. During the Reporting Period, the self-developed product VitaSprings® Spiral Diversion Integrated Membrane Oxygenator ("VitaSprings®"), as the first highly integrated product developed in China, has successfully completed clinical trials and entered the NMPA Green Path relying on its clinically proved world-leading quality and its technical accumulation will boost the localization of ECMO high-end medical rescue equipment with membrane oxygenator as the core. The new generation of femoral arterial and venous cannulas are in the stage of design finalization.

HUMAN RESOURCES AND TRAINING

As at the end of the Reporting Period, the Group had a total of 8,019 employees around the world, of which 1,715 or 21.4% were overseas employees in the Asia Pacific region, Europe, the Middle East, Africa, North America and Australia.

Adhering to the principle of "maturity, usage, cultivation, remuneration and care" regarding human resources, the Group has built a comprehensive talent development platform through the construction mechanism of organisational competence. We focus on recruiting the world's top technical leaders, and accurately cultivating core technicians and future leaders. The Group takes the lead to design an employee career path of "2 ways, 3 levels, 6 paths, 18 steps and 108 posts", providing employees with a development path in combined directions horizontally and vertically, and accompanying employees to grow together by building a learning organization. Within the Group, we have set up four internal learning institutions, namely the "Jixia Leadership Academy", "Basic Knowledge, Skills and Innovation School", "Emerging Medical Science and Technology Knowledge and Practice Workshop", and "Culture Lecture Hall", with an aim of comprehensively cultivating "professional, excellent, special and uncommon" technical talents and future enterprise leaders, and working together to achieve our mission of "breaking barriers to support billions of people thrive beyond 115 years".

PROSPECTS

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

OVERVIEW

Despite facing an increasingly fierce competition in the rapidly growing medical device industry in China and abroad as well as the impact of the COVID-19 pandemic, the revenue of the Group increased by 20.0% (in US$) for the year ended 31 December 2021 as compared to the year ended 31 December 2020. The Group persisted in providing a diversified product portfolio and pursued the Group's globalization strategy with non-China sales contributing to 54.1% of the total revenue. The Group aims to continuously bring its innovations, technologies and services to millions of global patients and become a patient oriented global enterprise capable of leading minimally invasive and other emerging medical technologies.

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

REVENUE

US$'000	**Year ended 31 December**		**Percent change**	
	2021	2020	in US$	excluding the foreign exchange impact
Cardiovascular devices business	**139,541**	144,760	(3.6%)	(10.8%)
Orthopedics devices business	**215,614**	201,608	6.9%	5.1%
CRM business	**220,421**	180,299	22.3%	18.8%
Endovascular and peripheral vascular devices business	**106,028**	68,487	54.8%	45.6%
Neurovascular devices business	**59,053**	32,933	79.3%	72.5%
Heart valve business	**31,324**	15,204	106.0%	93.2%
Surgical robot business	**329**	–	N/A	N/A
Surgical devices business	**4,727**	3,939	20.0%	11.6%
Other business *(Note)*	**1,602**	1,502	6.6%	0.4%
Total	**778,639**	648,732	20.0%	15.0%

Note:

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

The Group's revenue for the year ended 31 December 2021 was US$778.6 million, increasing by 20.0% compared to US$648.7 million for the year ended 31 December 2020. The Group's reported revenue was impacted by translation from functional currencies of the Group's subsidiaries to US$, the presentation currency of the Group, due to the appreciation or depreciation of US$ against functional currencies. Excluding the foreign exchange impact, the Group's revenue increased by 15.0%. Such increase was primarily attributable to the rapid market penetration, especially in CRM business, endovascular and peripheral vascular devices business, neurovascular devices business and heart valve business and the new products contribution, as well as the increase in the volume of elective procedures from the easing of the COVID-19 pandemic compared to last year. The following discussion is based on the Group's major business segments.

– CARDIOVASCULAR DEVICES BUSINESS

The Group's cardiovascular devices business recorded a revenue of US$139.5 million for the year ended 31 December 2021, representing a decrease of 10.8% (excluding the foreign exchange impact) or a decrease of 3.6% (in US$) compared to the year ended 31 December 2020. Such decrease was mainly attributable to the adverse impact of the implementation of the centralised VBP on coronary stents in the PRC during the Reporting Period.

– ORTHOPEDICS DEVICES BUSINESS

US$'000	**Year ended 31 December**		**Percent change**	
	2021	2020	in US$	excluding the foreign exchange impact
Orthopedics Devices Business	**215,614**	201,608	6.9%	5.1%
— US	**86,727**	81,260	6.7%	6.7%
— Europe, Middle East and Africa	**51,926**	39,507	31.4%	27.6%
— Japan	**37,423**	36,045	3.8%	6.7%
— the PRC	**22,363**	29,903	(25.2%)	(31.7%)
— Others	**17,175**	14,893	15.3%	9.1%

The Group's orthopedics devices business recorded a revenue of US$215.6 million for the year ended 31 December 2021, representing an increase of 5.1% (excluding the foreign exchange impact) or 6.9% (in US$) compared to the year ended 31 December 2020. Such growth was mainly attributable to the increase in the number of elective surgeries from the easing of the COVID-19 pandemic, resulting in an increase in the number of implants.

– CRM BUSINESS

US$'000	**Year ended 31 December**		**Percent change**	
	2021	2020	in US$	excluding the foreign exchange impact
CRM Business	**220,421**	180,299	22.3%	18.8%
— US	**2,541**	2,061	23.3%	23.3%
— Europe, Middle East and Africa	**188,028**	161,118	16.7%	13.3%
— Japan	**13,230**	5,951	122.3%	127.2%
— the PRC	**13,647**	8,104	68.4%	53.7%
— Others	**2,975**	3,065	(2.9%)	3.4%

CRM business recorded a revenue of US$220.4 million for the year ended 31 December 2021, representing an increase of 18.8% (excluding the foreign exchange impact) or 22.3% (in US$) compared to the year ended 31 December 2020. Such growth was mainly attributable to the rapid growth of sales volume of newly launched products, and the increase in the number of elective surgeries from the easing of the COVID-19 pandemic, resulting in an increase in the number of implants.

MANAGEMENT DISCUSSION AND ANALYSIS

– ENDOVASCULAR AND PERIPHERAL VASCULAR DEVICES BUSINESS

The Group's endovascular and peripheral vascular devices business achieved a revenue of US$106.0 million for the year ended 31 December 2021, representing a growth of 45.6% (excluding the foreign exchange impact) or a growth of 54.8% (in US$) compared to the year ended 31 December 2020. Such growth was mainly attributable to: (i) the further enhanced competitiveness of the Group's endovascular and peripheral vascular devices benefited from the recent approvals obtained for the Castor® Branched Aortic Stent-Graft System, Minos® Abdominal Aortic Aneurysm and Delivery System, Reewarm® PTX Drug Coated Balloon, all of which maintained rapid growth during the Reporting Period; (ii) certain restrictions on carrying out surgeries affected by the COVID-19 pandemic in the prior year; and (iii) market cultivation in second-tier and third-tier cities through effective marketing mechanisms in response to government guidelines.

– NEUROVASCULAR DEVICES BUSINESS

The Group's neurovascular devices business recorded a revenue of US$59.1 million for the year ended 31 December 2021, representing a growth of 72.5% (excluding the foreign exchange impact) or a growth of 79.3% (in US$) compared to the year ended 31 December 2020. Such increase was mainly attributable to: (i) the positive market recognition and rapid growth of Tubridge®, the first flow diverting stent approved for product launch in China; (ii) the revenue contribution of the newly launched products NUMEN® Coil Embolisation System, the Bridge® Rapamycin Target Eluting Vertebral Artery Stent System and the U-track™ Intracranial Support Catheter System; and (iii) significant year-on-year growth in APOLLO™ Intracranial Stent System driven by greater market recognition.

– HEART VALVE BUSINESS

The Group's heart valve business recorded a revenue of US$31.3 million for the year ended 31 December 2021, representing a growth of 93.2% (excluding the foreign exchange impact) or a growth of 106.0% (in US$) compared to the year ended 31 December 2020, primarily attributable to enhanced market recognition of VitaFlow® and VitaFlow Liberty™ Valve System and an increase in sales volume.

– SURGICAL ROBOT BUSINESS

The Group's surgical robot business recorded a revenue of US$0.3 million for the first time, mainly contributed by the first commercialized product DFVision® 3D Electronic Laparoscope ("DFVision®").

– SURGICAL DEVICES BUSINESS

The Group's surgical devices business recorded a revenue of US$4.7 million for the year ended 31 December 2021, representing an increase of 11.6% (excluding the foreign exchange impact) or an increase of 20.0% (in US$) compared to the year ended 31 December 2020.

– OTHER BUSINESS

The Group's other business recorded a revenue of US$1.6 million for the year ended 31 December 2021, representing an increase of 0.4% (excluding the foreign exchange impact) or an increase of 6.6% (in US$) compared to the year ended 31 December 2020. The other business did not meet the quantitative thresholds for determining reportable segments.

COST OF SALES

For the year ended 31 December 2021, the Group's cost of sales was US$286.9 million, representing a 34.9% increase compared to US$212.7 million for the year ended 31 December 2020. Such increase was primarily attributable to the increased sales volume of the major businesses.

GROSS PROFIT AND GROSS PROFIT MARGIN

As a result of the foregoing factors, the Group's gross profit increased by 12.8% from US$436.0 million for the year ended 31 December 2020 to US$491.8 million for the year ended 31 December 2021. Gross profit margin is calculated as gross profit divided by revenue. The Group's gross profit margin decreased to 63.2% for the year ended 31 December 2021 as compared to 67.2% for the year ended 31 December 2020. Such change was mainly attributable to the impact of price reduction due to the centralized VBP policy on coronary stents.

OTHER NET INCOME

The Group recorded other net income of US$76.5 million for the year ended 31 December 2021, representing a 132.3% increase as compared to US$32.9 million for the year ended 31 December 2020. Such increase was mainly due to: (i) the increase in the Group's net realised and unrealised gains on financial instruments carried at fair value through profit or loss for the year ended 31 December 2021 of approximately US$39.0 million as compared to the corresponding period of last year; and (ii) the increase of approximately US$9.6 million in interest income from sufficient cash and cash equivalents.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs increased by 54.6% from US$192.6 million for year ended 31 December 2020 to US$297.8 million for the year ended 31 December 2021. Such increase was primarily due to the increased investments in the on-going and newly kicked off research and development projects.

DISTRIBUTION COSTS

Distribution costs increased by 17.1% from US$254.1 million for the year ended 31 December 2020 to US$297.5 million for the year ended 31 December 2021. Such increase was primarily attributable to the corresponding increase in marketing activities and sales commission from COVID-19 recovery.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by 47.0% from US$170.1 million for the year ended 31 December 2020 to US$250.0 million for the year ended 31 December 2021. Such increase was mainly attributable to: (i) the increase in salaries, wages and other benefits attributable to the corresponding increase in employees; (ii) the increase in costs recognised for the granting of incentive shares to certain employees under the Group's share incentive scheme during the Reporting Period.

OTHER OPERATING COSTS

Other operating costs decreased by 15.9% from US$19.7 million for the year ended 31 December 2020 to US$16.5 million for the year ended 31 December 2021. The change was mainly due to the decrease in professional service fees and the decrease in impairment loss of intangible assets.

FINANCE COSTS

Finance costs increased by 20.6% from US$39.7 million for the year ended 31 December 2020 to US$47.9 million for the year ended 31 December 2021. The increase was mainly attributable to the interest expense arising from the convertible bonds of the Company.

INCOME TAX

Income tax increase from US$10.4 million for the year ended 31 December 2020 to US$14.0 million for the year ended 31 December 2021, primarily due to the increase in profit before tax of Endovascular and Peripheral Vascular Devices Business.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL MANAGEMENT

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group had US$1,754.4 million of cash and cash equivalents on hand, as compared to US$1,002.1 million as at 31 December 2020. Such increase was mainly attributable to (i) the issuance of convertible bonds by the Company; (ii) the completion of the spin-off listing of the heart valve business and surgical robot business; and (iii) the fundraising of the CRM business and the neurovascular devices business. The Board's approach to managing liquidity of the Group is to ensure sufficient liquidity at any time to meet its matured liabilities in order to avoid any unacceptable losses or damage to the Group's reputation.

BORROWINGS AND GEARING RATIO

Total borrowings of the Group, including interest-bearing borrowings and convertible bonds, as at 31 December 2021 were US$1,024.8 million, representing an increase of US$783.3 million as compared to US$241.5 million as at 31 December 2020, mainly due to the issuance of convertible bonds by the Company. The gearing ratio (calculated as total bank borrowings and convertible bonds divided by total equity) of the Group as at 31 December 2021 increased to 46.2% from 17.4% as at 31 December 2020.

NET CURRENT ASSETS

The Group's net current assets as at 31 December 2021 were US$1,840.0 million, as compared to US$960.5 million as at 31 December 2020.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to currency risk primarily from sales, purchases, borrowing and lending which give rises to receivables and payables that are denominated in a foreign currency (mainly RMB, Euro and JPY). For the year ended 31 December 2021, the Group recorded a net exchange loss of US$5.7 million, as compared to a net foreign exchange gain of US$2.0 million for the year ended 31 December 2020. The Group did not have any significant hedging arrangements to manage foreign exchange risk but has been actively monitoring and overseeing its foreign exchange risk.

CAPITAL EXPENDITURE

In addition, during the year ended 31 December 2021, the Group's total capital expenditure amounted to approximately US$247.9 million, which was used in (i) construction of building; (ii) acquiring equipment and machinery; and (iii) expenditures for R&D projects in development stage.

CHARGE ON ASSETS

As at 31 December 2021, the Group had mortgaged its buildings held for own use and right-of-use assets for the purpose of securing bank loans with a carrying value of US$71.3 million; and the Group had pledged the equity interest in Kerui Pharma, Suzhou Argus and MP Vision of securing bank loans in connection with the acquisition and capital contribution with a carrying value of US$59.9 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 through self-development, mergers and acquisitions. The Group's future operating plans will be supported by various sources of financing to support capital expenditure, including but not limited to internal funding and bank loans. Currently, the Group has sufficient banking facilities.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTOR

Dr. Zhaohua Chang (常兆華博士), born in 1963, is the Chairman, Executive Director and Chief Executive Officer of the Company. He has over 31 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) ("MP Shanghai") 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. 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. 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 is also an Advisor of Otsuka Medical Devices Co., Ltd. ("OMD") and a director of J-Pharma Co., Ltd. OMD is a subsidiary of Otsuka Holdings Co., Ltd ("Otsuka Holdings"). He had served as a Director of OMD from February 2011 to March 2019. 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 Co., Ltd. ("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.

Dr. Yasuhisa Kurogi (黑木保久), born in 1964, is Head of Business Development of Otsuka Holdings, a substantial Shareholder of the Company. Dr. Kurogi is currently holding directorship in certain subsidiaries of Otsuka Holdings. He is also a director of the Licensing Executive Society JAPAN. Before joining Otsuka Holdings in August 2017, he was a deputy director of Business Development of Otsuka Pharmaceutical Co., Ltd ("Otsuka Pharmaceutical") from 2015 to 2017. From 2007 to 2015, he was responsible for business development at Astex Pharmaceutical, Inc. and OPC. From 1992 to 2007, he was responsible for Research & Development at Cambridge Isotope Laboratories, Inc., Otsuka Maryland Research Laboratory, Inc., OPC, and Otsuka Pharmaceutical Factory, Inc. Dr. Kurogi received his Ph.D. degree in medicinal chemistry from the Hiroshima University in 1992 and was a fellow at Okazaki National Research Institutes in 1990. He also was a visiting lecturer of Tohoku University in 2000.

Mr. Hongliang Yu (余洪亮), born in 1974, was appointed as our Non-executive Director on 21 June 2018. Mr. Yu is currently the general manager of Zhangjiang Science & Technology Venture Capital Co., Ltd. Mr. Yu joined Shanghai Zhangjiang (Group) Co., Ltd. in November 2000, and successively served as the vice manager and executive vice manager of investment management department of Shanghai Zhangjiang (Group) Co., Ltd., vice general manager of Shanghai Zhangjiang Biotech & Pharmaceutical Base Development Co., Ltd., vice general manager of Shanghai Zhangjiang Science & Technology Venture Capital Co., Ltd. and general manager of Shanghai Zhangjiang Technology Microfinance Co., Ltd.. Mr. Yu graduated from East China University of Metallurgy majoring in Ferrous Metallurgy with a bachelor degree in July 1996, and graduated from University of Shanghai for Science and Technology majoring in management engineering with a master degree in April 2001. Mr. Yu holds the professional title of economist and qualification of certified public accountant.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jonathan H. Chou (周嘉鴻先生), born in 1964, was appointed as our independent non-executive Director ("INED") on 3 September 2010. He is a seasoned finance and operations executive with more than 30 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 (PSEG). 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 February 4, 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 (劉國恩博士), 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, MOH 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 Southwestern University for Nationalities 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.

Mr. Chunyang Shao (邵春陽), born in 1964, was appointed as our INED 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. Mr. Shao is currently an independent director of Changjiang & Jinggong 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)), 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)) and Pharma Resources Shanghai Co., Ltd. (上海泓博智源醫藥股份有限公司). 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.

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. Bo Peng (彭博), is the Chief Marketing Officer of MicroPort Sinica Co., Ltd. and the Chairperson of CEC. Prior to current position, Mr. Peng served as Senior Vice President of Domestic Sales and Marketing of the Company. Mr. Peng has over 23 years of experience in marketing and sales. Prior to joining the Company in 2001, Mr. Peng served as the Director, Vice President and Sales General Manager of Xianxing Electronics Group. 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 & Economics in 2003.

Mr. Hongbin Sun (孫洪斌), is the Chief Financial Officer of the Company, the Co-Chairperson of CEC and a member of ICC. Mr. Sun has over 24 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 of the Shanghai office of KPMG. 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.

Dr. Qiyi Luo (羅七一), is the Chief Technology Officer ("CTO") of the Company and a member of CEC and ICC. Dr. Luo has over 30 years of experience in the medical device industry. Prior to joining the Company in 2003, he worked as a Principal Research and Development Engineer and a Senior Manufacturing/Development Engineer at Medtronic AVE from 1995 to 2002. From 1991 to 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.. Dr. Luo is the inventor or a co-inventor of over 200 patents in China, the United States, Japan and the European Union. Dr. Luo received his bachelor's degree in Applied Science from Yunnan University of Technology in 1983, his master's degree in Applied Science from Queen's University in Canada in 1990 and doctor's degree in Biomedical Engineering from University of Shanghai for Science and Technology in 2015.

Mr. Yimin Xu (徐益民), is the 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 22 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 Senior 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 First 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 Senior 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 16 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.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Linda Lin (林映卿), is the First Vice President of Overseas Business of MicroPort Sinica Co., Ltd. and a member of CEC. Dr. Lin has over 26 years of experience in healthcare industry. Prior to joining the Group in 2013, Dr. Lin served as Director of RA&QA, Health Economics and Government Affairs for Boston Scientific China, International Marketing Manager for Boston Scientific HQ in United State and Marketing Manager of coronary business in China. Dr. Lin also worked as the General Manager for Foreign Government Loan Business for GE Healthcare China; she was responsible for the management of large projects involving interest-free loans from foreign governments to Chinese medical institutions. Dr. Lin graduated from Guangdong Foreign Normal University; she received her postgraduate degree in Accounting from Tianjin Institute of Finance and Economics in 1999, and her doctor's degree in business administration from Belgium United Business Institutes in 2011.

Ms. Glendy Wang (王固德), is the Chief Operating Officer of the Company, a member of CEC and Chairperson of IOC. Ms. Wang has more than 40 years of experience in the medical device industry. Before joining the Company, from 1997 to 2016, Ms. Wang served as Managing Director of Greater China at Smith & Nephew, based in Shanghai. From 1996 to 1997, she served as Business Director of China and Hong Kong at Becton Dickinson, based in Beijing. From 1982 to 1989, Ms. Wang served as a Franchise Manager at Johnson & Johnson Ethicon, based in Taiwan. Ms. Wang graduated from Taiwan Christ's college in 1981 and majored in business management. She also finished leadership program in INSEAD.

Mr. Jiang Lei (蔣磊), is the President of Shanghai MicroPort Medical (Group) Co., Ltd. and a member of CEC. Mr. Jiang has about 24 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 Medical (Group) Co., Ltd. in 2006. In 2019, Mr. Jiang was appointed as the Group's National coronary product Sales Director and 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. Mr. Jiang graduated from Nanjing Medical University in 1998 and obtained an EMBA degree from Shanghai Jiaotong University in 2020.

INTERCONTINENTAL ORTHOPEDICS COMMITTEE

Ms. Glendy Wang (王固德), is the Chief Operating Officer of the Company, Chairperson of IOC and a member of CEC. Please refer to the above for the details of her biography.

Mr. Benny Hagag, is the President of MicroPort Orthopedics Inc. and Co-Chairperson of IOC. Mr. Hagag is a highly experienced medical device executive, with over 26 years leading a multitude of business functions with a deep background in R&D and business development. One of Benny's most notable accomplishment is the co-founding of MAKO Surgical Group, an orthopedic company, focused in the development of robotic platform and implants for joint replacement surgeries. Mr. Hagag joined Stryker following its acquisition of MAKO in 2013 as the International General Manager and Vice President for the MAKO robotic business. Most recently, he was the General Manager and Vice President for Stryker Asia Pacific for the MAKO business. Mr. Hagag holds a Bachelor's Degree in Aerospace Engineering and a Master of Business Administration with a focus on High Technology, both from Technion in Israel.

Mr. Jonathan Chen, is the Chief International Business Officer ("CIBO") of the Company, Chairperson of ICC and a member 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 25 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 for Credit Suisse and Alex. Brown & Sons. He helped his clients raise in excess of $2 billion in equity and debt capital and advised on over $3 billion in 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 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 serves 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).

INTERCONTINENTAL CRM COMMITTEE

Mr. Jonathan Chen, CIBO of the Company, Chairperson of ICC and a member 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. Benoit Clinchamps has 23 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 Universitat 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, Co-Chairperson of CEC and a member of ICC. Please refer to the above for the details of his biography.

Dr. Qiyi Luo (羅七一), CTO of the Company, a member of CEC and ICC. Please refer to the above for the details of his biography.

Dr. Philippe Wanstok, is Senior Vice President of Sales & Marketing & Customer Service & Market Access of MircroPort CRM and a member of ICC. Following the Company's asset purchase of LivaNova PLC's CRM Business in May 2018, he serves as Senior Vice President of Global Sales of MircroPort CRM since August 2018. He has over 30 years of experience in medical device industry. Most recently, 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 worldwide controller 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), Zhu is the general manager ("GM") of MicroPort Soaring CRM (Shanghai) Co. Ltd, ("MSC") and a member of ICC. Prior to the GM position, he served as senior director of sales & marketing at MSC since 2014. Mr. Zhu has over 21 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 Great China. From 2009 to 2011, Mr. Zhu was National Manager of Operation at St. Jude Medical China, and from 2006 to 2009, he was the head of Cardiac Rhythm Management Division business. Before that, he served as manager of Vitatron business division at Medtronic China.

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 2021.

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 2021 and the financial performance of the Group for the year then ended are set out in the consolidated financial statements on pages 77 to 204 of this annual report.

BUSINESS REVIEW

OVERVIEW

In 2021, as the COVID-19 pandemic continued to spread worldwide and kept evolving with more infectious variants, the global economy struggled to recover in an imbalance condition. In China, owing to the great process in the normalized and precise prevention and control of epidemic, the economy has gradually recovered and maintained an overall growth, and outpatient visits and surgeries in medical institutions has also recovered to near pre-pandemic levels. For the year ended 31 December 2021, the Company recorded a revenue of US$778.6 million, representing an increase of 20.0% as compared to 2020. Meanwhile, the Company recorded a loss of US$351.3 million (loss attributable to equity shareholders: US$276.5 million). The Group aims to continuously bring its innovations, technologies and services to millions of global patients and become a patient oriented global enterprise capable of leading minimally invasive and other emerging medical technologies.

A review of the business of the Group during the year ended 31 December 2021, 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 page 10 to 26 of this report. The financial risk management objectives and policies of the Group are set out in Note 32 to the consolidated financial statements. An analysis of the Group's performance indicators are set out in the section headed "Financial Highlights" on page 4 of this 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".

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, MOFCOM, 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 2021, 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 32 "Financial Risk Management and Fair Values" 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 retails prices of our products. Ongoing decreases in the retails 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.

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 growth of the Company.

As at 31 December 2021, the Group had 8,019 employees (31 December 2020: 7,068 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 All 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 2022, facing the increasingly fierce competition and price pressure of global medical devices industry, we will continuously perform proactive strategies to maintain sustained development and enhance competitiveness through integrating resources, optimizing management structure, deepening globalization, intensifying innovation, expanding market, and building total solution capability, establishing intelligent information technology systems, and so on.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2021, purchases from the Group's largest supplier and the five largest suppliers in aggregate accounted for 4.79% and 18.20% 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 12.80% and 24.66% 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.

REPORT OF THE DIRECTORS

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2021 are set out in Note 29 to the consolidated financial statements.

DISTRIBUTABILITY OF RESERVES

At 31 December 2021, the aggregate amount of reserves available for distribution to equity shareholders of the Company, was US$600,927,000 (2020: US$611,631,000).

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 2021 and up to the date of this report were:

EXECUTIVE DIRECTOR

Dr. Zhaohua Chang *(Chairman)*

NON-EXECUTIVE DIRECTORS

Mr. Norihiro Ashida
Dr. Yasuhisa Kurogi
Mr. Hongliang Yu

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

In accordance with the Company's Articles of Association, Mr.Norihiro Ashida, Mr.Jonathan H. Chou and Dr. Guoen Liu shall retire from office as Directors at the forthcoming annual general meeting. All of them will offer themselves for re-election.

REPORT OF THE DIRECTORS

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 27 to 31 of this annual report.

DIRECTORS' SERVICE CONTRACT

None of the Directors, including those to be re-elected at the forthcoming annual general meeting, 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 2021, 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 a share option scheme as an incentive for Directors and eligible employees. Details of the scheme are set out in the section headed "Share Option Scheme" 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.

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 2021, 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 pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the 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	29,928,417	1	Beneficial owner	Long position	1.64%
Jonathan H. Chou	1,080,645	2	Beneficial owner	Long position	0.05%
Guoen Liu	80,645	1	Beneficial owner	Long position	0.00%
Chunyang Shao	80,645	1	Beneficial owner	Long position	0.00%

Notes:

(1) Dr. Zhaohua Chang, 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 option scheme of the Company. For further details, please refer to the below section headed "Company's Share Option Schemes".

(2) Mr. Jonathan H. Chou is interested in (i) 476,488 underlying Shares of the Company by virtue of the options granted to him under the share option scheme of the Company and (ii) 604,157 Shares of the Company. For further details, please refer to the below section headed "Company's Share Option Schemes".

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

Name of Director/ Chief Executive	Name of associated corporation	No. of shares	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	0.25%

Notes:

(1) Dr. Zhaohua Chang is interested in the underlying shares of the associated corporation by virtue of the options granted to him under the share option scheme of that associated corporation. For further details, please refer to the below section headed "Subsidiary's Share Option Schemes".

Save as disclosed above, as at 31 December 2021, 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 2021, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would need to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

INTERESTS AND SHORT 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	21.03
Otsuka Medical Devices Co., Ltd.	382,994,120	1	Beneficial owner	Long position	21.03
Maxwell Maxcare Science Foundation Limited	328,363,355	2	Interest of controlled corporation/ Beneficial owner	Long position	18.03
We'Tron Capital Limited	264,291,373	2	Beneficial owner	Long position	14.51
Shanghai Zhangjiang (Group) Co., Ltd.	221,748,050	3	Interest of controlled corporation	Long position	12.17
Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd.	221,748,050	3	Interest of controlled corporation	Long position	12.17
Shanghai Zhangjiang Science and Technology Investment Co.	221,748,050	3	Interest of controlled corporation	Long position	12. 17
Shanghai Zhangjiang Haocheng Venture Capital Co., Ltd.	221,748,050	3	Interest of controlled corporation	Long position	12.17
Shanghai Zhangjiang Science and Technology Investment (Hong Kong) Company Limited	221,748,050	3	Interest of controlled corporation	Long position	12.17
Shanghai ZJ Holdings Limited	221,748,050	3	Interest of controlled corporation	Long position	12.17
Shanghai ZJ Hi-Tech Investment Corporation	221,748,050	3	Interest of controlled corporation/	Long position	12.17
Shanghai Zhangjiang Health Solution Holdings Limited	214,705,470	3	Beneficial Owner	Long position	11.79
Hillhouse Capital Advisors, Ltd.	153,694,000		Investment manager	Long position	8.44
Gaoling Fund, L.P.	147,009,000		Beneficial Owner	Long position	8.07

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 99.99% interest of We'Tron Capital Limited, and therefore, is deemed to be interested in the same number of Shares held by We'Tron Capital Limited. Maxwell is also deemed to be interested in the 63,049,863 shares interests of the Company held by Hopeway Limited, a wholly-owned company of Maxwell. In addition, Maxwell is the beneficial owner of 1,021,324 Shares.

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

Name of Controlled Corporation	No. of Shares	Approximate percentage of total number of Shares in issue (%)
Shanghai Zhangjiang Health Solution Holdings Limited	214,705,470	11.79
Shanghai ZJ Hi-Tech Investment Corporation	7,042,580	0.38
Total	221,748,050	12.17

Save as disclosed above, as at 31 December 2021, the Directors of the Company were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would need to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

MANAGEMENT CONTRACT

During the year ended 31 December 2021, 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 2021.

Save as disclosed in Note 34 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 2021 or during the year ended 31 December 2021.

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 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 favour, or in which he 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.

CONNECTED TRANSACTIONS

(I) DISTRIBUTION AGREEMENTS

On 15 December 2020, the Company and Otsuka Holdings entered into a distribution framework agreement ("Distribution Framework Agreement"), details of which were disclosed in the announcement of the Company dated 15 December 2020. According to the Distribution Framework Agreement, the Company appointed 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 Distribution Framework Agreement has a term commencing from 1 January 2021 and ending on 31 December 2023 (both days inclusive).

The transactions under the 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 Distribution Framework Agreement constituted continuing connected transactions under Chapter 14A of the Listing Rules. The annual caps for the transactions under the 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 2021, the transaction amount under the agreement was approximately US$4.0 million.

(II) FRAMEWORK AGREEMENT WITH NEUROTECH

On 24 July 2020, the Company entered into 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, details of which were disclosed in the announcement of the Company dated 24 July 2020 and 10 August 2020. Under the procurement framework agreement, 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 annual caps for the transactions under the procurement framework agreement for the three years ended and ending 31 December 2020, 2021 and 2022 were RMB15.2 million, RMB22.25 million and RMB27.5 million respectively. Forthe year ended 31 December 2021, the actual transactions between the Group and NeuroTech group under the procurement framework agreement was approximately RMB8.6 million.

(III) CONTRIBUTION OF CAPITAL TO SUBSIDIARIES

On 8 January 2021, certain members of the Group entered into an agreement with, among others, Shanghai Hopeway Biotechnology Co., Ltd. ("Hopeway Biotech"), where certain investors agreed to contribute new capital to AccuPath Medical (Jiaxing) Co., Ltd. ("AccuPath"). Of which, Hopeway Biotech contributed RMB53 million (the "First Capital Increase Agreement"). Please refer to the announcement dated. 8 January 2021 for more details. As at 31 December 2021, the First Capital Increase Agreement had been completed, and upon completion, AccuPath was no longer be accounted as a subsidiary of the Company.

On 30 March 2021, certain members of the Group entered into an agreement with, among others, Hopeway Biotech, where Hopeway Biotech and certain investors agreed to contribute new capital to MicroPort Vision Power MedTech (Shanghai) Co. Ltd. ("MP Vision"). Of which, Hopeway Biotech contributed RMB10 million (the "Second Capital Increase Agreement"). Please refer to the announcement dated 30 March 2021 for more details. As at 31 December 2021, the Second Capital Increase Agreement had been completed.

Hopeway Biotech was wholly owned by Dr. Zhaohua Chang at the time of the First Capital Increase Agreement and the Second Capital Increase Agreement. Dr. Zhaohua Chang is an executive Director and is a connected person of the Company for the purpose of Chapter 14 A of the Listing Rules. The capital contributions made by Hopeway Biotech under the First Capital Increase Agreement and the Second Capital Increase Agreement constituted connected transactions for the Company.

(IV) PROPERTY LEASE

On 28 May 2021, certain subsidiaries of the Group entered into lease agreements (the "Lease Agreements") with Shanghai Jushuo Investment Management Co., Ltd., (the "Landlord"). Pursuant to the Lease Agreements, the subsidiaries agreed to lease from the Landlord the property located at 128 Dieqiao Road in Shanghai for a term of six years with total gross floor area of approximately 27,651 square meters, commencing on 1 June 2021 and ending on 31 May 2027. The aggregate rent payable by the subsidiaries under the entire term of the Lease Agreements is approximately US$12.16 million. Please refer to the announcement dated 28 May 2021 for more details. As at 31 December 2021, the value of the right-of-use assets to be recognized by the Group under the Lease Agreements was US$9.32 million.

The Landlord is an indirect wholly-owned subsidiary of Shang ZhangJiang (Group) Corp., a substantial shareholder of the Company, and is a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. The transactions under the Lease Agreements constituted connected transactions.

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 2021.

Save as aforesaid, none of the "Material Related Party Transactions" as disclosed in Note 34 to the consolidated financial statements for the year ended 31 December 2021 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 2021.

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

Save for the 6,437,800 Shares of the Company purchased by the trustee of the share award scheme at cash consideration of US$40,379,000 on the Stock Exchange for the share award scheme, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Save as disclosed in Notes 30 and 31 to the financial statements in this report, there was no other material acquisition and disposal of subsidiaries and associated companies by the Company during the Reporting Period.

PLACING

On 22 June 2020, the Company entered into a placing agreement with J.P. Morgan Securities Plc (as placing agent) pursuant to which the Company placed 65,958,000 new Shares (the "Placing Shares") to more than six independent investors at the placing price of HK$23.50 per Share (the "Placing"). The Placing Shares represent approximately 3.80% of the issued share capital of the Company as at the date of the placing agreement and approximately 3.66% of the issued share capital of the Company as enlarged by the Placing. The Placing Shares have a nominal value of US$659.58 and a market value of approximately HK$1,606 million based on the closing price of the Shares of HK$24.35 on 22 June 2020. The net issue price of the Placing Shares is HK$23.36 per Share. The net proceeds from the Placing in the amount of approximately HK$1,541 million were intended to be applied for the repayment of bank loans, funding potential business development and investments in the future, and as general working capital of the Group. As at 31 December 2021, such proceeds was fully utilized as intended. The breakdown and description of the proceeds from the placing utilized during the year ended 31 December 2021 are as follows:

	HK$ million
Loan repayment	1,046
Investment	128
Research and development and working capital	367
Total	1,541

ISSUE OF ZERO COUPON CONVERTIBLE BONDS

On 1 June 2021, the Company and J.P. Morgan Securities plc and China International Capital Corporation (the "Managers") entered into a subscription agreement (the "Subscription Agreement") pursuant to which the Company agreed to issue zero coupon convertible bonds due 2026 (the "Bonds") with an aggregate principal amount of US$700 million. The Bonds may be convertible into shares of the Company ("Shares") at the initial conversion price of HK$92.8163 per Share. Assuming full conversion of the Bonds, the Bonds will be convertible into 58,519,678 Shares ("Conversion Shares"), representing approximately 3.22% of the issued share capital of the Company as at the date of Subscription Agreement and approximately 3.12% 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$585.20 and a market value of approximately HK$4,099.3 million based on the closing price of the Shares of HK$70.05 on 1 June 2021. The net issue price of the Conversion Shares is approximately HK$91.4241 per Share. The net proceeds from the issue of the 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. The issue of the Bonds have been completed and the Bonds are listed on the Stock Exchange (Stock Code: 40720). As at 31 December 2021, approximately US$311.6 million from the proceeds have been utilized as intended and approximately US$377.9 million was still unused. The breakdown and description of the proceeds utilized during the year ended 31 December 2021 are as follows:

	US$ million
Certain capital expenditure	221.9
Research and development and working capital	89.7
Total	311.6

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry by the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2021.

SHARE AWARD SCHEME

The Board approved and adopted a share award scheme as a means of recognizing the contributions of selected employees of the Group (the "Share Award Scheme").Pursuant to the Share Award Scheme, the Board may, from time to time and at its absolute discretion, award eligible participants by granting share of the Company ("Awarded Shares"). The Board shall cause to be paid the purchase price for the Awarded Shares and the related expenses to the Trustee of the Share Award Scheme, who will purchase the Awarded Shares on the Stock Exchange at the prevailing market price. The Awarded Shares are held on trust by the Trustee until such Awarded Shares are vested in accordance with the provisions of the Share Award Scheme. The Board shall not make any further award of Awarded Shares which will result in the nominal value of the Share awarded by the Board under the Share Award Scheme exceeding 10% of issued share capital of the Company from time to time. The maximum number of Shares which may be awarded to an eligible participant shall not exceed 1% of the issued share capital of the Company from time to time. For further details of the Share Award Scheme, please refer to the announcements of the Company dated 15 September 2011 and 28 August 2020.

During the twelve months ended 31 December 2021, the trustee of the Share Award Scheme purchased a total of 6,437,800 Shares at cash consideration of US$40,379,000 on the Stock Exchange pursuant to the rules of the Share Award Scheme.

COMPANY'S 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-months period shall not exceed 1% of the then issued share capital of the Company.

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

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

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

As at 31 December 2021, the total outstanding options that has been granted under the 2010 Share Option Scheme was 103,349,191.

As the 2010 Share Option Scheme was nearing the expiry of its term, the shareholders of the Company has resolved at the annual general meeting held on 18 June 2020 to adopt a new share option scheme (the "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. 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.

On 31 March 2021, 14 May 2021, 31 August 2021 and 2 November 2021, the Company granted 1,449,386 options at the exercise price of HK$43.75 per Share, 17,118,723 options at the exercise price of HK$57.59 per Share, 6,500,000 options at the exercise price of HK$48.15 per Share and 1,740,000 options at the exercise price of HK$36.79 per Share respectively under the 2020 Share Option Scheme. As at 31 December 2021, the total outstanding options that has been granted under the 2020 Share Option Scheme was 28,346,988.

During the year, 26,808,109 share options of the Company were granted and the status of the share options the Company granted up to 31 December 2021 is as follows:

Category of participants	As at 30 Jun 2021	Granted during the Period	Exercised during the Period	Expired during the Period	Cancelled during the Period	As at 31 Dec 2021	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												HKD68.6
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	
Jonathan H. Chou	1,000,000	–	604,157	–	–	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	
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	
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	
In Aggregate	31,170,352	–	604,157	–	–	30,566,195						
Business associates												
Maxwell Maxcare Science Foundation Limited	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	HKD47.75
	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	
Other business associate	150,500	–	150,500	–	–	–	1 Sep 2016	1 Sep 2016 – 1 Sep 2021	1 Sep 2017 – 31 Aug 2026	HKD4.950	HKD4.950	
In Aggregate	42,739,228	–	150,500	–	–	42,588,728						

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

Category of participants	As at 30 Jun 2021	Granted during the Period	Exercised during the Period	Expired during the Period	Cancelled during the Period	As at 31 Dec 2021	Date of Grant of Share Options	Vesting Period	Exercise Period	Exercise Price	Share Price of the Company as at the date of grant of share options	Share Price of the Company Immediately before the exercise date of share options (Note 1)
Employees												HKD59.06
	2,165,000	–	65,400	20,000	400,000	1,679,600	28 Aug 2012	28 Aug 2018 – 28 Aug 2019	28 Aug 2019 – 27 Aug 2022	HKD3.350	HKD3.350	
	500,000	–	–	–	–	500,000	7 Sep 2012	7 Sep 2012 – 7 Sep 2017	7 Sep 2013 – 6 Sep 2022	HKD3.330	HKD3.330	
	1,810,000	–	515,000	–	400,000	895,000	10 Dec 2012	10 Dec 2012 – 10 Dec 2019	10 Dec 2019 – 9 Dec 2022	HKD4.600	HKD4.600	
	250,000	–	–	–	–	250,000	28 Aug 2013	28 Aug 2013 – 28 Aug 2018	28 Aug 2014 – 27 Aug 2023	HKD4.970	HKD4.970	
	630,000	–	–	–	–	630,000	20 Jan 2015	20 Jan 2015 – 20 Jan 2019	20 Jan 2016 – 19 Jan 2025	HKD3.210	HKD3.170	
	150,000	–	–	–	–	150,000	20 Jan 2015	20 Jan 2015 – 20 Jan 2021	20 Jan 2016 – 19 Jan 2025	HKD3.210	HKD3.170	
	9,501,000	–	1,215,000	–	–	8,286,000	30 Mar 2016	30 Mar 2016 – 30 Mar 2021	30 Mar 2017 – 29 Mar 2026	HKD3.482	HKD3.360	
	9,040,000	–	–	–	–	9,040,000	23 Jan 2017	23 Jan 2022	23 Jan 2022 – 22 Jan 2027	HKD5.628	HKD5.450	
	2,486,413	–	–	–	–	2,486,413	30 Mar 2017	30 Mar 2022	30 Mar 2022 – 29 Mar 2027	HKD5.798	HKD5.700	
	2,000,000	–	–	–	–	2,000,000	25 Aug 2017	25 Aug 2017 – 25 Aug 2022	25 Aug 2018 – 24 Aug 2027	HKD7.418	HKD7.020	
	2,236,939	–	–	–	44,073	2,192,866	29 Mar 2018	29 Mar 2023	29 Mar 2023 – 28 Mar 2028	HKD8.510	HKD8.510	
	11,880,070	–	506,364	–	–	11,373,706	24 Dec 2018	24 Dec 2018 – 30 Dec 2022	24 Dec 2020 – 23 Dec 2028	HKD7.692	HKD7.150	
	1,364,897	–	15,139	–	–	1,349,758	23 Jan 2019	23 Jan 2019 – 31 Jan 2023	23 Jan 2021 – 22 Jan 2029	HKD7.730	HKD7.730	
	225,320	–	–	–	–	225,320	23 Jan 2019	23 Jan 2019 – 23 Jan 2024	23 Jan 2020 – 22 Jan 2029	HKD7.730	HKD7.730	
	462,500	–	150,000	–	–	312,500	23 Jan 2019	23 Jan 2019 – 23 Jan 2020	23 Feb 2019 – 22 Jan 2029	HKD7.730	HKD7.730	
	3,835,852	–	–	–	–	3,835,852	1 Apr 2019	1 Apr 2024	1 Apr 2024 – 31 Mar 2029	HKD7.448	HKD7.270	
	500,000	–	–	–	–	500,000	30 Aug 2019	3 0 Aug 2019 – 30 Aug 2024	3 0 Aug 2020 – 29 Aug 2029	HKD6.95	HKD6.95	
	1,337,691	–	–	–	–	1,337,691	31 Mar 2020	31 Mar 2025	31 Mar 2025 – 30 Mar 2030	HKD17.54	HKD17.54	
	160,000	–	–	–	–	160,000	31 Mar 2020	31 Mar 2021 – 31 Mar 2025	31 Mar 2021 – 30 Mar 2030	HKD17.54	HKD17.54	
	145,225	–	–	–	–	145,225	31 Mar 2020	31 Mar 2022 – 31 Mar 2024	31 Mar 2022 – 30 Mar 2030	HKD17.54	HKD17.54	
	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	–	–	–	–	1,150,000	28 Dec 2020	28 Dec 2021 – 28 Dec 2025	28 Dec 2021 – 27 Dec 2030	HKD42.20	HKD42.20	
	661,085	–	–	–	–	661,085	31 Mar 2021	31 Mar 2026	31 Mar 2026 – 30 Mar 2031	HKD43.75	HKD43.75	
	751,361	–	–	–	11,121	740,240	31 Mar 2021	31 Mar 2023–31 Mar 2025	31 Mar 2023 – 30 Mar 2031	HKD43.75	HKD43.75	
	–	6,500,000	–	–	200,000	6,300,000	31 Aug 2021	31 Aug 2028	31 Aug 2023 – 30 Aug 2031	HKD48.15	HKD48.15	
	–	1,740,000	–	–	–	1,740,000 (Note 2)	2 Nov 2021	2 Nov 2028	2 Nov 2021-1 Nov 2031	HKD36.79	HKD34.65	
In Aggregate	53,843,353	8,240,000	2,466,903	20,000	1,055,194	58,541,256						
Total	127,752,933	8,240,000	3,221,560	20,000	1,055,194	131,696,179						

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

Note 2: Of which, 1,050,000 share options were subsequently cancelled in January 2022.

SUBSIDIARY'S SHARE OPTION SCHEME

MICROPORT CARDIOFLOW MEDTECH CORPORATION

MicroPort CardioFlow Medtech Corporation (the "Subsidiary") is a company established in the Cayman Islands and is indirectly owned as to 44.88% by the Company as at 31 December 2021.

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

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

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

The aggregate number of shares in CardioFlow (the "CardioFlow Shares") which may be issued upon exercise of all options to be granted under the CardioFlow Scheme and any new CardioFlow Scheme of CardioFlow which may be adopted thereafter must not, in aggregate, exceed 5% of the total number of CardioFlow Shares in issue as at the date of adoption of the CardioFlow Scheme or any new subsidiary share option scheme (as the case may be). The maximum aggregate number of CardioFlow Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the CardioFlow Scheme and any other share option schemes of CardioFlow, must not, in aggregate, exceed 30% of the total number of CardioFlow Shares in issue from time to time. As at the date of the adoption of the CardioFlow Scheme, CardioFlow had 98,750,000 CardioFlow Shares in issue, the total number of CardioFlow Shares which may be issued upon the exercise of all options to be granted under the CardioFlow Scheme at the time was 4,937,500 CardioFlow Shares. On 15 January 2021, for the purpose of the separate listing of CardioFlow on the Main Board of the Stock Exchange, the issued and unissued share capital of CardioFlow was subdivided from one share of US$0.0001 each into twenty shares of US$0.000005 each. As such, the total number of CardioFlow Shares which may be issued upon the exercise of all options to be granted under the CardioFlow Scheme was adjusted to 98,750,000 CardioFlow Shares.

The maximum number of shares in respect of which options may be granted to each grantee in any 12-month period cannot exceed 1% of the total number of the issued share of CardioFlow. The exercise price of the option shall be a price determined by the board of CardioFlow at its sole and absolute discretion subject to compliance with the requirements of the Listing Rules.

The CardioFlow Scheme shall be valid and effect for a period of 10 years from the date of its adoption. On 31 March 2021 and 4 October 2021, 8,000,000 options at the exercise price of HK$13.72 per CardioFlow Share and 3,100,000 options at the exercise price of HK$6.406 per CardioFlow Share were granted under the CardioFlow Scheme respectively. As of 31 December 2021, the total outstanding options that has been granted under the CardioFlow Scheme was 67,861,807.

Suzhou MicroPort Orthopedics Scientific (Group) Co., Ltd.

Suzhou MicroPort Orthopedics Scientific (Group) Co., Ltd. ("Orthopedics") is a limited liability company established in the PRC and is indirectly owned as to 85.17% by the Company.

On 15 April 2021, the shareholders of the Company resolved to approve the adoption of a share option scheme (the "Orthopedics Scheme") for Orthopedics. The purpose of the Orthopedics Scheme is to provide incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of, Orthopedics and its subsidiaries (the "Orthopedics Group") and for such other purposes as the Board may approve from time to time.

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

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

The registered capital or number of shares in Orthopedics (the "Orthopedics Shares") which may be issued upon exercise of all options to be granted under the Orthopedics Scheme and any other schemes of Orthopedics which may be adopted thereafter must not, in aggregate, exceed 5% of the registered capital of Orthopedics (or 5% of its issued shares if Orthopedics becomes a company limited by shares, same as hereinafter) as at the date of adoption of the Orthopedics Scheme or any new subsidiary share option scheme (as the case may be). The maximum aggregate number of Orthopedics Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Orthopedics Scheme and any other share option schemes of Orthopedics, must not, in aggregate, exceed 30% of the equity capital of Orthopedics from time to time. As at the date of the adoption of the Orthopedics Scheme, Orthopedics has a registered capital of US$375,735,736, the registered capital that may be involved upon the exercise of all options to be granted under the Orthopedics Scheme would be US$18,786,786.

The maximum number of equity capital that may be granted to each grantee in any 12-month period cannot exceed 1% of the registered capital of Orthopedics. The exercise price of the option shall be a price determined by the board of Orthopedics at its sole and absolute discretion. If Orthopedics is separately listed on the Stock Exchange or another securities exchange, the exercise price of the options shall be subject to the requirements of the Listing Rules and any other applicable legal and regulatory requirements of the stock exchange on where it is listed.

The Orthopedics Scheme shall be valid and effect for a period of 10 years from the date of its adoption. On 17 April 2021 and 14 September 2021, an aggregate of 7,733,617 options at the exercise price of US$1.58 per Orthopedics Share and 2,170,898 options at the exercise price of US$1.58 per Orthopedics Share were granted under the Orthopedics Scheme. As of 31 December 2021, the total outstanding options that has been granted under the Orthopedics Scheme was 9,227,212.

Shenzhen MicroPort Surgical (Group) Co. Ltd.

Shenzhen MicroPort Surgical (Group) Co. Ltd. ("Surgical") is limited liability company established in the PRC and is indirectly owned as to 61.29% by the Company.

On 24 June 2021, the shareholders of the Company resolved to approve the adoption of a share option scheme (the "Surgical Scheme") for Surgical. The purpose of the Surgical Scheme is to provide incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of, Surgical and its subsidiaries (the "Surgical Group") and for such other purposes as the Board may approve from time to time.

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

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

The registered capital or number of shares in Surgical (the "Surgical Shares") which may be issued upon exercise of all options to be granted under the Surgical Scheme and any other schemes of Surgical which may be adopted thereafter must not, in aggregate, exceed 5% of the registered capital of Surgical (or 5% of its issued shares if Surgical becomes a company limited by shares, same as hereinafter) as at the date of adoption of the Surgical Scheme or any new subsidiary share option scheme (as the case may be). The maximum aggregate number of Surgical Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Surgical Scheme and any other share option schemes of Surgical, must not, in aggregate, exceed 30% of the equity capital of Surgical from time to time. As at the date of the adoption of the Surgical Scheme, Surgical has a registered capital of RMB195 million, the registered capital that may be involved upon the exercise of all options to be granted under the Surgical Scheme would be RMB9.75 million.

The maximum number of equity capital that may be granted to each grantee in any 12-month period cannot exceed 1% of the registered capital of Surgical. The exercise price of the option shall be a price determined by the board of Surgical at its sole and absolute discretion. If Surgical is separately listed on the Stock Exchange or another securities exchange, the exercise price of the options shall be subject to the requirements of the Listing Rules and any other applicable legal and regulatory requirements of the stock exchange on where it is listed.

The Surgical Scheme shall be valid and effect for a period of 10 years from the date of its adoption. On 23 December 2021, an aggregate of 5,824,000 options at the exercise price of RMB3.85 per Surgical Shares was granted under the Surgical Scheme. As of 31 December 2021, the total outstanding options that has been granted under the Surgical Scheme was 5,824,000.

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 2021.

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 2021 as required under the Listing Rules.

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 2021, the Group made donations of approximately US$3.06 million.

ANNUAL GENERAL MEETING

The Annual General Meeting ("AGM") of the Company will be held on 23 June 2022. The notice of AGM will be sent to shareholders not less than 21 days before the AGM.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: HK4.3 cents per share (tax inclusive)).

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.

REPORT OF THE DIRECTORS

CLOSURE OF THE REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 20 June 2022 to Thursday, 23 June 2022, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 17 June 2022 (Hong Kong Time), being the last registration date.

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 2021. KPMG has been the auditor of the Company for the past ten years.

KPMG shall retire at the forthcoming AGM 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 2021.

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

Shanghai, the PRC
30 March 2022

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 2021.

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 and embedding best governance practices throughout the organization.

CORPORATE GOVERNANCE PRACTICES

The Company 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 2021, the Company has complied with all the applicable code provisions (the "Code Provisions") as set out in the Corporate Governance Code ("CG Code") then effective in 2021 contained in Appendix 14 to the Listing Rules with the exceptions as addressed below:

Pursuant to Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Dr. Zhaohua Chang ("Dr. Chang") has assumed the responsibility of the executive Director and the chairman of the 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.

CORPORATE GOVERNANCE REPORT

THE BOARD/BOARD OF DIRECTORS

ROLES AND RESPONSIBILITIES

The Board reserves for its decision all major matters relating to 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 by the above mentioned officers.

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

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.

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.

As at 31 December 2021, the Board comprises seven members, consisting of one Executive Director, three 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 comprises the following Directors as of 31 December 2021:

EXECUTIVE DIRECTOR:

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

NON-EXECUTIVE DIRECTORS:

Mr. Norihiro Ashida
Dr. Yasuhisa Kurogi
Mr. Hongliang Yu

INDEPENDENT NON-EXECUTIVE DIRECTORS:

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

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.

Throughout the financial year ended 31 December 2021, the Board at all time met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise, and the Board at all times met the requirement of the Listing Rules in regard of independent non-executive directors to constitute one-third of an issuer's board.

INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

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.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Code Provision A.4.1 of the CG Code stipulates that Non-executive Directors shall be appointed for a specific term, subject to re-election, whereas Code Provision A.4.2 states that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every Director, including those appointed for a specific term, shall 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 non-executive Directors including independent non-executive Directors of the Company for a term of 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.

CORPORATE GOVERNANCE REPORT

INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

Each newly appointed Director receives formal, comprehensive and tailored induction 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 and financing 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 2021, continuous trainings were conducted for all Directors, covering the updates and proposed amendments of the Listing Rules and compliance matters, including but not limited to compliance policies and efforts made by the Company.

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 papers 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.

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 financial year ended 31 December 2021, six Board Meetings were held 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 24 June 2021 for reviewing the audited financial statements, approving re-election of directors, re-appointment of auditors, etc. In addition, an extraordinary general meeting was held on 15 April 2021 for reviewing and approving the resolution relating to the adoption of subsidiary share option scheme.

The attendance records of each Director at the Board meetings, the annual general meeting and the extraordinary general meeting during the term of office as a Director during the year ended 31 December 2021 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	Attendance/Number of extraordinary general meeting held during the term of office of the Director Concerned
Executive Director			
Dr. Zhaohua Chang	6/6	1/1	1/1
Non-executive Directors			
Mr. Norihiro Ashida	5/6	1/1	1/1
Dr. Yasuhisa Kurogi	5/6	1/1	1/1
Mr. Hongliang Yu	5/6	1/1	0/1
Independent Non-executive Directors			
Mr. Jonathan H. Chou	6/6	1/1	1/1
Dr. Guoen Liu	6/6	1/1	1/1
Mr. Chunyang Shao	6/6	1/1	1/1

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 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 2021.

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.

CORPORATE GOVERNANCE REPORT

DELEGATION BY THE BOARD

BOARD COMMITTEES

The Board reserves for its decision all major matters of the Company, in terms of approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

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 Board procedures and all applicable laws and regulations are properly followed. Each Director can seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The Board has delegated a schedule of responsibilities to the chief executive officer and senior management of the Company. These responsibilities include implementing decisions of the Board, 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 which 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 functions set out in Code Provision D.3.1 of the CG Code. During the year ended 31 December 2021, 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 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 auditors.

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 auditors;
- 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 interim and annual results, interim and annual reports for the year ended 31 December 2021, the financial reporting and compliance procedures, the Company's internal control and risk management systems and processes, and the re-appointment of the external auditors.

The Audit Committee held 3 meetings during the year ended 31 December 2021. The attendance records of each member at the Audit Committee meetings during the year ended 31 December 2021 are set out below:

Name of Members concerned	Attendance/Number of meetings held during the term of office of the Audit Committee member
Mr. Jonathan H. Chou *(Chairman)*	3/3
Mr. Norihiro Ashida	3/3
Mr. Chunyang Shao	3/3

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)*
Mr. Jonathan H. Chou
Dr. Zhaohua Chang

Majority of the members 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.

The Company has adopted a share option scheme as incentive to Directors and eligible employees. Details of the scheme are set out in the section headed "Share Option Schemes" in the Report of the Directors.

During the year under review, 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 5 meetings during the year ended 31 December 2021. The attendance records of each member at the Remuneration Committee meetings during the year ended 31 December 2021 are set out below:

Name of Members concerned	Attendance/Number of meetings held during the term of office of the Remuneration Committee member
Dr. Guoen Liu *(Chairman)*	5/5
Mr. Jonathan H. Chou	5/5
Dr. Zhaohua Chang	5/5

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

Majority of the members 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's 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.

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 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 regional experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

During the financial year ended 31 December 2021, a meeting of Nomination Committee was held.

Name of Members concerned	Attendance/Number of meetings held during the term of office of the Nomination Committee member
Mr. Chunyang Shao *(Chairman)*	1/1
Dr. Guoen Liu	1/1
Mr. Hongliang Yu	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, assess the independence of the Independent Non-executive Directors, evaluate 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.

CORPORATE GOVERNANCE REPORT

STRATEGIC COMMITTEE

The Company established a strategic committee in March 2019 with written terms of reference. The Strategic Committee comprises four members:

Dr. Zhaohua Chang *(Chairman)*
Dr. Yasuhisa Kurogi
Mr. Jonathan H. Chou
Mr. Hongliang Yu

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 did not hold any meetings during the year ended 31 December 2021.

EXECUTIVE COMMITTEE

The Company consists of three distinctive operational business units: Greater China and Inter-Continental respectively managed by Greater China Executive Committee ("CEC"), Inter-Continental Orthopedics Committee ("IOC") and Inter-Continental CRM Committee ("ICC").

As of 31 December 2021, the CEC comprises nine members: Mr. Bo Peng (Chairperson of CEC), Mr. Hongbin Sun (Co-chairperson of CEC), Dr. Qiyi Luo, Ms. Glendy Wang, Mr. Yimin Xu, Dr. Chengyun Yue, Mr. Yiyun Que, Dr. Yinqing Lin and Mr. Lei Jiang. The majority are heads or Vice Presidents of operational departments.

As of 31 December 2021, the IOC comprises four members: Ms. Glendy Wang (Chairperson of IOC), Mr. Benny Hagag (Co-chairperson of IOC), Mr. Todd Smith and Mr. Jonathan Chen.

As of 31 December 2021, the ICC comprises seven members: Mr. Jonathan Chen (Chairperson of ICC), Mr. Benoit Clinchamps (Co-chairperson of ICC), Mr. Hongbin Sun, Dr. Qiyi Luo, Dr. Philippe Wanstock, Mr. Paul Vodden and Mr. Xiaoming Zhu.

The CEC, IOC, ICC shall oversee 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, 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 reporting period, CEC, IOC and ICC held meetings periodically and frequently to carry out their duties.

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 financial year ended 31 December 2021.

The Directors are responsible for overseeing the preparation of 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.

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 correct 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 60 to 61 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 and not absolute assurance against material misstatement or loss. During the year of 2021, 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 questionnaires, 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.

The management, in coordination with division/department heads, assessed the likelihood of risk occurrence, the impact, the vulnerability and the velocity. Also they provided treatment plans, and monitored the risk management progress.

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 report 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 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 consultancy 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 70 to 76 in this annual report.

For the financial year ended 31 December 2021, the fees for audit services and non-audit services rendered by external auditor, KPMG were as follows:

Audit Services

Auditors	Fees (US$'000)
KPMG	
– Annual audit services of the Company	589
– Other audit-related services	1,895
	2,484

The audit service performed by KPMG related to the statutory audit of the Group's consolidated financial statements for the financial year ended 31 December 2021.

Non-audit Services

Auditors	Fees (US$'000)
KPMG	721

During the year ended 31 December 2021, non-audit services performed by KPMG are primarily in relation to tax and certain acquisitions related services.

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 2021.

During the year ended 31 December 2021, 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 investor 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.

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

CORPORATE GOVERNANCE REPORT

SHAREHOLDER RIGHTS

To safeguard shareholder 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 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 will not normally deal with verbal or anonymous enquiries.

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 two 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 (Level 54, Hopewell Centre, 183 Queen's Road East, 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, Ugland 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 right 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 dividend, various elements would be taken into consideration including but not limited to the Company's strategic development objectives, operation plan, profitability, cash flow and financing. 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 name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

CONSTITUTIONAL DOCUMENTS

There have been no changes in the Company's constitutional documents during the year ended 31 December 2021.

CHANGES AFTER CLOSURE OF FINANCIAL YEAR

This report takes into account the significant changes that have occurred since the end of 2021 to the date of approval of this report.

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

Shanghai, The PRC
30 March 2022

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 77 to 204, which comprise the consolidated statement of financial position as at 31 December 2021, 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 to the consolidated financial statements, including a summary of significant accounting policies.

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 2021 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 ("HKSAs") 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.

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.

KEY AUDIT MATTERS (CONTINUED)

Revenue recognition

Refer to note 3 to the consolidated financial statements and the accounting policies on pages 105 to 106.

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.

In addition, in respect of the cardiac rhythm management ("CRM") business, the Group renders certain post-sales services to patients in accordance with industry practice, to ensure the safe and effective use of the sold devices implanted into the patients until the implanted device needs to be replaced. This implied promise in the contract with the customer requires the allocation of the transaction price between the sale of devices performance obligation and the post-sales services performance obligation.

The 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.

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 a sample of sales rebate transactions recorded during the year and comparing the parameters used in the calculation of the rebate (including purchase 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;

KEY AUDIT MATTERS (CONTINUED)

Revenue recognition (continued)

Refer to note 3 to the consolidated financial statements and the accounting policies on pages 105 to 106.

The Key Audit Matter

When the Group no longer expects to rebate or refund the customer, any amounts previously deferred are recognised as revenue.

For the CRM business, 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. Upon the sales of those implanted devices, which require post-sales service, the Group defers revenue allocated to those unfulfilled performance obligations and recognises these services over the service period when they are rendered, which is estimated as 8 to 12 years based on the expected product lives of different implanted devices.

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 because significant management judgement can be required to estimate sales rebates for all products and to estimate the standalone selling price and product lives of implanted devices for CRM business.

How the matter was addressed in our audit

- comparing the actual sales rebates recorded 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 deriving the deferred revenue in relation to the post-sales services for CRM business; and evaluating the key assumptions adopted in the estimation of stand-alone selling prices including the average costs and frequency of the provision of each post-sales service;
- 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.

KEY AUDIT MATTERS (CONTINUED)

Assessing potential impairment of intangible assets and goodwill

Refer to notes 11 and 12 to the consolidated financial statements and the accounting policies on pages 97 to 98.

The Key Audit Matter

The carrying values of the Group's intangible assets and goodwill as at 31 December 2021 were US$256.6 million and US$290.6 million, respectively.

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

Management performs annual impairment assessments of the Group's goodwill and intangible assets that are not yet available for use 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 intangible assets and goodwill 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 intangible assets and goodwill included the following:

- evaluating management's identification of CGUs and the allocation of intangible assets and goodwill 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 long-term growth rates 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 future revenue growth rates, future gross margins 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 intangible assets and goodwill 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.

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 HKSAs 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.

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

As part of an audit in accordance with HKSAs, 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.

- 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.

INDEPENDENT AUDITOR'S REPORT

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
30 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2021
(Expressed in United States dollars)

	Note	2021 US$'000	2020 US$'000
Revenue	*3*	**778,639**	648,732
Cost of sales		**(286,866)**	(212,700)
Gross profit		**491,773**	436,032
Other net income	*4*	**76,475**	32,924
Research and development costs		**(297,778)**	(192,629)
Distribution costs		**(297,532)**	(254,105)
Administrative expenses		**(250,010)**	(170,105)
Other operating costs	*5(c)*	**(16,547)**	(19,678)
Loss from operations		**(293,619)**	(167,561)
Finance costs	*5(a)*	**(47,883)**	(39,712)
Gain on disposal of subsidiaries	*31(a)*	**8,218**	–
Gain on disposal of interests in equity-accounted investees		**9,215**	1,062
Share of profits less losses of equity-accounted investees		**(13,255)**	(6,730)
Loss before taxation	*5*	**(337,324)**	(212,941)
Income tax	*6(a)*	**(13,971)**	(10,407)
Loss for the year		**(351,295)**	(223,348)
Attributable to:			
Equity shareholders of the Company		**(276,484)**	(191,252)
Non-controlling interests		**(74,811)**	(32,096)
Loss for the year		**(351,295)**	(223,348)
Loss per share	*9*		
Basic (in cents)		**(15.29)**	(10.97)
Diluted (in cents)		**(16.54)**	(11.11)

The notes on pages 85 to 204 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 2021
(Expressed in United States dollars)

	2021 US$'000	2020 US$'000
Loss for the year	**(351,295)**	(223,348)
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	**(325)**	(592)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations, net of nil tax	**8,815**	117,657
Share of other comprehensive income of equity-accounted investees	**113**	–
Other comprehensive income for the year	**8,603**	117,065
Total comprehensive income for the year	**(342,692)**	(106,283)
Attributable to:		
Equity shareholders of the Company	**(285,097)**	(90,973)
Non-controlling interests	**(57,595)**	(15,310)
Total comprehensive income for the year	**(342,692)**	(106,283)

The notes on pages 85 to 204 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in United States dollars)

	Note	31 December 2021 US$'000	31 December 2020 US$'000
Non-current assets			
Investment properties	*10*	**7,407**	5,284
Property, plant and equipment	*10*	**922,874**	481,203
		930,281	486,487
Intangible assets	*11*	**256,609**	138,397
Goodwill	*12*	**290,565**	159,483
Equity-accounted investees	*14*	**363,103**	87,063
Financial assets measured at fair value through profit or loss	*15*	**25,221**	19,605
Derivative financial instruments	*17*	**4,963**	–
Deferred tax assets	*25(b)*	**20,368**	15,502
Other non-current assets	*16*	**102,652**	82,733
		1,993,762	989,270
Current assets			
Derivative financial instruments	*17*	**1,406**	–
Inventories	*18*	**289,931**	240,187
Trade and other receivables	*19*	**308,126**	236,976
Pledged deposits and time deposits		**32,890**	623
Cash and cash equivalents	*20*	**1,754,414**	1,002,077
		2,386,767	1,479,863
Current liabilities			
Trade and other payables	*21*	**358,792**	372,472
Contract liabilities	*22*	**23,590**	62,008
Interest-bearing borrowings	*23*	**94,746**	10,891
Lease liabilities	*24*	**50,505**	12,074
Income tax payable	*25(a)*	**19,124**	52,682
Derivative financial instruments	*17*	**–**	9,252
		546,757	519,379
Net current assets		**1,840,010**	960,484
Total assets less current liabilities		**3,833,772**	1,949,754

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in United States dollars)

	Note	31 December 2021 US$'000	31 December 2020 US$'000
Non-current liabilities			
Interest-bearing borrowings	*23*	**269,637**	181,988
Lease liabilities	*24*	**168,437**	42,774
Deferred income	*26*	**35,098**	37,844
Contract liabilities	*22*	**26,243**	29,855
Convertible bonds	*27*	**660,369**	48,583
Other payables	*21*	**425,914**	203,023
Deferred tax liabilities	*25(b)*	**27,692**	4,122
Derivative financial instruments	*17*	**2,890**	13,619
		1,616,280	561,808
NET ASSETS		**2,217,492**	1,387,946
CAPITAL AND RESERVES			
Share capital	*29(c)*	**18**	18
Reserves		**1,490,732**	1,127,945
Total equity attributable to equity shareholders of the Company		**1,490,750**	1,127,963
Non-controlling interests		**726,742**	259,983
TOTAL EQUITY		**2,217,492**	1,387,946

Approved and authorised for issue by the board of directors on 30 March 2022.

Zhaohua Chang
Chairman

Jonathan H. Chou
Director

The notes on pages 85 to 204 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021
(Expressed in United States dollars)

		Attributable to equity shareholders of the Company								
	Note	Share capital US$'000	Share premium US$'000	Exchange reserve US$'000	Capital reserve US$'000	Statutory general reserve US$'000	Retained profits/ (Accumulated losses) US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2020		16	362,507	(45,884)	65,788	45,455	91,142	519,024	134,941	653,965
Changes in equity for 2020:										
Loss for the year		–	–	–	–	–	(191,252)	(191,252)	(32,096)	(223,348)
Other comprehensive income		–	–	100,726	(447)	–	–	100,279	16,786	117,065
Total comprehensive income		–	–	100,726	(447)	–	(191,252)	(90,973)	(15,310)	(106,283)
Issue of ordinary shares by placing, net of issuance costs		1	198,926	–	–	–	–	198,927	–	198,927
Net contributions from non-controlling shareholders of subsidiaries		–	–	–	180,642	–	–	180,642	151,402	332,044
Disposal of interests in subsidiaries without losing control		–	–	–	173,744	–	–	173,744	(10,550)	163,194
Appropriation of statutory general reserve		–	–	–	–	52,387	(52,387)	–	–	–
Equity-settled share-based transactions		–	–	–	15,678	–	–	15,678	3,035	18,713
Shares issued under share option scheme	*29(c)(iii)*	–	14,817	–	(3,841)	–	–	10,976	–	10,976
Shares purchased under share award scheme	*28(b)*	–	–	–	(3,496)	–	–	(3,496)	–	(3,496)
Shares granted under share award scheme	*28(b)*	–	–	–	39,888	–	–	39,888	11	39,899
Conversion of convertible bonds		1	92,125	–	(8,926)	–	–	83,200	–	83,200
Convertible bonds issued by a subsidiary		–	–	–	1,763	–	–	1,763	–	1,763
Preferred shares issued by a subsidiary		–	–	–	13,570	–	–	13,570	–	13,570
Change in carrying amounts of share repurchase obligations of a subsidiary		–	–	–	(8,319)	–	–	(8,319)	–	(8,319)
Dividends paid in respect of the previous year	*29(b)*	–	(6,661)	–	–	–	–	(6,661)	–	(6,661)
Dividends to holders of non-controlling interests		–	–	–	–	–	–	–	(3,546)	(3,546)
Balance at 31 December 2020		18	661,714	54,842	466,044	97,842	(152,497)	1,127,963	259,983	1,387,946

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021
(Expressed in United States dollars)

		Attributable to equity shareholders of the Company								
	Note	Share capital US$'000	Share premium US$'000	Exchange reserve US$'000	Capital reserve US$'000	Statutory general reserve US$'000	Accumulated losses US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2021		18	661,714	54,842	466,044	97,842	(152,497)	1,127,963	259,983	1,387,946
Changes in equity for 2021:										
Loss for the year		–	–	–	–	–	(276,484)	(276,484)	(74,811)	(351,295)
Other comprehensive income		–	–	(8,335)	(278)	–	–	(8,613)	17,216	8,603
Total comprehensive income		–	–	(8,335)	(278)	–	(276,484)	(285,097)	(57,595)	(342,692)
Net contributions from non-controlling shareholders of subsidiaries		–	–	–	257,706	–	–	257,706	378,168	635,874
Disposal of interests in subsidiaries without losing control	*31(d)*	–	–	–	22,623	–	–	22,623	(33,977)	(11,354)
Reclassification and re-designation of preferred shares of a subsidiary		–	–	–	10,325	–	–	10,325	5,303	15,628
Preferred shares issued by subsidiaries		–	–	–	12,698	–	–	12,698	4,188	16,886
Acquisition of subsidiaries	*30(d)*	–	–	–	–	–	–	–	47,997	47,997
Appropriation of statutory general reserve		–	–	–	–	21,434	(21,434)	–	–	–
Equity-settled share-based transactions		–	–	–	62,297	–	–	62,297	14,415	76,712
Shares issued under share option scheme		–	9,571	–	(2,256)	–	–	7,315	1,160	8,475
Shares purchased under share award scheme	*28(b)*	–	–	–	(41,730)	–	–	(41,730)	(3,530)	(45,260)
Shares granted under share award scheme	*28(b)*	–	–	–	18,880	–	–	18,880	–	18,880
Lapse of share options		–	–	–	(56)	–	56	–	–	–
Conversion of preferred shares to ordinary shares of a subsidiary		–	–	–	199,491	–	–	199,491	113,935	313,426
Share of other changes in net assets of associates		–	–	–	60,364	–	–	60,364	–	60,364
Effect of reorganisation in subsidiaries		–	–	–	429	–	–	429	(429)	–
Convertible bonds issued by the Company	*27*	–	–	–	37,929	–	–	37,929	–	37,929
Convertible bonds issued by a subsidiary	*27(b)*	–	–	–	484	–	–	484	209	693
Exchange of convertible bonds with preferred shares by a subsidiary	*20(c)*	–	–	–	5,496	–	–	5,496	2,368	7,864
Dividends paid in respect of the previous year	*29(b)*	–	(6,423)	–	–	–	–	(6,423)	–	(6,423)
Dividends to holders of non-controlling interests		–	–	–	–	–	–	–	(5,453)	(5,453)
Disposal of a subsidiary		–	–	–	–	(201)	201	–	–	–
Balance at 31 December 2021		18	664,862	46,507	1,110,446	119,075	(450,158)	1,490,750	726,742	2,217,492

The notes on pages 85 to 204 form part of these financial statements.

CONSOLIDATED CASH FLOWS STATEMENT

for the year ended 31 December 2021
(Expressed in United States dollars)

	Note	2021 US$'000	2020 US$'000
Operating activities			
Cash used in operations	*20(b)*	**(199,845)**	(9,229)
Income tax refund received		**13,572**	10,431
Tax paid:			
– The People's Republic of China ("PRC") income tax paid		**(69,114)**	(22,515)
– Non-PRC income tax paid		**(2,143)**	(1,887)
Net cash used in operating activities		**(257,530)**	(23,200)
Investing activities			
Payments for the purchase of property, plant and equipment		**(221,750)**	(103,514)
Payments for acquisitions of subsidiaries, net of cash acquired	*10(d)&30(d)*	**(237,620)**	–
Proceeds from an arbitration in relation to an acquisition in previous year		**–**	16,420
Cash decrease due to disposal of subsidiaries		**(2,254)**	–
Proceeds from sale of property, plant and equipment and intangible assets		**4,897**	2,089
Payments for intangible assets, including expenditure on development costs		**(26,173)**	(16,866)
Proceeds from government grants related to non-current assets		**2,425**	12,848
(Increase)/decrease in pledged deposits and time deposits		**(26,008)**	1,144
Uplift of structured deposits with banks		**214,040**	348,414
Placement of structured deposits with banks		**(214,040)**	(348,414)
Interest received		**2,565**	4,273
Payments for the investments in equity-accounted investees		**(187,295)**	(32,252)
Payments for the investments in other non-current financial assets		**(15,914)**	(6,595)
Proceeds from disposal of other non-current financial assets		**–**	2,000
Loans repaid by a related party	*34(b)*	**44,500**	–
Loans to a related party	*34(b)*	**(17,800)**	(24,205)
Loans to equity-accounted investees	*34(b)*	**(22,413)**	(3,775)
Loans repaid by equity-accounted investees	*34(b)*	**47,097**	300
Net cash used in investing activities		**(655,743)**	(148,133)

CONSOLIDATED CASH FLOWS STATEMENT

for the year ended 31 December 2021
(Expressed in United States dollars)

	Note	2021 US$'000	2020 US$'000
Financing activities			
Capital element of lease rentals paid	*20(c)*	**(11,176)**	(10,232)
Interest element of lease rentals paid	*20(c)*	**(5,110)**	(2,671)
Lease deposits paid		**(54,070)**	–
Proceeds from interest-bearing borrowings, net of transaction costs	*20(c)*	**311,005**	149,271
Repayments of interest-bearing borrowings	*20(c)*	**(132,404)**	(284,267)
Proceeds from issuance of the ordinary shares of the Company		**–**	198,927
Proceeds from issuance of convertible bonds by the Company, net of transaction costs	*27*	**689,471**	–
Proceeds from issuance of convertible bonds by a subsidiary	*27*	**20,000**	50,000
Proceeds from preferred shares issued by subsidiaries	*21(ii)*	**134,260**	175,000
Acquisition of non-controlling interests		**–**	(30,788)
Proceeds from disposal of interests in subsidiaries without losing control	*31(d)*	**118,740**	248,643
Net contributions from non-controlling interests		**635,874**	366,420
Proceeds from shares issued under the share option scheme		**8,475**	11,729
Interest paid for the convertible bonds		**(2,762)**	–
Interest paid for interest-bearing borrowings	*20(c)*	**(6,513)**	(10,804)
Advances repaid to an equity-accounted investee	*34(b)*	**–**	(633)
Payment for repurchase of shares under share award scheme	*28(b)*	**(45,260)**	(3,496)
Dividends paid to holders of non-controlling interests		**(5,453)**	(3,546)
Dividends paid to equity shareholders of the Company	*29(b)*	**(6,423)**	(6,661)
Others		**11,614**	–
Net cash generated from financing activities		**1,660,268**	846,892
Net increase in cash and cash equivalents		**746,995**	675,559
Cash and cash equivalents at 1 January		**1,002,077**	280,077
Effect of foreign exchange rate changes		**5,342**	46,441
Cash and cash equivalents at 31 December		**1,754,414**	1,002,077

The notes on pages 85 to 204 form part of these financial statements.

1 SIGNIFICANT 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"), accounting principles generally accepted in Hong Kong 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"). Significant 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 2021 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in equity-accounted investees.

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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies

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

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

None of these developments have had a material effect on how the group's results and financial position for the current or prior periods have been prepared or presented. 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, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. 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.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests 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 non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests 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.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 1(e)).

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)).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(m)(iii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

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 profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)).

In the Company's statement of financial position, investments in associates and joint venture are accounted for using the equity method.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(m)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in debt and equity securities

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

Investments in debt and equity 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 fair value through profit or loss ("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 32(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group 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. Interest income from the investment is calculated using the effective interest method (see note 1(z)(v)).

- fair value through other comprehensive income ("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. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income 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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Other investments in debt and equity securities (continued)

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. 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. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is 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 in accordance with the policy set out in note 1(z)(iv).

(h) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(i) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(l)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as 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. Rental income from investment properties is accounted for as described in note 1(z)(iii).

(j) Property, plant and equipment

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

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(bb)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property, plant and equipment (continued)

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives 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

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(k) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 1(bb)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(m)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(m)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Intangible assets (other than goodwill) (continued)

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives 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

Both the period and method of amortisation are reviewed annually.

(l) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease 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.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Leased assets (continued)

(i) As a lessee (continued)

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

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost (see notes 1(g)(i), 1(z)(v) and 1(m)(i)). Any difference between the initial fair value and the nominal 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, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that 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.

(ii) As a lessor

When the Group acts as a lessor, it 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. If this is not the case, 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)(iii).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for ECL on the financial assets measured at amortised cost (including cash and cash equivalents, pledged deposits, time deposits, trade and other receivables and amounts due from equity-accounted investees, which are held for the collection of contractual cash flows which represent solely payments of principal and interest);

Other financial assets measured at fair value, including equity and debt securities measured at FVPL and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting 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;

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

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) Credit losses from financial instruments (continued)

Measurement of ECLs (continued)

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower 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). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) Credit losses from financial instruments (continued)

Significant increases in credit risk (continued)

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

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, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with note 1(z)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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 past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) Credit losses from financial instruments (continued)

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the group 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.

(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.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. 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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- 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 or not there is any indication of impairment.

- *Calculation of recoverable amount*

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

- *Recognition of impairment losses*

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(iii) Impairment of other non-current assets (continued)

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(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 assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried 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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 in accordance with the policy set out in note 1(m)(i) and are reclassified to receivables when the right to the consideration has become 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 and refunds which are to offset further purchases from the customers.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

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

(p) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 1(o)).

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, using the effective interest method and including an allowance for credit losses (see note 1(m)(i)).

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

(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 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 in accordance with the policy set out in note 1(m)(i).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Trade and other payables

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 capital 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.

(t) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(bb)).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Convertible bonds issued

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.

At initial recognition the liability component of the convertible bonds is measured at the fair value based on the future interest and principal payments, discounted at the prevailing market rate of interest for similar non-convertible instruments. The equity component is the difference between the initial fair value of the convertible bonds 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 components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. Interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is not remeasured and is recognised in the capital reserve until the bonds are converted.

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.

When the Group extinguishes the bonds before maturity through an early redemption or repurchase in which the original conversion privileges are unchanged, the Group allocates consideration paid and any transaction costs for the repurchase or redemption to the liability and equity components of the bonds at the date of such transaction. The method used in allocating is consistent with that used in the original allocation when the bonds were issued. Once the allocation is made, any resulting gain or loss relating to the liability and equity components is recognised in profit or loss and in equity, respectively.

(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

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Employee benefits (continued)

(ii) Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating 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 the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognised in profit or loss and allocated by function as part of "cost of sales", "distribution costs" or "administrative expenses". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. Net interest expense (income) 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 net defined benefit liability (asset). The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

When the benefits of a plan are changed, or when a plan is curtailed, current service cost for the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised.

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained earnings. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

(iii) Share-based payments

The fair value of equity-settled share-based payment awards granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using certain valuation techniques, taking into account the terms and conditions upon which the equity-settled share-based payment awards were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the equity-settled share-based payment awards, the total estimated fair value of the equity-settled share-based payment awards is spread over the vesting period, taking into account the probability that the equity-settled share-based payment awards will vest.

During the vesting period, the number of equity-settled share-based payment awards that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of equity-settled share-based payment awards that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the equity-settled share-based payment awards is exercised (when it is included in the amount recognised in share capital for the share issued) or the equity-settled share-based payment awards expires (when it is released directly to retained profits).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Employee benefits (continued)

(iii) Share-based payments (continued)

Share-based payment transactions in which the Company grants share-based payment awards to subsidiaries' employees are accounted for as an increase in value of investment in subsidiaries in the Company's statement of financial position.

(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 recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(x) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Income tax (continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

(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 in the ordinary course of the group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. 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 if the period of financing is 12 months or less.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Revenue and other income (continued)

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

(i) Sale of medical devices

Revenue is recognised when the customer takes possession of and accepts the products. 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.

(ii) Revenue from post-sales services

The Group also renders certain post-sales services to patients in accordance with industry practice, to ensure the safe and effective use of the sold devices implanted into the patient until the implanted device needs to be replaced. 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 costs plus a margin approach to estimate the stand-alone selling price. Upon the sales of those implanted devices, which requires post-sales service, the Group defers revenue allocated to those unfulfilled performance obligations and recognises these services over the service period when they are rendered, which is estimated as 8 to 12 years based on the expected product lives of different implanted devices.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. 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.

(iv) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounted estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Revenue and other income (continued)

(vi) 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.

(aa) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into United States dollars ("US$") at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations, are translated into US$ at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

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.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

1 SIGNIFICANT 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:

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 32(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:

(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.

2 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(b) Sources of estimation uncertainty (continued)

(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

As explained in policy note 1(z), 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.

For the cardiac rhythm management business (the "CRM business"), 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 allocated the transaction price of each performance obligation and recognised the post-sales services over the period, by considering the average costs and frequency of the provision of each post-sales service and the estimated product lives. These estimates are based on the historical information as well as prevailing market conditions. Management reassessed the estimation based on related available information at the balance sheet date. Changes in facts and circumstances may result in revisions to the conclusion, which would affect profit or loss in future years.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group derives revenue principally from the sales of medical devices through appointed distributors and direct sales force, as well as rendering of post-sales services primarily for CRM business. Further details regarding the Group's principal activities are disclosed in note 3(b).

(i) Disaggregation of revenue

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

	2021	2020
	US$'000	US$'000
Revenue from contracts with customers within the scope of HKFRS 15		
– Sales of medical devices	**761,699**	636,092
– Revenue from post-sales services	**10,949**	12,132
– Others	**3,660**	–
	776,308	648,224
Revenue from other sources		
– Gross rentals under operating leases	**2,331**	508
	778,639	648,732

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:

	2021	2020
	US$'000	US$'000
Customer A	**99,656**	N/A*

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

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 2021, the aggregated amount of the transaction price allocated to the remaining performance obligation under the Group's existing contracts was US$51,734,000 (2020: US$54,776,000). This amount represents revenue expected to be recognised in the future from rendering post-sales services. The Group will recognise the expected revenue in future when or as the service is rendered, which is expected to occur over the estimated product lives of different implanted devices.

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 of cardiovascular devices, such as drug eluting stents.
- Orthopedics devices business: sales, manufacture, research and development of orthopedics devices.
- CRM business: sales, manufacture, research and development of cardiac rhythm management devices.
- Endovascular and peripheral vascular devices business: sales, manufacture, research and development of endovascular and peripheral vascular devices.
- Neurovascular devices business: sales, manufacture, research and development of neurovascular devices.
- Heart valve business: sales, manufacture, research and development of heart valve devices.
- Surgical robot business: sales, manufacture, research and development of surgical robot devices.
- Surgical devices business: sales, manufacture, research and development of surgical devices.

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting

(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 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, 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.

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

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

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 2021 and 2020 is set out below.

	2021									
	Cardiovascular devices business US$'000	Orthopedics devices business US$'000	CRM 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# US$'000	Total US$'000
Disaggregated by timing of revenue recognition										
Point in time – sales of medical devices	135,020	215,343	209,472	106,028	59,013	31,324	329	4,727	443	761,699
Over time – post-sales services	-	-	10,949	-	-	-	-	-	-	10,949
Over time – rental income	861	271	-	-	40	-	-	-	1,159	2,331
Others	3,660	-	-	-	-	-	-	-	-	3,660
	139,541	215,614	220,421	106,028	59,053	31,324	329	4,727	1,602	778,639
Reportable segment net profit/(loss)	9,425	(26,223)	(84,889)	47,755	3,560	(28,502)	(97,720)	(11,481)	(56,136)	(244,211)
Interest income from bank deposits	2,730	45	-	2,137	535	3,756	3,424	14	392	13,033
Interest expense	877	3,247	15,451	275	7,011	2,999	821	330	1,062	32,073
Depreciation and amortisation for the year	15,629	25,410	18,094	3,685	5,000	4,820	4,973	2,163	2,711	82,485
Income tax	(1,965)	1,475	2,986	8,286	1,230	95	-	-	(93)	12,014
(Decrease)/increase of inventory provision	(286)	1,430	4,616	(407)	247	10	-	282	193	6,085
Provision for/(reversal of) impairment of:										
- Property, plant and equipment	162	89	-	-	-	-	-	-	-	251
- intangible assets	-	150	-	-	-	-	-	-	-	150
- Trade and other receivables	344	884	-	11	-	-	-	(79)	-	1,160
Reportable segment assets	611,181	490,510	435,891	275,451	210,226	524,108	436,895	210,071	446,013	3,640,346
Additions to non-current segment assets during the year	214,120	46,460	31,135	17,643	55,308	65,575	61,302	176,181	126,436	794,160
Reportable segment liabilities	195,723	240,742	329,785	38,489	237,683	40,233	59,314	93,448	83,849	1,319,266

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

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

	2020									
	Cardiovascular devices business US$'000	Orthopedics devices business US$'000	CRM 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* US$'000	Total US$'000
Disaggregated by timing of revenue recognition										
Point in time – sales of medical devices	144,655	201,348	168,167	68,487	32,790	15,204	–	4,627	814	636,092
Over time – post-sales services	–	–	12,132	–	–	–	–	–	–	12,132
Over time – rental income	105	260	–	–	143	–	–	–	–	508
	144,760	201,608	180,299	68,487	32,933	15,204	–	4,627	814	648,732
Reportable segment net profit/(loss)	18,857	(61,433)	(47,245)	30,766	5,037	(57,867)	(25,328)	(3,349)	(18,463)	(159,025)
Interest income from bank deposits	578	–	–	1,261	31	758	1,167	6	16	3,817
Interest expense	900	5,018	6,414	174	563	20,821	11	–	–	33,901
Depreciation and amortisation for the year	20,763	27,754	12,181	2,964	2,587	3,110	361	897	201	70,818
Income tax	(767)	1,760	1,739	5,890	555	–	–	1	–	9,178
Increase/(decrease) of inventory provision	1,800	2,472	(2,899)	(299)	276	563	–	(4)	19	1,928
Provision for/(reversal of) impairment of:										
– Property, plant and equipment	–	114	–	–	–	–	–	–	–	114
– Trade and other receivables	75	1,052	–	112	3	–	–	(401)	–	841
– intangible assets	–	1,835	–	–	–	–	–	–	–	1,835
Reportable segment assets	749,809	449,729	393,256	213,536	123,957	169,152	262,223	23,787	80,010	2,465,459
Additions to non-current segment assets during the year	48,015	26,559	9,925	3,672	7,557	7,149	19,477	2,010	10,966	135,330
Reportable segment liabilities	137,905	245,525	239,745	25,680	63,121	221,945	31,848	9,200	3,043	978,012

* Revenues and results from segments below the quantitative thresholds are mainly attributable to electrophysiology devices business, diagnostic imaging devices business, etc. None of those segments individually met any of the quantitative thresholds for reportable segments.

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

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

	2021 US$'000	2020 US$'000
Profit or loss		
Reportable segment net loss	**(244,211)**	(159,025)
Share awards scheme (Note)	**(6,905)**	(35,285)
Other equity-settled share-based payment expenses (Note)	**(54,776)**	(5,409)
Interest expenses on convertible bonds issued by the Company	**(8,827)**	(94)
Unallocated exchange loss	**(2,435)**	(509)
Gain on disposal of subsidiaries, net of tax	**8,218**	–
Unallocated expenses, net	**(42,359)**	(23,026)
Consolidated loss for the year	**(351,295)**	(223,348)
Assets		
Reportable segment assets	**3,640,346**	2,465,459
Elimination of inter-segment assets	**(93,878)**	(74,469)
Unallocated corporate assets:		
– Cash and cash equivalents	**530,036**	44,782
– Equity-accounted investees	**77,791**	3,613
– Property, plant and equipment	**166,270**	–
– Loans to a related party (note 16)	**–**	26,700
– Others	**59,964**	3,048
Consolidated total assets	**4,380,529**	2,469,133

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

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

	2021 US$'000	2020 US$'000
Liabilities		
Reportable segment liabilities	**1,319,266**	978,012
Elimination of inter-segment liabilities	**(93,878)**	(74,469)
Derivative financial liabilities (note 17(ii))	**1,651**	11,116
Convertible bonds	**660,369**	–
Interest-bearing borrowings	**165,514**	–
Lease liabilities	**36,187**	–
Share repurchase obligations (note 21(ii))	**–**	98,020
Income tax payable arising from partial disposal of equity interests in a subsidiary	**11,231**	57,419
Unallocated corporate liabilities	**62,697**	11,089
Consolidated total liabilities	**2,163,037**	1,081,187

Note: The amounts of share award scheme and other equity-settled shared-based payment expenses during the year ended 31 December 2021 include the impact of restricted shares and share options granted to the chairman amounting to US$48,735,000 (2020: US$36,553,000).

(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 intangible assets and goodwill, and the location of operations, in case of investments in equity-accounted investees.

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(iii) Geographic information (continued)

Revenue from external customers

	2021 US$'000	2020 US$'000
The PRC (country of domicile)	**356,977**	289,403
North America	**94,980**	87,800
Europe	**241,799**	206,510
Asia (excluding the PRC)	**64,357**	57,196
South America	**9,698**	5,748
Others	**10,828**	2,075
	421,662	359,329
	778,639	648,732

Specified non-current assets

	2021 US$'000	2020 US$'000
The PRC (country of domicile)	**1,320,483**	539,576
North America	**178,937**	107,041
Europe	**271,298**	202,554
Asia (excluding the PRC)	**66,235**	27,346
South America	**3,270**	2,241
Others	**335**	396
	520,075	339,578
	1,840,558	879,154

4 OTHER NET INCOME

	2021 US$'000	2020 US$'000
Government grants (i)	**27,546**	28,412
Interest income on financial assets measured at amortised cost	**15,825**	6,265
Net loss on disposal of property, plant and equipment	**(412)**	(570)
Net foreign exchange (loss)/gain	**(5,716)**	2,019
Net realised and unrealised gain/(losses) on financial instruments carried at FVPL	**25,707**	(13,246)
Gain in relation to a settlement agreement (ii)	**10,735**	–
Refund from an arbitration in relation to an acquisition in previous year	**–**	16,420
Others	**2,790**	(6,376)
	76,475	32,924

Note:

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

(ii) In July 2021, the Group entered into an agreement with Medacta USA, Inc. and Medacta International SA (collectively, the "Medacta") to settle a lawsuit in relation to patent infringement and tortious interference with contract (the "Settlement Agreement"). The Settlement Agreement also resolved the Group's claims against a former distributor. Pursuant to the Settlement Agreement, Medacta paid US$7 million to the Group in 2021 and will pay a sum of US$5 million over a term of seven years (collectively, the "Total Settlement Amount").

In connection with the Settlement Agreement, for the year ended 31 December 2021, the Group recognised a gain of US$10,735,000, being the present value of the Total Settlement Amount.

5 LOSS BEFORE TAXATION

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

(a) Finance costs

	2021 US$'000	2020 US$'000
Interest on the convertible bonds (note 27)	**12,375**	439
Interest on interest-bearing borrowings	**6,433**	10,120
Interest on preferred shares issued by subsidiaries (note 21(ii))	**18,111**	24,303
Interest on lease liabilities (note 10(b))	**5,791**	2,455
Total interest expense on financial liabilities not at fair value through profit or loss	**42,710**	37,317
Others	**5,173**	2,395
	47,883	39,712

5 LOSS BEFORE TAXATION (CONTINUED)

(b) Staff costs

	2021 US$'000	2020 US$'000
Contributions to defined contribution retirement plans	**24,478**	10,411
Expenses recognised in respect of defined benefit retirement plans	**564**	617
Equity-settled share-based payment expenses (note 28(f))	**91,345**	55,665
Cash-settled share-based payment expenses	**3,268**	3,828
Other long-term employee benefits	**561**	–
Salaries, wages and other benefits	**360,016**	311,844
	480,232	382,365

(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. Employees vest in the employer contributions after three years of service.

(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$10,477,000 as at 31 December 2021 (31 December 2020: US$11,420,000), with actuarial gain of US$256,000 being recorded in other comprehensive income for the year ended 31 December 2021 (31 December 2020: loss of US$592,000).

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 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$641,000 as at 31 December 2021 (31 December 2020: US$996,000), with actuarial loss of US$581,000 being recorded in other comprehensive income for the year ended 31 December 2021 (31 December 2020: nil)

(c) Other operating costs

	2021 **US$'000**	2020 US$'000
Legal and profession fee	**12,945**	14,413
Impairment loss of non-current assets	**239**	1,949
Donations	**3,057**	1,953
Redundancy cost	**9**	1,029
Others	**297**	334
	16,547	19,678

5 LOSS BEFORE TAXATION (CONTINUED)

(d) Other items

	2021 US$'000	2020 US$'000
Amortisation of intangible assets*	**15,729**	12,000
Depreciation charge*		
– owned property, plant and equipment	**50,662**	44,785
– right-of-use assets	**27,891**	12,320
Less: Amounts capitalised as development costs	**(803)**	(352)
	93,479	68,753
Provision for impairment of:		
– trade and other receivables	**1,160**	841
– property, plant and equipment	**251**	114
– intangible assets	**150**	1,835
	1,561	2,790
Research and development expenditure	**323,685**	208,207
Less: Amortisation of capitalised development costs	**(6,450)**	(5,674)
Costs capitalised into intangible assets	**(25,907)**	(15,578)
	291,328	186,955
Cost of inventories* (note 18(b))	**321,610**	246,721
Auditors' remuneration		
– audit services	**3,266**	2,234
– non-audit services	**721**	417
	3,987	2,651

* Cost of inventories includes US$103,102,000 (2020: US$83,776,000) 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.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2021 US$'000	2020 US$'000
Current tax – PRC Corporate Income Tax ("CIT")		
Provision for the year	**12,893**	9,104
Over-provision in respect of prior years	**(18)**	(524)
	12,875	8,580
Current tax – other jurisdictions		
Provision for the year	**4,594**	1,543
Under/(over)-provision in respect of prior years	**323**	(6)
	4,917	1,537
	17,792	10,117
Deferred tax		
Origination and reversal of temporary differences (note 25(b))	**(3,821)**	290
	13,971	10,407

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 11 entities entitled to a preferential income tax rate of 15% as they are certified as "High and New Technology Enterprise" ("HNTE"). According to Guoshuihan 2009 No. 203, if an entity is certified as an HNTE, it is entitled to a preferential income tax rate of 15% during the certified period.

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

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

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

	2021	2020
	US$'000	US$'000
Loss before taxation	**(337,324)**	(212,941)
Notional tax on loss before taxation, calculated at the rates applicable to profit in the countries concerned	**(63,929)**	(26,847)
Effect of the PRC preferential tax rate	**(691)**	(1,007)
Effect of other non-deductible expenses	**5,917**	3,599
Effect of additional deduction on research and development expenses	**(21,026)**	(9,195)
Effect of tax losses not recognised	**101,855**	51,604
Effect of non-taxable income	**(6,428)**	(1,257)
Withholding tax on profit distributions	**818**	846
Under/(over)-provision in respect of prior years	**305**	(530)
Others	**(2,850)**	(6,806)
Actual tax expenses	**13,971**	10,407

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:

	2021					
	Directors'fees US$'000	Salaries, allowances and benefits in kind US$'000	Discretionary bonuses US$'000	Retirement scheme contributions US$'000	Equity-settled share-based payment (Note) US$'000	Total US$'000
Executive director						
Zhaohua Chang	–	–	400	–	48,735	49,135
Non-executive directors						
Norithiro Ashida	–	–	–	–	–	–
Hongliang Yu	–	–	–	–	–	–
Yasuhisa Kurogi	–	–	–	–	–	–
Independent non-executive directors						
Jonathan Chou	20	39	–	–	168	227
Guoen Liu	65	9	–	–	168	242
Chunyang Shao	65	8	–	–	168	241
	150	56	400	–	49,239	49,845

7 DIRECTORS' EMOLUMENTS (CONTINUED)

	2020					
	Directors' fees US$'000	Salaries, allowances and benefits in kind US$'000	Discretionary bonuses US$'000	Retirement scheme contributions US$'000	Equity-settled share-based payment (Note) US$'000	Total US$'000
Executive director						
Zhaohua Chang	–	–	–	–	36,553	36,553
Non-executive directors						
Norithiro Ashida	–	–	–	–	–	–
Hongliang Yu	–	–	–	–	–	–
Yasuhisa Kurogi (appointed on 18 June 2020)	–	–	–	–	–	–
Hiroshi Shirafuji (resigned on 18 June 2020)	–	–	–	–	–	–
Independent non-executive directors						
Jonathan Chou	–	38	–	–	91	129
Guoen Liu	36	8	–	–	–	44
Chunyang Shao	36	8	–	–	–	44
	72	54	–	–	36,644	36,770

Note: 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.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2020: one) is director whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other four (2020: four) individual are as follows:

	2021 US$'000	2020 US$'000
Salaries and other benefits	**811**	748
Retirement scheme contributions	**10**	40
Discretionary bonuses	**835**	–
Equity-settled share-based payment	**8,253**	1,827
Cash-settled share-based payment	**–**	468
	9,909	3,083

The emoluments of the four (2020: four) individuals with the highest emoluments are within the following bands:

	2021 Number of Individuals	2020 Number of Individuals
HK$5,500,001 to HK$6,000,000	**–**	2
HK$6,000,001 to HK$7,000,000	**–**	2
HK$8,000,001 to HK$9,000,000	**1**	–
HK$12,000,001 to HK$13,000,000	**1**	–
HK$17,000,001 to HK$18,000,000	**1**	–
HK$38,000,001 to HK$39,000,000	**1**	–

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$276,484,000 (2020: US$191,252,000) and the weighted average number of ordinary shares of 1,808,295,000 shares (2020: 1,742,736,000 shares) in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares

	2021	2020
	'000	'000
Issued ordinary shares at 1 January	**1,809,540**	1,622,778
Effect of issue of shares in lieu of cash dividends	**188**	683
Effect of issue of shares upon a placing	**–**	32,889
Effect of share options exercised	**7,256**	15,242
Effect of treasury shares held	**(8,689)**	(10,347)
Effect of the conversion of the convertible bonds issued by the Company	**–**	81,491
Weighted average number of ordinary shares at 31 December	**1,808,295**	1,742,736

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$299,794,000 (2020: loss of US$199,623,000) and the weighted average number of ordinary shares of 1,812,922,000 shares (2020: 1,796,441,000 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 and effect of deemed exercise of restricted share units granted to the employees of a subsidiary, calculated as follows.

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

	2021 US$'000	2020 US$'000
Loss attributable to ordinary equity shareholders	**(276,484)**	(191,252)
Effect of deemed exercise of put option granted to SRL in respect of share repurchase obligation (note 17(ii))	**(23,235)**	(8,371)
Effect of deemed exercise of restricted share units granted to the employees of a subsidiary (note 28(a)(iii))	**(75)**	–
Loss attributable to ordinary equity shareholders (diluted)	**(299,794)**	(199,623)

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

	2021 '000	2020 '000
Weighted average number of ordinary shares at 31 December	**1,808,295**	1,742,736
Effect of deemed exercise of put option granted to SRL in respect of share repurchase obligation	**4,627**	53,705
Weighted average number of ordinary shares (diluted) at 31 December	**1,812,922**	1,796,441

Except for a restricted share unit plan adopted by a subsidiary (note 28(a)(iii)) in the year ended 31 December 2021, the calculation of diluted loss per share amount for the year ended 31 December 2021 and 2020 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(a)) into ordinary shares during the year and neither included the effects of potential ordinary shares in or issued by subsidiaries of the Group, as they had anti-dilutive effects on the basic loss per share amount for the respective year.

10 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Ownership interests in land and buildings held for own use	Leasehold improvements	Equipment and machinery	Office equipment, furniture and fixtures	Motor vehicles	Right-of-use assets	Construction in progress	Sub-total	Investment property	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost:										
At 1 January 2020	226,687	17,627	213,112	59,651	2,932	78,509	21,561	620,079	6,548	626,627
Exchange adjustments	14,281	1,604	12,495	3,597	275	5,684	1,931	39,867	237	40,104
Transfer	9,579	3,203	31,352	9,005	143	–	(55,751)	(2,469)	–	(2,469)
Additions	2,234	1,664	13,747	1,421	85	7,921	61,839	88,911	–	88,911
Disposals	(1,249)	–	(5,910)	(2,521)	(283)	(3,602)	(1,838)	(15,403)	–	(15,403)
At 31 December 2020 and 1 January 2021	**251,532**	**24,098**	**264,796**	**71,153**	**3,152**	**88,512**	**27,742**	**730,985**	**6,785**	**737,770**
Exchange adjustments	**4,881**	**574**	**1,589**	**399**	**43**	**1,734**	**(3,324)**	**5,896**	**184**	**6,080**
Acquisition of subsidiaries (notes 10(d) and 30(d))	**83,946**	**70**	**2,351**	**84**	**–**	**21,404**	**41**	**107,896**	**–**	**107,896**
Transfer	**(1,293)**	**28,594**	**32,935**	**6,932**	**119**	**394**	**(70,008)**	**(2,327)**	**2,327**	**–**
Additions	**45,621**	**3,045**	**20,656**	**1,248**	**–**	**205,909**	**153,668**	**430,147**	**–**	**430,147**
Disposals	**(3)**	**(4,421)**	**(17,766)**	**(1,229)**	**(234)**	**(3,604)**	**(3,935)**	**(31,192)**	**–**	**(31,192)**
At 31 December 2021	**384,684**	**51,960**	**304,561**	**78,587**	**3,080**	**314,349**	**104,184**	**1,241,405**	**9,296**	**1,250,701**

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 2020	26,693	10,476	99,376	37,157	2,079	15,512	–	191,293	1,326	192,619
Exchange adjustments	1,951	700	4,968	1,783	153	1,821	–	11,376	13	11,389
Charge for the year	8,707	2,195	25,127	8,432	276	12,320	–	57,057	162	57,219
Written back on disposals	(387)	–	(4,216)	(2,363)	(267)	(2,711)	–	(9,944)	–	(9,944)
At 31 December 2020 and 1 January 2021	36,964	13,371	125,255	45,009	2,241	26,942	–	249,782	1,501	251,283
Exchange adjustments	**756**	**266**	**(1,418)**	**144**	**44**	**248**	**–**	**40**	**41**	**81**
Charge for the year	**6,321**	**7,111**	**25,796**	**11,048**	**290**	**27,891**	**–**	**78,457**	**347**	**78,804**
Written back on disposals	**(1)**	**(204)**	**(6,175)**	**(918)**	**(216)**	**(2,234)**	**–**	**(9,748)**	**–**	**(9,748)**
At 31 December 2021	**44,040**	**20,544**	**143,458**	**55,283**	**2,359**	**52,847**	**–**	**318,531**	**1,889**	**320,420**
Net book value:										
At 31 December 2021	**340,644**	**31,416**	**161,103**	**23,304**	**721**	**261,502**	**104,184**	**922,874**	**7,407**	**930,281**
At 31 December 2020	**214,568**	**10,727**	**139,541**	**26,144**	**911**	**61,570**	**27,742**	**481,203**	**5,284**	**486,487**

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 2021 US$'000	31 December 2020 US$'000
Land use rights, carried at depreciated cost	(i)	**36,401**	14,833
Properties leased for own use and others, carried at depreciated cost	(ii)	**225,101**	46,737
		261,502	61,570

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

	2021 US'$000	2020 US'$000
Depreciation charge of right-of-use assets by class of underlying asset:		
Land use rights	**420**	354
Properties leased for own use and others	**27,471**	11,966
	27,891	12,320
Interest on lease liabilities (note 5(a))	**5,791**	2,455
Expense relating to short-term leases and leases of low-value assets	**1,238**	419

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$205,909,000 (2020: US$7,921,000).

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in notes 20(d), 32(b) and 33, respectively.

(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.

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

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

(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 2021, the fair value of investment property is approximately US$17,500,000, 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 the reporting date will be receivable by the Group in future periods as below:

	2021	2020
	US'$000	US'$000
Within 1 year	**767**	363
After1 year but within 2 years	**369**	–
After 2 year but within 5 years	**1,004**	–
	2,140	363

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

(d) Acquisition of subsidiaries that do not constitute a business

In September 2021, the Group entered into a share transfer and capital contribution agreement to acquire 100% equity interest in Shanghai Huanbo Digital Technologies Co., Ltd. ("Huanbo Tech") from a third party at a cash consideration of RMB647,442,000 (equivalent to US$101,489,000). Huanbo Tech did not carry out any business and its identifiable assets are mainly the property and land use rights located in Shanghai. The transaction was completed in November 2021 and is recognised as an acquisition of assets, given that the group of assets acquired did not constitute a business.

As at 31 December 2021, the Group has outstanding consideration payables of RMB50,000,000 (equivalent to US$7,843,000), which is expected to be settled within 12 months.

The recognised amounts of assets acquired and liabilities upon the closing comprise the following:

	Huanbo Tech US'$000
Property, plant and equipment	
– Building held for own use	82,618
– Right of use assets	19,104
Cash and cash equivalents	228
Other payables	(461)
Total consideration	101,489
Less: unpaid balances	(7,843)
Less: cash of subsidiary acquired	(228)
Net cash outflow arising from the acquisition of a subsidiary	93,418

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 2020	22,397	11,466	103,565	21,029	9,415	167,872
Exchange adjustments	855	597	8,084	1,506	418	11,460
Additions	–	(759)	15,578	–	70	14,889
Transfer	–	2,469	–	–	–	2,469
At 31 December 2020 and 1 January 2021	23,252	13,773	127,227	22,535	9,903	196,690
Exchange adjustments	(1,309)	937	3,182	(1,331)	2,392	3,871
Additions	–	172	25,907	69	828	26,976
Additions through acquisitions (note 30(d))	94,424	4,492	–	4,710	–	103,626
Disposal	–	(1,100)	(349)	(68)	(1,300)	(2,817)
At 31 December 2021	116,367	18,274	155,967	25,915	11,823	328,346
Accumulated amortisation and impairment:						
At 1 January 2020	9,813	8,001	12,584	10,440	1,223	42,061
Exchange adjustments	140	624	1,162	378	93	2,397
Charge for the year	2,391	2,267	5,674	2,100	1,403	13,835
At 31 December 2020 and 1 January 2021	12,344	10,892	19,420	12,918	2,719	58,293
Exchange adjustments	(302)	40	576	(313)	(36)	(35)
Charge for the year	3,862	2,191	8,277	1,080	469	15,879
Written back on disposals	–	(1,100)	–	–	(1,300)	(2,400)
At 31 December 2021	15,904	12,023	28,273	13,685	1,852	71,737
Net book value:						
At 31 December 2021	100,463	6,251	127,694	12,230	9,971	256,609
At 31 December 2020	10,908	2,881	107,807	9,617	7,184	138,397

11 INTANGIBLE ASSETS (CONTINUED)

Capitalised development costs primarily related to product candidates of cardiovascular devices, endovascular and peripheral vascular devices, neurovascular devices and surgical devices business segments etc., of which, US$53,479,000 (2020: US$51,718,000) are not yet available for use as at 31 December 2021.

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

	2021	2020
	US$'000	US$'000
Cost of sales	**3,215**	1,000
Research and development costs	**6,822**	6,265
Distribution costs	**1,401**	1,362
Administrative expenses	**4,291**	3,373
	15,729	12,000

12 GOODWILL

	US$'000
Cost:	
At 1 January 2020	185,676
Additions through acquisitions	226
Exchange adjustments	(1,426)
At 31 December 2020 and 1 January 2021	184,476
Additions through acquisitions (note 30(d))	130,081
Exchange adjustments	3,533
At 31 December 2021	318,090
Accumulated impairment losses:	
At 1 January 2020	25,156
Exchange adjustments	(163)
At 31 December 2020 and 1 January 2021	24,993
Exchange adjustments	2,532
At 31 December 2021	27,525
Carrying amount:	
At 31 December 2021	290,565
At 31 December 2020	159,483

12 GOODWILL (CONTINUED)

Impairment tests for cash-generating units containing goodwill

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

	2021 US$'000	2020 US$'000
OrthoRecon business	**54,458**	54,458
CRM business	**107,862**	104,799
Germany surgical devices business	**103,556**	–
Intravascular imaging business	**20,339**	–
Multiple units without significant goodwill	**4,350**	226
	290,565	159,483

The recoverable amounts of the CGUs are higher of the fair value less costs of disposals and the value in use. The key assumptions used for the calculation of the recoverable amounts of the CGUs were as follows:

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:

	At 31 December 2021			
	Compound revenue growth rate during the budget period	**Gross profit ratio**	**Steady growth rate used in the extrapolation after budget period**	**Pre-tax discount rate**
OrthoRecon business	**8%**	**68%-72%**	**3%**	**13%**
CRM business	**10%**	**57%-64%**	**2%**	**13%**
Germany surgical devices business	**73%**	**62%-80%**	**2%**	**23%**
Intravascular imaging business	**37%**	**55%-68%**	**1%**	**18%**

(Expressed in United States dollars unless otherwise indicated)

12 GOODWILL (CONTINUED)

Impairment tests for cash-generating units containing goodwill (continued)

	At 31 December 2020			
	Compound revenue growth rate during the budget period	Gross profit ratio	Steady growth rate used in the extrapolation after budget period	Pre-tax discount rate
OrthoRecon business	6%	65%-73%	3%	13%
CRM business	5%	58%- 64%	2%	17%

The recoverable amount of the CGU of OrthoRecon business, CRM business, Germany surgical devices business and Intravascular imaging business is estimated to exceed the carrying amount of the CGU at 31 December 2021 by US$44,153,000, US$23,838,000, US$97,833,000 and US$33,816,000, respectively.

The recoverable amount of each CGU would equal its carrying amount if key assumptions were changed to the following rates:

	At 31 December 2021		
	Compound revenue growth rate during the budget period	**Gross profit ratio**	**Pre-tax discount rate**
OrthoRecon business	**7.3%**	**66.2%-71.0%**	**14.9%**
CRM business	**9.2%**	**56.4%-63.6%**	**14.0%**
Germany surgical devices business	**69.0%**	**49.3%-68.1%**	**32.1%**
Intravascular imaging business	**33.0%**	**36.2%-49.2%**	**34.6%**

	At 31 December 2020		
	Compound revenue growth rate during the budget period	Gross profit ratio	Pre-tax discount rate
OrthoRecon business	5.3%	63.6%-70.6%	16.1%
CRM business	5.3%	57.8%-63.5%	18.6%

(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:

			Proportion of ownership interest		
Name of company	Place of incorporation and business	Issued/ registered capital	As at 31 December 2021	As at 31 December 2020	Principal activity
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
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)	The PRC	RMB71,978,147	46.34%	46.34%	Manufacture, distribution, research and development of endovascular devices
MicroPort NeuroTech Limited ("MP NeuroTech")	Cayman Islands	US$9,228/ US$50,000	67.38%	69.89%	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	67.38%	69.89%	Manufacture, distribution, research and development of medical devices

(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 As at 31 December 2021	Proportion of ownership interest As at 31 December 2020	Principal activity
MicroPort CardioFlow Medtech Corporation ("MP CardioFlow") (iv)	Cayman Islands	US$12,018/ US$50,000	44.88%	50.06%	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	RMB970,000,000	44.88%	50.06%	Manufacture, distribution, research and development of heart valve devices
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) (ii)	The PRC	RMB958,593,831	50.47%	53.75%	Manufacture, research and development of surgical robot devices
Fujian Kerui Pharmaceutical Co., Ltd. ("Kerui Pharma") (福建科瑞藥業有限公司)(ii)(v)	The PRC	RMB25,000,000	45%	–	Manufacture, distribution, research and development of API
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	RMB190,986,996/ RMB195,000,000	62.58%	61.54%	Manufacture, distribution, research and development of surgical 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)	The PRC	RMB13,153,929/ RMB13,587,242	51%	–	Manufacture, distribution, research and development of intravascular imaging devices
MicroPort Urocare (Jiaxing) Co., Ltd. (微創優通醫療科技(嘉興)有限公司) (iii)	The PRC	RMB91,590,909	74.14%	60%	Manufacture, distribution, research and development of medical devices
MicroPort Vision Power MedTech (Shanghai) Co., Ltd. (微創視神醫療科技(上海)有限公司) (ii)	The PRC	RMB102,170,000/ RMB107,000,000	89.07%	100%	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	RMB350,000,000	100%	100%	Research and development of medical devices
Hemovent GmbH ("Hemovent")	Germany	EUR126,592	100%	–	Manufacture, research and development of surgical devices

(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 As at 31 December 2021	Proportion of ownership interest As at 31 December 2020	Principal activity
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
Sorin CRM SAS	France	EUR171,576,128	76.88%	75.46%	Manufacture of cardiac rhythm management devices
Sorin Group DR, S.R.L	Dominican Republic	US$26,502,400	76.88%	75.46%	Manufacture of cardiac rhythm management devices
MicroPort CRM S.R.L	Italy	EUR3,932,700	76.88%	75.46%	Manufacture, distribution, research and development of cardiac rhythm management devices
MicroPort Cardiac Rhythm B.V.	Netherlands	EUR133	76.88%	75.46%	Investment holding
MicroPort CRM B.V.	Netherlands	EUR1	76.88%	75.46%	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) The Group entered into a contractual arrangement (the "Kerui Concert Agreement") with Fujian 618 Industrial Equity Investment Partnership (Limited Partnership) ("618 Equity Investment"), who holds 15% equity interests in Kerui Pharma as at 31 December 2021, pursuant to which, 618 Equity Investment shall take concerted actions as the Group when voting on relevant activities in the shareholders' meeting of Kerui Pharma in accordance with the terms and conditions in the Kerui Concert Agreement. The management determine the Group obtain the control over Kerui Pharma through this contractual arrangement even though it only holds 45% equity interests in Kerui Pharma.

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 2021. The summarised financial information presented below represents the amounts before any inter-company elimination.

	2021				
	MP Endo US$'000	MP MedBot US$'000	MP CardioFlow US$'000	Other individually immaterial subsidiaries US$'000	Total US$'000
NCI percentage	53.66%	49.53%	55.12%		
Current assets	230,029	327,512	407,766		
Non-current assets	45,716	109,383	118,976		
Current liabilities	(26,123)	(35,774)	(25,078)		
Non-current liabilities	(10,888)	(25,679)	(15,869)		
Net assets	238,734	375,442	485,795		
Carrying amount of NCI	130,128	185,739	267,770	143,105	726,742
Revenue	106,188	333	31,146		
Profit/(loss) for the year	48,762	(106,527)	(28,502)		
Total comprehensive income	53,732	(99,310)	(24,499)		
Profit/(loss) allocated to NCI	25,997	(50,566)	(14,952)	(35,290)	(74,811)
Dividend paid to NCI	(5,290)	–	–	–	(5,290)
Cash flows from operating activities	46,014	(83,880)	(25,049)		
Cash flows from investing activities	(11,010)	(61,509)	(67,388)		
Cash flows from financing activities	(6,181)	215,939	345,321		

13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

	2020				
	MP Endo US$'000	MP MedBot US$'000	MP CardioFlow US$'000	Other individually immaterial subsidiaries US$'000	Total US$'000
NCI percentage	53.66%	46.25%	36.41%		
Current assets	183,407	234,847	110,342		
Non-current assets	30,441	27,376	58,938		
Current liabilities	(18,281)	(34,491)	(218,742)		
Non-current liabilities	(6,582)	(4,072)	(3,291)		
Net assets	188,985	223,660	(52,753)		
Carrying amount of NCI	101,409	103,443	(19,207)	74,338	259,983
Revenue	68,487	–	15,076		
Profit/(loss) for the year	30,766	(25,328)	(57,790)		
Total comprehensive income	42,835	(19,804)	(57,790)		
Profit/(loss) allocated to NCI	16,509	(8,419)	(20,960)	(19,226)	(32,096)
Dividend paid to NCI	(3,546)	–	–	–	(3,546)
Cash flows from operating activities	31,284	(16,683)	(15,920)		
Cash flows from investing activities	(208)	(17,010)	(8,184)		
Cash flows from financing activities	(7,511)	242,980	98,116		

14 EQUITY-ACCOUNTED INVESTEES

	2021 US$'000	2020 US$'000
Investments in equity-accounted investees	**362,299**	75,870
Warrants issued by an equity-accounted investee	**–**	1,920
Amounts due from equity-accounted investees	**804**	9,273
	363,103	87,063

The following list contains only the particulars of material equity-accounted investees, which are unlisted corporate entities that did not have quoted market price:

Name of equity-accounted investees	Form of business structures	Place of incorporation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interests	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal Activity
Shanghai MicroPort EP MedTech Co., Ltd. ("MP EP")	Incorporated	The PRC	RMB400 million	42.2%	–	42.2%	Manufacture, distribution, research and development of electrophysiology devices
Shanghai Huarui Bank Co., Ltd. ("SHRB")	Incorporated	The PRC	RMB3 billion	13.8%	–	13.8%	Commercial bank providing wholesale and retail banking products and service

14 EQUITY-ACCOUNTED INVESTEES (CONTINUED)

Investment in SHRB

In April 2021, Shanghai MicroPort, a wholly-owned subsidiary of the Group enter into a share transfer agreement with several investors (the "Transferees") to indirectly acquire 13.8% equity interest in SHRB at a cash consideration of approximately US$89,462,000.

The directors of the Group determined the Group has significant influence over SHRB through the board presentation. Consequently, the investment has been recognised as an equity-accounted investee of the Group and accounted for using the equity method.

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:

	MP EP	
	2021 US$'000	2020 US$'000
Gross amount		
Current assets	**79,745**	78,170
Non-current assets	**34,784**	29,474
Current liabilities	**(7,326)**	(141,561)
Non-current liabilities	**(5,098)**	(2,853)
Equity	**102,105**	(36,770)
Revenue	**29,474**	20,481
(Loss)/profit for the year	**(8,987)**	(7,376)
Other comprehensive income	**–**	–
Total comprehensive income	**(8,987)**	(7,376)
Reconciled to the Group's interest in equity-accounted investees		
Gross amounts of net assets/(liabilities) of equity-accounted investees	**102,105**	(36,770)
Group's effective interest	**42.2%**	42.2%
Group's share of net assets/(liabilities) of equity-accounted investees	**43,088**	(15,517)
Goodwill	**45,575**	46,089
Dilution effect of share-based payments arrangement of an equity-accounted investee	**(691)**	(729)
Carrying amount in the consolidated financial statements	**87,972**	29,843

14 EQUITY-ACCOUNTED INVESTEES (CONTINUED)

Investment in SHRB (continued)

	SHRB 2021 US$'000
Gross amount	
Total assets	**7,206,540**
Total liabilities	**6,523,013**
Equity	**683,527**
Net operating income (Note)	**248,286**
Profit for the period from the acquisition date to 31 December 2021	**24,794**
Other comprehensive income	**816**
Total comprehensive income	**25,610**
Reconciled to the Group's interest in equity-accounted investees	
Gross amounts of net assets of equity-accounted investees	**683,527**
Group's effective interest	**13.8%**
Group's share of net assets of equity-accounted investees	**94,327**
Goodwill	**1,453**
Group's carrying amount in the consolidated financial statements	**95,780**

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 the period from the date of acquisition to 31 December 2021.

14 EQUITY-ACCOUNTED INVESTEES (CONTINUED)

Aggregate information of equity-accounted investees that are not individually material:

	2021 US$'000	2020 US$'000
Aggregate carrying amount of individually immaterial investment in equity-accounted investees	**179,351**	19,721
Aggregate amounts of the Group's share of those equity-accounted investees		
Loss for the year	**(12,885)**	(2,901)
Other comprehensive income	**(302)**	398
Total comprehensive income	**(13,187)**	(2,503)

All of the Group's investments in equity-accounted investees are accounted for using the equity method in the consolidated financial statements.

15 EQUITY AND DEBT INVESTMENTS

	2021 US$'000	2020 US$'000
Financial assets measured at FVPL (note 32(e))		
– Unlisted equity securities outside Hong Kong	**21,919**	19,605
– Unlisted debt securities outside Hong Kong	**3,302**	–
	25,221	19,605

16 OTHER NON-CURRENT ASSETS

	2021 US$'000	2020 US$'000
Lease and security deposits (i)	**47,075**	19,902
Loan to a related party (ii)	**–**	26,700
Income tax recoverable (note 25(a))	**13,500**	15,952
Value-added tax recoverable	**20,575**	7,005
Prepayment for non-current assets	**18,159**	7,724
Others	**3,343**	5,450
	102,652	82,733

Note:

(i) Lease and security deposits are typically paid for leased properties, which are refundable after the expiry of the leases. During the year ended 31 December 2021, the Group entered into a 5-year lease agreement (the "Lease Agreement") with Shanghai Weichuang Investment Management Co., Ltd. ("SW Investment") in respect of certain leasehold properties for use of manufacturing facilities, warehouses and office buildings. As at 31 December 2021, the carrying amount of lease and security deposits paid to SW Investment is US$45,549,000 (31 December 2020: US$19,902,000).

(ii) In May 2020 and July 2020, MicroPort (Shanghai) MedTech Investment Co., Ltd. ("MP Investment", a wholly-owned subsidiary of the Group) agreed to provide 5-year secured term loan with a principal amount of RMB55.2 million and a 18-month secured term loan with a principal amount of RMB115 million to Shanghai Hopeway Biotechnology Co., Ltd. ("Hopeway Biotech") in connection with Hopeway Biotech's investments in Suzhou MP Orthopedics and MP Neuro, respectively, which are the Group's subsidiaries. In April 2021 and July 2021, Hopeway Biotech fully repaid the loan in relation to its investments in MP Neuro and Suzhou MP Orthopedics, respectively.

Loans to Hopeway Biotech disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Name of borrower	Hopeway Biotech
Relationship with the Company	Wholly-owned by Dr. Zhaohua Chang, chairman and an executive director of the Company
Terms of the loan	
– duration and repayment terms	RMB55.2 million repayable in May 2025 RMB115 million repayable in July 2025
– loan amount	RMB170,207,000
– interest rate	5% p.a., payable at maturity
– security	Hopeway Biotech pledged its equity interest in MP Neuro and Suzhou MP Orthopedics as security*
Balance of the loan	
– at 1 January 2021	RMB174,213,000 (equivalent to US$26,700,000)
– at 31 December 2021	nil
Maximum balance outstanding	
– during the 2021	RMB176,252,000 (equivalent to US$27,283,000)
– during the 2020	RMB174,213,000 (equivalent to US$26,700,000)

There was no amount due but unpaid, nor any loss allowance made against the principal amount of or interest on the above loans at 31 December 2021 and at 31 December 2020.

* The Group does not have the right to sell or repledge the collateral in the absence of default by Hopeway Biotech. The Group considers that the credit risk arising from these loans is significantly mitigated by the collateral, with reference to the estimated fair value of the underlying assets.

17 DERIVATIVE FINANCIAL INSTRUMENTS

	2021 US$'000	2020 US$'000
Derivative financial assets		
– Call options held over non-controlling interests in Suzhou Argus (note 30(c))	**4,963**	–
– Warrants issued by an equity-accounted investee	**1,406**	–
	6,369	–
Derivative financial liabilities		
– Interest rate swap	**–**	410
– Series D Adjustment (Note (i))	**–**	9,252
– Put option written to		
Sino Rhythm Limited ("SRL Put Option") (Note (ii))	**1,651**	11,116
Witney Global Limited ("Witney Put Option") (Note (iii))	**1,239**	2,093
	2,890	22,871
Less: amount included under "current liabilities"	**–**	(9,252)
	2,890	13,619

Notes:

(i) Pursuant to the shareholders' agreement in relation to the series D financing of MP CardioFlow (the "CardioFlow Series D Financing") in 2020, MP CardioFlow shall issue additional series D preferred shares of MP CardioFlow (the "CardioFlow Series D Shares") to the investors participating the CardioFlow Series D Financing under certain conditions (the "Series D Adjustment"). The Series D Adjustment is recognised as a derivative financial liability and is measured at fair value through profit or loss.

In January 2021, MP CardioFlow issued additional CardioFlow Series D Shares upon the exercise of the Series D Adjustment. The carrying amount of the derivative financial liabilities of US$9,445,000, being the fair value of the Series D Adjustment at the exercise date, were transferred to other payables.

(ii) Pursuant to the latest shareholders' agreement among MicroPort Cardiac Rhythm Management Limited (the "CRM Cayman") and its existing shareholders, in the event that an initial public offering or a trade sale of the CRM business has not occurred on or prior to the fifth anniversary of the closing of the acquisition of the CRM business, Sino Rhythm Limited ("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 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.

(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 any of all of the interests in above investees held by Witney at a price equal to the original investment plus interests at 2.77% per annum by cash.

18 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2021 US$'000	2020 US$'000
Raw materials	**90,282**	54,604
Work in progress	**54,784**	48,551
Finished goods	**144,865**	137,032
	289,931	240,187

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2021 US$'000	2020 US$'000
Carrying amount of inventories sold	**269,940**	221,873
Write-down of inventories	**6,492**	1,928
Reversal of write down of inventories	**(407)**	–
	276,025	223,801
Cost of inventories directly recognised as research and development costs and distribution costs	**45,585**	22,920
	321,610	246,721

19 TRADE AND OTHER RECEIVABLES

	31 December 2021 US$'000	31 December 2020 US$'000
Trade debtors and bills receivable due from:		
– third party customers	**192,958**	168,068
– related parties	**4,060**	2,448
	197,018	170,516
Less: Loss allowance (note 32(a))	**(11,222)**	(9,699)
	185,796	160,817
Other debtors	**41,780**	31,939
Amounts due from investors in connection of the restructuring of neurovascular devices business	**10,457**	–
Income tax recoverable (note 25(a))	**4,575**	8,373
Deposits and prepayments	**65,518**	35,847
	308,126	236,976

All of the trade and other debtors 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 and bills receivable (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	2021 US$'000	2020 US$'000
Within 1 month	**121,960**	59,803
1 to 3 months	**31,253**	72,606
3 to 12 months	**30,878**	26,212
More than 12 months	**1,705**	2,196
	185,796	160,817

Further details of the Group's credit policy and credit risk arising from trade debtors and bills receivable are set out in note 32(a).

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents

As at 31 December 2021, the balance of the deposits in the designated bank accounts of MP Endo is US$67,326,000 (2020: US$84,974,000) which is not available for general usage and could only be used for purposes specified in the Initial Public Offering prospectus of MP Endo.

(b) Reconciliation of loss before taxation to cash generated from operations:

	Note	**2021 US$'000**	2020 US$'000
Loss before taxation		**(337,324)**	(212,941)
Adjustments for:			
Amortisation and depreciation	*5(d)*	**93,479**	68,753
Impairment loss on intangible assets	*5(d)*	**150**	1,835
Impairment loss on property, plant and equipment	*5(d)*	**251**	114
Finance costs	*5(a)*	**42,710**	37,727
Interest income		**(1,087)**	(6,265)
Gain on disposal of subsidiaries		**(8,218)**	–
Changes in fair value of financial instruments carried at FVPL	*4*	**(25,707)**	13,246
Net loss on disposal of property, plant and equipment	*4*	**412**	570
Refund from an arbitration in relation to an acquisition in previous year	*4*	**–**	(16,420)
Gain on disposal of interests in equity-accounted investees		**(9,215)**	(1,062)
Share of profits less losses of equity-accounted investees		**13,255**	6,730
Equity-settled share-based payment expenses	*5(b)*	**91,345**	55,665
Others		**7,518**	–
Changes in working capital:			
Increase in inventories		**(51,781)**	(47,866)
(Increase)/decrease in trade and other receivables		**(86,156)**	35,819
Increase in trade and other payables		**117,404**	2,645
(Decrease)/increase in contract liabilities		**(41,892)**	54,226
Decrease in deferred income		**(4,989)**	(2,005)
Cash used in operations		**(199,845)**	(9,229)

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(c) 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$'000	Convertible notes (note 27) US$'000	Preferred shares issued by subsidiaries (note 21) US$'000	Lease liabilities (note 24) US$'000	Interest rate swaps held to hedge borrowings (liabilities) US$'000	Total US$'000
At 1 January 2021	**192,879**	**48,583**	**264,937**	**54,848**	**410**	**561,657**
Changes from financing cash flows:						
Proceeds from interest-bearing borrowings, net of transaction costs	**311,005**	**–**	**–**	**–**	**–**	**311,005**
Proceeds from issuance of convertible bonds of the Company, net of transaction costs	**–**	**689,471**	**–**	**–**	**–**	**689,471**
Proceeds from issuance of convertible bonds by a subsidiary	**–**	**20,000**	**–**	**–**	**–**	**20,000**
Repayments of interest-bearing borrowings	**(132,404)**	**–**	**–**	**–**	**–**	**(132,404)**
Interest paid for interest-bearing borrowings	**(6,513)**	**(2,762)**	**–**	**–**	**–**	**(9,275)**
Proceeds from issuance of preferred shares	**–**	**–**	**134,260**	**–**	**–**	**134,260**
Proceeds from disposal of interests in a subsidiary without losing control	**–**	**–**	**118,740**	**–**	**–**	**118,740**
Capital element of lease rentals paid	**–**	**–**	**–**	**(11,176)**	**–**	**(11,176)**
Interest element of lease rentals paid	**–**	**–**	**–**	**(5,110)**	**–**	**(5,110)**
Total changes from financing cash flows	**172,088**	**706,709**	**253,000**	**(16,286)**	**–**	**1,115,511**

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities (continued)

	Interest-bearing borrowings (note 23) US$'000	Convertible notes (note 27) US$'000	Preferred shares issued by subsidiaries (note 21) US$'000	Lease liabilities (note 24) US$'000	Interest rate swaps held to hedge borrowings (liabilities) US$'000	Total US$'000
Exchange adjustments	**2,179**	**–**	**–**	**(36)**	**(37)**	**2,106**
Changes in fair value	**–**	**–**	**–**	**–**	**(373)**	**(373)**
Other changes:						
Interest charge (note 5(a))	**6,433**	**12,375**	**18,111**	**5,791**	**–**	**42,710**
Disposal of subsidiaries	**(9,196)**	**–**	**–**	**–**	**–**	**(9,196)**
Exercise of Series D Adjustment	**–**	**–**	**9,445**	**–**	**–**	**9,445**
Increase in lease liabilities from entering into new leases during the year	**–**	**–**	**–**	**174,625**	**–**	**174,625**
Initial recognition of equity components of financial instruments	**–**	**(38,622)**	**(32,514)**	**–**	**–**	**(71,136)**
Exchange of the convertible bonds and the preferred shares issued by a subsidiary	**–**	**(68,676)**	**60,812**	**–**	**–**	**(7,864)**
Conversion of the preferred shares into ordinary shares	**–**	**–**	**(207,888)**	**–**	**–**	**(207,888)**
Total other changes	**(2,763)**	**(94,923)**	**(152,034)**	**180,416**	**–**	**(69,304)**
At 31 December 2021	**364,383**	**660,369**	**365,903**	**218,942**	**–**	**1,609,597**

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities (continued)

	Interest-bearing borrowings (note 23) US$'000	Convertible notes (note 27) US$'000	Preferred shares issued by subsidiaries (note 21) US$'000	Lease liabilities (note 24) US$'000	Interest rate swaps held to hedge borrowings (liabilities) US$'000	Total US$'000
At 1 January 2020	320,199	83,107	46,099	54,705	–	504,110
Changes from financing cash flows:						
Proceeds from interest-bearing borrowings, net of transaction costs	149,271	–	–	–	–	149,271
Proceeds from issuance of convertible bonds by a subsidiary	–	50,000	–	–	–	50,000
Repayments of interest-bearing borrowings	(284,267)	–	–	–	–	(284,267)
Interest paid for interest-bearing borrowings	(10,804)	–	–	–	–	(10,804)
Proceeds from issuance of preferred shares	–	–	175,000	–	–	175,000
Proceeds from disposal of interests in a subsidiary without losing control	–	–	30,000	–	–	30,000
Capital element of lease rentals paid	–	–	–	(10,232)	–	(10,232)
Interest element of lease rentals paid	–	–	–	(2,671)	–	(2,671)
Total changes from financing cash flows	(145,800)	50,000	205,000	(12,903)	–	96,297
Exchange adjustments	8,360	–	–	5,614	–	13,974
Changes in fair value	–	–	–	–	410	410
Other changes:						
Interest charge (note 5(a))	10,120	439	24,303	2,455	–	37,317
Transaction cost unpaid	–	–	(1,000)	–	–	(1,000)
Increase in lease liabilities from entering into new leases during the year	–	–	–	5,368	–	5,368
Modification and termination of lease terms	–	–	–	(391)	–	(391)
Initial recognition of equity components of financial instruments	–	(1,763)	(13,570)	–	–	(15,333)
Re-designation and reclassification of preferred shares issued by a subsidiary	–	–	4,105	–	–	4,105
Conversion of the convertible bonds (note 27)	–	(83,200)	–	–	–	(83,200)
Total other changes	10,120	(84,524)	13,838	7,432	–	(53,134)
At 31 December 2020	192,879	48,583	264,937	54,848	410	561,657

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2021 US$'000	2020 US$'000
Within operating cash flows	**1,212**	399
Within financing cash flows	**16,286**	12,903
	17,498	13,302

All these amounts relate to the lease rentals paid.

21 TRADE AND OTHER PAYABLES

	31 December 2021 US$'000	31 December 2020 US$'000
Current		
Trade payables due to:		
– third party suppliers	**120,251**	60,363
– a related party	**10,803**	25
Total trade payables (i)	**131,054**	60,388
Dividends payable to ordinary shareholders	**62**	95
Consideration payables in connection with the acquisition of subsidiaries	**16,081**	–
Share repurchase obligations (ii)	**–**	195,875
Other payables and accrued charges	**211,595**	116,114
	358,792	372,472
Non-current		
Share repurchase obligations (ii)	**365,903**	167,082
Contingent consideration in connection with the acquisition of a subsidiary	**32,179**	–
Net defined benefit obligation (note 5(b))	**11,118**	11,420
Other payables (iii)	**16,714**	24,521
	425,914	203,023

All current trade and other payables are expected to be settled within one year or are repayable on demand.

21 TRADE AND OTHER PAYABLES (CONTINUED)

Notes:

(i) As of the end of the reporting period, the ageing analysis of the trade payables based on invoice date is as follows:

	2021 US$'000	2020 US$'000
Within 1 month	**110,136**	41,340
Over 1 month but within 3 months	**8,662**	9,613
Over 3 months but within 6 months	**6,985**	1,730
Over 6 months but within 1 year	**1,241**	1,237
Over 1 year	**4,030**	6,468
	131,054	60,388

(ii) Share repurchase obligations

MP CardioFlow, CRM Cayman and MP NeuroTech issued preferred shares to certain investors in connection with their separate financings. These preferred shares include liquidation preference right, redemption right and conversion right, etc., granted to the investors.

As these preferred shares can be converted into ordinary shares of respective subsidiary where the number of shares to be issued is fixed, the conversion right is recognised as equity component. The redemption obligations embedded in these preferred shares, which are settled by cash, give rise to financial liabilities, which are measured at the highest of those amounts that could be payable, and on a present value basis. If the redemption obligations are undertaken by the issuer itself, the subsequent changes of liabilities under amortised costs are recognised in profit or loss directly. If the redemption obligations are undertaken by the parent of the issuer, in the consolidated financial statements of the Group, management recognise the subsequent changes of such liabilities in equity.

Movements of the share repurchase obligations arising from these preferred shares are as follows:

	Series B preferred shares issued by MP CardioFlow US$'000	Series C and series D preferred shares issued by MP CardioFlow US$'000	Preferred shares issued by CRM Cayman US$'000	Preferred shares issued by MP NeuroTech US$'000	Total US$'000
As at 1 January 2021	98,020	195,875	69,062	–	362,957
Issuance during the year, net of transaction costs (a)	–	–	90,174	27,200	117,374
Reclassification and re-designation of preferred shares from ordinary shares of a subsidiary (a)	–	–	–	103,112	103,112
Exercise of the Series D Adjustment (note 17)	–	9,445	–	–	9,445
Conversion of the preferred shares into ordinary shares of a subsidiary (b)	(98,855)	(207,888)	–	–	(306,743)
Exchange of the convertible bonds and the preferred shares issued by a subsidiary (a)	–	–	–	60,812	60,812
Charge to equity	835	–	–	–	835
Charge to finance costs (note 5(a))	–	2,568	12,494	3,049	18,111
As at 31 December 2021 (c)	–	–	171,730	194,173	365,903
Representing					
Non-current portion	–	–	171,730	194,173	365,903

21 TRADE AND OTHER PAYABLES (CONTINUED)

Notes: (continued)

(ii) Share repurchase obligations (continued)

(a) In July 2021, CRM Cayman issued 13,424,211 voting redeemable series C preferred shares (the "CRM Series C Preferred Shares") to certain third-party investors at a consideration of US$103,000,000.

In November 2021, MP NeuroTech completed its series A financing (see note 31(d)) and issued (i) 11,759,125 series A-1 preferred shares upon the exchange of convertible bonds issued by a MP NeuroTech (see note 27(b)), (ii) 2,032,495 series A-2 preferred shares at a cash consideration of US$31,260,000 and (iii) 7,720,432 series A-2 preferred shares upon the reclassification and redesignation from the ordinary shares of MP NeuroTech (see note 31(d)).

(b) The series B, series C and series D preferred shares issued by MP CardioFlow was recognised as liabilities of the Group as at 31 December 2020. Following the completion of the CardioFlow Listing (as defined in note 31(b)), in February 2021, the series B, series C and series D preferred shares issued by MP CardioFlow were automatically converted into ordinary shares of MP CardioFlow. Accordingly, the series B, series C and series D preferred shares issued by MP CardioFlow were reclassified from liabilities to equity.

(c) As at 31 December 2021, the balance of share repurchase obligations represented the redemption obligations arising from (i) series B preferred shares and series C preferred shares issued by CRM Cayman; and (ii) series A-1 and series A-2 preferred shares issued by MP NeuroTech.

(iii) The Group provided a financial guarantee to Oxford Finance LLC in respect of the senior debts of an investee that was disposed in 2020. As at 31 December 2021, the balance of expected credit losses arising from the guarantee is US$13,000,000 (2020: US$13,000,000).

22 CONTRACT LIABILITIES

	31 December 2021 US$'000	31 December 2020 US$'000
Current		
Unfulfilled performance obligations	**11,682**	10,777
Unsettled sales rebates	**7,093**	49,427
Advanced receipts from customers for sales of medical devices	**4,815**	1,804
	23,590	62,008
Non-current		
Unfulfilled performance obligations	**26,227**	29,855
Extended warranty	**16**	–
	26,243	29,855

Movements in contract liabilities

	2021 US$'000	2020 US$'000
Balance at 1 January	**91,863**	30,985
Exchange adjustments	**(2,158)**	6,652
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities as at 1 January	**(58,736)**	(14,463)
Net movement in sales rebates	**(671)**	49,427
Increase in contract liabilities as a result of receiving advance payments during the year	**15,383**	19,193
Increase in contract liabilities as a result of accruing interest expense on advances	**4,152**	69
Balance at 31 December	**49,833**	91,863

23 INTEREST-BEARING BORROWINGS

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

	2021 US$'000	2020 US$'000
Within 1 year or on demand	**94,746**	10,891
After 1 year but within 2 years	**33,545**	73,526
After 2 years but within 5 years	**155,714**	75,092
After 5 years	**80,378**	33,370
	269,637	181,988
	364,383	192,879

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

	2021 US$'000	2020 US$'000
Bank loans		
– secured	**131,176**	98,982
– unsecured	**233,207**	93,897
	364,383	192,879

At 31 December 2021, the bank facilities drawn down by the Group of US$71,283,000 (2020: US$98,982,000) were secured by right-of-use assets and buildings held for own use with net book value of US$9,173,000 and US$91,984,000,, respectively (2020: right-of-use assets and buildings held for own use with net book value of US$4,187,000 and US$50,239,000, respectively).

At 31 December 2021, bank loans amounting to US$10,352,000 and US$34,249,000 in connection with the acquisition of Kerui Pharma and Suzhou Argus (see note 30) were secured by the equity interests in Kerui Pharma and Suzhou Argus held by the Group, respectively.

At 31 December 2021, a bank loan amounting to US$15,292,000 in connection with the capital contribution to MicroPort Vision Power MedTech (Shanghai) Co., Ltd. ("MP Vision", a subsidiary of the Group) were secured by the equity interests in MP Vision held by the Group.

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 32(b). As at 31 December 2021 and 2020, none of the covenants relating to drawn down facilities had been breached.

24 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2021 US$'000	2020 US$'000
Within 1 year or on demand	**50,505**	12,074
After 1 year but within 2 years	**48,584**	11,568
After 2 years but within 5 years	**115,024**	22,475
After 5 years	**4,829**	8,731
	168,437	42,774
	218,942	54,848

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2021 US$'000	2020 US$'000
Provision for the year		
– charge to profit or loss (note 6(a))	**17,487**	10,647
– charge to equity	**11,354**	55,449
Government grants on tax incentives	**(5,000)**	–
Provisional tax paid	**(11,527)**	(16,969)
Exchange adjustments	**447**	2,818
	12,761	51,945
Balance of profits tax provision relating to prior years	**(11,712)**	(23,588)
	1,049	28,357

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(a) Current taxation in the consolidated statement of financial position represents: (continued)

	2021 US$'000	2020 US$'000
Represented by:		
Current income tax recoverable	**(4,575)**	(8,373)
Non-current income tax recoverable	**(13,500)**	(15,952)
Income tax payable	**19,124**	52,682
	1,049	28,357

Income tax recoverable primarily represents to a tax credit of US$17,500,000 (2020: US$18,519,000) 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 2021, the France CIR are classified as current and non-current receivables amounting US$4,000,000 and US$13,500,000 (2020: US$4,920,000 and US$13,599,000), respectively.

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 2020	(6,934)	2,134	2,545	(7,316)	(9,571)
Exchange adjustments	(1,597)	75	250	(827)	(2,099)
(Credited)/charged to profit or loss (note 6(a))	(7,588)	545	(230)	7,563	290
At 31 December 2020 and 1 January 2021	(16,119)	2,754	2,565	(580)	(11,380)
Exchange adjustments	140	17	(282)	(493)	(618)
Acquisition of subsidiaries (note 30)	–	–	23,143	–	23,143
Charged/(credited) to profit or loss (note 6(a))	2,305	818	(524)	(6,420)	(3,821)
At 31 December 2021	(13,674)	3,589	24,902	(7,493)	7,324

Reconciliation to the consolidated statement of financial position:

	2021 US$'000	2020 US$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**(20,368)**	(15,502)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**27,692**	4,122
	7,324	(11,380)

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$709,386,000 at 31 December 2021 (2020: US$548,221,000), 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$444,950,000 will expire in the period from 2022 to 2031. The tax losses of US$264,436,000 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 2021, temporary differences relating to the undistributed profits of PRC subsidiaries amounted to US$167,381,000 (2020: US$383,068,000). Deferred tax liabilities of US$16,738,000 (2020: US$36,839,000) 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 2020	24,895
Additions	17,877
Government grant recognised as other income	(7,034)
Exchange adjustments	2,106
At 31 December 2020 and 1 January 2021	37,844
Additions	5,126
Government grant recognised as other income	(6,115)
Transfer out	(1,575)
Decrease due to disposal of a subsidiary	(1,024)
Exchange adjustments	842
At 31 December 2021	35,098

27 CONVERTIBLE BONDS

	Liability component	Equity component	Total
	US$'000	US$'000	US$'000
As at 1 January 2021	48,583	1,763	50,346
Issued by a subsidiary (note 27(b))	19,307	693	20,000
Issued by the Company (note 27(a))	651,542	37,929	689,471
Interest charged during the year (note 5(a))	12,375	–	12,375
Interests paid	(2,762)	–	(2,762)
Exchange of convertible bonds (note 27(b))	(68,676)	(2,456)	(71,132)
As at 31 December 2021	660,369	37,929	698,298
Representing			
Non-current portion	660,369		

(a) Convertible bonds issued by the Company

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

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

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

No conversion of the 2021 Convertible Bonds had been occurred up to 31 December 2021.

27 CONVERTIBLE BONDS (CONTINUED)

(b) Convertible bonds issued by a subsidiary

In October and December 2020, MP NeuroTech entered into a subscription agreement and its amendment agreement (together as "NT Subscription Agreement") with BioLink Limited and BioLink NT Investment Limited (together as "BioLink") respectively, pursuant to which, MP NeuroTech agreed to issue and BioLink agreed to subscribe for the convertible bonds (the "NT Convertible Bonds") subject to the terms and conditions set out in the NT Subscription Agreement. The NT Convertible Bonds bear an interest rate at 4% per annum with a maturity date after two years from the issuance date of the NT Convertible Bonds. In November 2020 and January 2021, MP NeuroTech issued the NT Convertible Bonds in principal amounts of US$50,000,000 and US$20,000,000 to BioLink, respectively.

Prior to the maturity date, BioLink could convert part of or the entire outstanding NT Convertible Bonds into the fully paid equity securities of MP NeuroTech at an initial conversion price which is calculated on the basis of the equity value of the Group amounting to RMB4 billion at the predetermined exchange rate of RMB against US$, subject to the certain adjustments under the NT Subscription Agreement.

Upon the exercise of the conversion option, the NT Convertible Bonds will be settled by converting a fixed amount of cash in US$ into a fixed number of equity instruments issued by MP NeuroTech. In accordance with the Group's accounting policy set out in note 1(u), these NT Convertible Bonds are accounted for as compound financial instruments which contain both a liability component and an equity component.

In November 2021, MP NeuroTech completed its series A financing. Pursuant to the NT Subscription Agreement, the NT Convertible Bonds were simultaneously exchanged into an aggregate of 11,759,125 series A-1 preferred shares issued by MP NeuroTech (the "NT Series A-1 Shares") at a price of approximately US$5.95 per share (the "Bond Exchange").

As the terms of NT Series A-1 Shares were substantially different from those of the NT Convertible Bonds, the Bond Exchange was treated as the extinguishment of NT Convertible Bonds before maturity and the issuance of the NT Series A-1 Shares separately. Accordingly, in accordance with the accounting policies of the Group, on the issuance date of the NT Series A-1 Shares, the fair value of the NT Series A-1 Shares is allocated to the liability and equity components of the NT Convertible Bonds and the amount of gain or loss relating to the liability component and equity component is recognised in profit or loss and equity, respectively.

28 SHARE-BASED PAYMENT TRANSACTIONS

(a) Share option plans (equity-settled)

(i) Share option plans adopted by the Company

On 3 September 2010 and 18 June 2020, the Company adopted the share option plans (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:				
7 September 2012	500,000	73	0.15	0.43
22 October 2012	500,000	84	0.17	0.54
2 January 2013	500,000	86	0.17	0.55
28 August 2013	250,000	55	0.22	0.64
9 December 2013	400,000	91	0.23	0.72
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
	175,182,993	109,891		

28 SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(a) Share option plans (equity-settled) (continued)

(i) Share option plans 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:				
28 August 2012	10,000,000	1,354	0.14	0.43
10 December 2012	13,300,000	2,354	0.18	0.59
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
	26,199,228	8,186		
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
	1,250,000	479		

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.

(Expressed in United States dollars unless otherwise indicated)

28 SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(a) Share option plans (equity-settled) (continued)

(i) Share option plans adopted by the Company (continued)

The number and weighted average exercise prices of share options are as follows:

	2021		2020	
	Weighted average exercise price US$	**Number of options**	Weighted average exercise price US$	Number of options
Outstanding at the beginning of the year	**0.81**	**117,168,421**	0.67	137,248,811
Granted during the year	**6.82**	**26,808,109**	3.71	3,663,222
Exercised during the year	**0.69**	**(10,702,263)**	0.48	(23,021,310)
Forfeited during the year	**2.98**	**(2,628,088)**	0.77	(722,302)
Outstanding at the end of the year	**2.01**	**130,646,179**	0.81	117,168,421
Exercisable at the end of the year	**1.62**	**70,735,026**	0.70	37,642,342

All the share options granted are exercisable by the grantees upon vesting and will expire in a period from August 2022 through November 2031. As at 31 December 2021, the weighted average remaining contractual life for the share options granted under the 2010 and 2020 Share Option plans was 4.91 years (2020: 6.24 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 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	**2021**	2020
Fair value at measurement dates	**HK$15.35 to HK$25.13**	HK$4.57 to HK$13.99
Share price	**HK$34.65 to HK$57.45**	HK$17.54 to HK$42.20
Exercise price	**HK$36.79 to HK$57.59**	HK$17.54 to HK$42.20
Expected volatility (expressed as a weighted average volatility used in the modelling under binomial tree model)	**47.33% to 48.90%**	44.12% to 47.19%
Option life	**1 year to 10 years**	10 years
Suboptimal exercise factor	**1.2 to 1.5**	1.29 to 1.5
Expected dividend yield	**0.1%**	0.29% to 0.39%
Average risk-free interest rate	**1.19% to 1.68%**	0.57% to 0.69%

(Expressed in United States dollars unless otherwise indicated)

28 SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(a) Share option plans (equity-settled) (continued)

(i) Share option plans adopted by the Company (continued)

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 2021 and 2020, 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$47,771,000 for the year ended 31 December 2021 (2020: US$6,492,000).

(ii) Share option plan adopted by MP CardioFlow

In March 2020, MP CardioFlow adopted its share option scheme (the "CardioFlow SOS"). CardioFlow SOS provides the eligible persons 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 2021, 11,100,000 share options (2020: 4,135,750) were granted under the CardioFlow SOS at a weighted-average exercise price of HK$11.68 (2020: HK$1.13) per share of MP CardioFlow and 6,554,000 share options (2020: nil) were exercised at a weighted-average exercise price of HK$1.13 (2020: nil) 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 year ended 31 December 2021, while back-solve method was used to determine the equity fair value of the ordinary shares of MP CardioFlow during the year ended 31 December 2020 and the estimated 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	**2021**	2020
Fair value at measurement dates	**RMB1.66-RMB4.56**	RMB1.18-RMB1.26
Share price	**HK$6.41-HK$13.72**	HK$1.13
Exercise price	**HK$6.41-HK$13.72**	HK$1.13
Expected volatility	**42.21%-42.99%**	36.27%
Option life	**10 years**	10 years
Expected dividend yield	**0.00%**	0.00%
Risk-free interest rate	**1.40%-1.56%**	0.68%

The total expenses recognised in the consolidated statement of profit or loss for the above transaction were US$3,885,000 for the year ended 31 December 2021 (2020: US$6,319,000).

(Expressed in United States dollars unless otherwise indicated)

28 SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(a) Share option plans (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 restricts 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.

On 28 October 2021, 671,713 Endo RSU were granted under the Endo RSU Plan at an exercise price of RMB184.55 per share of MP Endo.

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. 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.

Fair value of Endo RSUs and assumptions	2021
Fair value at measurement dates	**RMB132.32 to RMB133.90**
Share price	**RMB229.65**
Exercise price	**RMB184.55**
Expected volatility	**50% to 55%**
Option life	**7 years**
Expected dividend yield	**0.26%**
Risk-free interest rate	**0.68%**

The total expenses recognised in the consolidated statement of profit or loss for the above transaction were US$422,000 for the year ended 31 December 2021 (2020: nil).

(Expressed in United States dollars unless otherwise indicated)

28 SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(a) Share option plans (equity-settled) (continued)

(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 2021, 9,904,515 options were granted under Orthopedics EOS at an exercise price at US$1.58 per Orthopedics Registered Capital Unit. As at 31 December 2021, the total outstanding options were 9,227,212 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 initial public offering ("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$9,773,000. The contractual life of options is ten years.

Fair value of equity options and assumptions	2021
Fair value at measurement dates	**RMB5.07 to RMB5.24**
Share price	**US$1.60**
Exercise price	**US$1.58**
Expected volatility	**41.2%**
Option life	**10 years**
Expected dividend yield	**0%**
Risk-free interest rate	**1.59%**

28 SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(b) Share award scheme (equity-settled)

(i) Share award scheme adopted by the Company

Pursuant to a share award scheme (as amended) adopted by the Company in 2020, 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 2021, the Company granted 4,899,803 shares (2020: 19,924,925) to the Group's executives and employees with a fair value of US$18,880,000 (2020: US$39,899,000) and purchased 6,265,800 shares (2020: 858,000 shares) at cash consideration of US$38,852,000 (2020: US$3,496,000).

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, taking into account the discount due to the lack of marketability by 14.09% to 16.71%, where applicable.

(ii) Share award scheme adopted by MP CardioFlow

Pursuant to a share award scheme adopted by MP CardioFlow in 2021, MP CardioFlow may purchase its own shares and grant such shares to certain eligible persons.

For the year ended 31 December 2021, MP CardioFlow purchased 6,342,000 own shares at cash consideration of US$6,408,000 and no shares of MP CardioFlow were granted.

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.

During the year ended 31 December 2021, the total expenses recognised in the consolidated statement of profit or loss for the above transaction were US$14,406,000 for the year ended 31 December 2021 (2020: US$2,423,000), which related to the ESPPs of MP MedBot and MP Endo.

(d) Long-term incentive awards (equity-settled)

In 2020, CRM Cayman has adopted long-term incentive plans (the "CRM LTI Plan"), pursuant to which, the Group granted performance-based restricted share units (the "RSUs") to the eligible participants of the Group who has contributed or will contribute to the development of CRM business. Each RSU will be settled by one ordinary share of either CRM Cayman or the Company, as the case may be.

As at 31 December 2021, the number of outstanding RSUs was 11,505,464, of which 11,011,369 and 494,095 RSUs will be settled by ordinary shares of CRM Cayman and the Company, respectively. These RSUs will vest in instalments from March 2021 to March 2025, subject to certain non-vesting conditions.

The fair value of services received in return for RSUs is measured by reference to the fair value of the underlying ordinary shares of CRM Cayman and the Company. 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.

28 SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(d) Long-term incentive awards (equity-settled) (continued)

Fair value of the underlying ordinary shares of CRM Cayman and assumptions	2020
Fair value at measurement dates	US$1.83
Expected volatility	39.97%
Risk-free interest rate	0.30%
Expected probability of event	65%

The total expenses recognised in the consolidated statement of profit or loss for the above transaction were US$7,405,000 for the year ended 31 December 2021 (2020: US$532,000).

(e) Long-term incentive awards (cash-settled)

In 2014, the Board approved a long-term incentive (the "LTI") scheme. The Group may grant the LTI awards to certain overseas employees of the Group under the LTI scheme, pursuant to which the eligible employees will be entitled to receive payments in cash at the time that such awards vest. The LTI awards will vest 25% on each of the first four anniversaries of the grant date. The settlement shall be made in cash as promptly as practicable but in no event after the thirtieth day following the applicable vesting date. The settlement amount will be determined based on the share price of the Company's ordinary shares at the dates specified in the LTI awards agreement and the unit of awards that shall have vested on such dates.

As at 31 December 2021, the number of outstanding and exercisable LTI awards was approximately 0.4 million and nil, respectively (2020: 0.7 million and nil). The liabilities arising from the LTI awards was US$1,032,000 (2020: US$3,500,000), which were included in the trade and other payables.

(f) Equity-settled share-based payment expenses recognised in the consolidated statement of profit or loss during the current and prior years:

	2021	2020
	US$'000	US$'000
Research and development costs	**13,662**	6,874
Distribution costs	**6,769**	6,127
Administrative expenses	**70,260**	42,412
Cost of sales	**654**	252
	91,345	55,665

The compensation expenses resulting from those schemes disclosed in notes 28(a), (b), (c) and (d) above 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.

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:

	Note	**Share capital** US$'000	**Share premium** US$'000	**Capital reserve** US$'000	**Accumulated losses** US$'000	**Total** US$'000
Balance at 1 January 2020		16	362,507	6,949	(66,788)	302,684
Changes in equity for 2020:						
Profit and total comprehensive income		–	–	–	16,705	16,705
Issue of ordinary shares by placing, net of issuance costs		1	198,926	–	–	198,927
Equity-settled share-based transactions		–	–	8,400	–	8,400
Shares issued under share option scheme	*29(c)(iii)*	–	14,817	(3,841)	–	10,976
Shares purchased under share award scheme	*28(b)*	–	–	(3,496)	–	(3,496)
Shares granted under share award scheme	*28(b)*	–	–	39,899	–	39,899
Dividends paid in respect of the previous year	*29(b)*	–	(6,661)	–	–	(6,661)
Conversion of convertible bonds		1	92,125	(8,926)	–	83,200
Balance at 31 December 2020 and 1 January 2021		**18**	**661,714**	**38,985**	**(50,083)**	**650,634**
Changes in equity for 2021:						
Loss and total comprehensive income		**–**	**–**	**(581)**	**(13,852)**	**(14,433)**
Equity-settled share-based transactions		**–**	**–**	**44,293**	**–**	**44,293**
Issuance of convertible bonds	*27(a)*	**–**	**–**	**37,929**	**–**	**37,929**
Shares issued under share option scheme	*29(c)(iii)*	**–**	**9,571**	**(2,116)**	**–**	**7,455**
Shares purchased under share award scheme	*28(b)*	**–**	**–**	**(38,852)**	**–**	**(38,852)**
Shares granted under share award scheme	*28(b)*	**–**	**–**	**18,880**	**–**	**18,880**
Dividends paid in respect of the previous year	*29(b)*	**–**	**(6,423)**	**–**	**–**	**(6,423)**
Balance at 31 December 2021		**18**	**664,862**	**98,538**	**(63,935)**	**699,483**

29 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

At the meeting of the board of directors held on 30 March 2021, the board of directors recommended the payment of a final dividend of HK4.3 cents (2020: HK5.3 cents) per ordinary share of the Company for the year ended 31 December 2020 (the "2020 Final Dividend") by way of cash, with an option to elect to receive new fully paid shares of the Company in lieu of cash. The 2020 Final Dividend totalling US$10,064,000 was approved at the annual general meeting of the Company held on 24 June 2021 and is payable to shareholders of the Company whose names appeared on the register of members of the Company on 5 July 2021.

Of the 2020 Final Dividend, amount of US$6,423,000 (2020: US$6,661,000) was distributed in cash dividends, and amount of US$3,641,000 (2020: US$5,062,000), which was credited to share premium, was distributed in 508,400 ordinary shares (2020: 1,833,502 ordinary shares) at an issue price of HK$55.256 per share (2020: HK$22.032).

The directors of the Company did not recommend a final dividend for the year ended 31 December 2021.

(c) Share capital

(i) Ordinary shares

	2021		2020	
	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	**1,809,540**	**18**	1,622,778	16
Share issued upon a placing	**–**	**–**	65,958	1
Shares issued under share option plans (note 28(a)(i))	**10,702**	**–**	23,021	–
Shares issued in lieu of cash dividends (note 29(b))	**509**	**–**	1,834	–
Shares issued in respect of conversion of convertible bonds	**–**	**–**	95,949	1
At 31 December	**1,820,751**	**18**	1,809,540	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.

29 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

(ii) Purchase of own shares

During the year ended 31 December 2021, the Company purchased its own ordinary shares on the Stock Exchange under the share award scheme (note 28(b)) as follows:

Month/year	No. of shares repurchased	Highest price paid per share US$	Lowest price paid per share US$	Aggregate considerations paid US$'000
April 2021	4,195,000	6.22	6.20	26,035
September 2021	2,070,800	6.40	6.00	12,817
	6,265,800			38,852

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.

During the year ended 31 December 2021, the trustee under a long-term benefit plan (note 5(b)) purchased 172,000 ordinary shares of the Company at a cash consideration of US$1,527,000. 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 option plans

During the year ended 31 December 2021, 10,702,263 (2020: 23,021,310) share options were exercised to subscribe for 10,702,263 (2020: 23,021,310) ordinary shares in the Company at a total consideration of US$7,455,000 (2020: US$10,976,000), of which nil (2020: nil) and US$7,455,000 (2020: US$10,976,000) was credited to share capital and share premium, respectively. In addition, an amount of US$2,116,000 (2020: US$3,841,000) was transferred from the capital reserve to the share premium account in accordance with policies set out in note 1(w)(iii).

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 (note 27(b)).
- 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));
- initial recognition on share repurchase obligations and changes in amortised costs of share repurchase obligations; 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.

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 2021. On this basis, the amount of capital employed at 31 December 2021 was US$3,887,100,000 (2020: US$1,955,018,000).

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 2021 and 2020. Except for the above, neither the Company nor any its subsidiaries are subject to externally imposed capital requirements.

30 ACQUISITION OF SUBSIDIARIES

(a) Hemovent

In August 2021, the Company, MicroPort Surgical B.V. ("Surgical BV", a subsidiary of the Company incorporated in the Netherlands) and the original shareholders of Hemovent entered into an agreement on the sale and transfer of shares in Hemovent (the "Hemovent SPA"), pursuant to which, Surgical BV conditionally agreed to acquire the entire issued share capital of Hemovent from the original shareholders of Hemovent at the initial cash consideration of EUR88 million and contingent consideration of EUR35 million upon Hemovent reaching certain milestones and conditions within 5 years from the closing date. Hemovent is a Germany-based medical device company engaged in innovative extracorporeal life support system. The Group believe that the acquisition of Hemovent can leverage the strengths of both parties in terms of industry resources, industry experience and product development to accelerate the research and development, production and commercialisation of relevant products.

On 12 October 2021, Surgical BV and the original shareholders of Hemovent signed the closing confirmation letter, pursuant to which, the acquisition was completed on that day and Surgical BV acquired the entire shares in Hemovent, granting it control over Hemovent thereon.

The Group has included EUR35 million (equivalent to US$40,429,000) as contingent consideration, which represents its fair value at the date of the acquisition based on the management expectation of Hemovent achieving the milestones and conditions. The contingent consideration is subsequently measured at fair value with changes charged into profit or loss. As at 31 December 2021, the fair value of the contingent consideration is US$39,633,000 and is included in the "other payable" account. Valuation techniques and significant assumptions for determining the fair value of the contingent consideration was set out in note 32(e).

30 ACQUISITION OF SUBSIDIARIES (CONTINUED)

(b) Kerui Pharma

In September 2021, Shanghai MicroPort entered into a share transfer agreement (the "Kerui Agreement") with 618 Equity Investment and Fujian Tendering and Procurement Group Co., Ltd. (together, the "Kerui Vendors"), pursuant to which, Shanghai MicroPort agreed to acquire and the Kerui Vendors agree to sell 45% of equity interests in Kerui Pharma held by the Kerui Vendors to Shanghai MicroPort at the cash consideration approximately RMB111 million. Meanwhile, Shanghai MicroPort, through the Kerui Concert Agreement (see note 13(v)), obtained the control of the daily operation of Kerui Phara. The acquisition of Kerui Pharma was completed on 1 November 2021.

Kerui Pharma is a national high-tech enterprise engaged in the research and development, production and sales of fermentation-based APIs. The directors believe that the acquisition of Kerui Pharma will help to achieve alliance with Kerui Pharma and is foundational to build drug-device combination technology platform under the Group.

(c) Suzhou Argus

On 29 October 2021, MicroPort Sinica Co., Ltd. ("MP Sinica"), a wholly-owned subsidiary of the Company, entered into an equity transfer and capital increase agreement with Suzhou Argus and its existing shareholders (the "Argus Agreement"), pursuant to which, MP Sinica (i) acquired 38.33% equity interest in Suzhou Argus held by certain of its existing shareholders (the "Argus Sellers") and (ii) make additional contribution to the registered capital of Suzhou Argus for a total consideration of RMB372.3 million.

Upon the completion of the above transaction on 30 December 2021, the Group held 51% equity interests in Suzhou Argus and therefore obtained the control of Suzhou Argus. Suzhou Argus is principally engaged in the business of design, development and sale of solutions for intravascular optical coherence tomography systems. The acquisition of Suzhou Argus will further improve the Group's integrated precision diagnosis and treatment solutions relating to coronary vascular diseases.

As at 31 December 2021, the Group has outstanding consideration payables of RMB5,000,000 (equivalent to US$784,000) due to one of the Argus Sellers, which, in accordance with the Argus Agreement, is expected to be settled before 1 July 2022.

Pursuant to the Argus Agreement, MP Sinica has been granted a call option (the "Argus Call Option") to acquire entire or part of equity interests in the Suzhou Argus held by non-controlling shareholders of Suzhou Argus at the exercise price based on the predetermined formula linked to the status of Suzhou Argus' achievement of the milestones specified in the Argus Agreement (the "Option Milestones") 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, MP Sinica shall pay its consideration in cash or with the unanimous approval from MP Sinica and person designated by the non-controlling shareholders 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 on initial recognition. The initial fair value of the Argus Call Option amounting to US$4,963,000 forms parts of consideration paid in the acquisition of Suzhou Argus. Valuation techniques and significant assumptions for determining the fair value of the Argus Call Option was set out in note 32(e).

30 ACQUISITION OF SUBSIDIARIES (CONTINUED)

(d) Identifiable assets acquired and liabilities assumed

Details of the provisional fair value of identifiable assets acquired and liabilities assumed at each date of acquisition are summarised as follows:

	Hemovent US$'000	Kerui Pharma US$'000	Suzhou Argus US$'000	Total US$'000
Provisional fair value of net identifiable assets				
Property, plant and equipment	**1,320**	**4,597**	**257**	**6,174**
Intangible assets	**48,976**	**9,202**	**45,448**	**103,626**
Inventories	**1,045**	**1,675**	**3,491**	**6,211**
Trade and other receivables	**201**	**471**	**1,489**	**2,161**
Cash and cash equivalents	**305**	**9,660**	**22,463**	**32,428**
Trade and other payables	**(724)**	**(743)**	**(1,453)**	**(2,920)**
Time deposits	**–**	**6,259**	**–**	**6,259**
Deferred tax liabilities	**(14,679)**	**(1,647)**	**(6,817)**	**(23,143)**
Total identifiable net assets acquired	**36,444**	**29,474**	**64,878**	**130,796**
Goodwill	**105,634**	**4,108**	**20,339**	**130,081**
	142,078	**33,582**	**85,217**	**260,877**
Consideration including:				
Cash considerations	**101,649**	**17,371**	**58,394**	**177,414**
Fair value of contingent consideration	**40,429**	**–**	**–**	**40,429**
Less: Argus Call Option acquired	**–**	**–**	**(4,963)**	**(4,963)**
Total consideration of acquisition of subsidiaries	**142,078**	**17,371**	**53,431**	**212,880**
Add: Non-controlling interest	**–**	**16,211**	**31,786**	**47,997**
	142,078	**33,582**	**85,217**	**260,877**
Reconciliation of cash outflow				
Cash considerations	**101,649**	**17,371**	**58,394**	**177,414**
Less: cash and cash equivalent acquired	**(305)**	**(9,660)**	**(22,463)**	**(32,428)**
Less: unpaid balances (note 30(c))	**–**	**–**	**(784)**	**(784)**
Net cash outflow arising from the acquisitions of subsidiaries	**101,344**	**7,711**	**35,147**	**144,202**

(Expressed in United States dollars unless otherwise indicated)

30 ACQUISITION OF SUBSIDIARIES (CONTINUED)

(d) Identifiable assets acquired and liabilities assumed (continued)

The valuation techniques used for measuring the fair value of material assets were as follows:

Assets acquired	*Valuation technique*
Property, plant and equipment	Market comparison technique: The valuation model considers market prices for similar items.
Intangible assets	Relief-from-royalty method and multi-period excess earnings method: The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents being owned. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the underlying intangible assets, by excluding any cash flows related to contributory assets.

The fair value of identifiable net assets, which primarily include technology and customer relationships, has been measured provisionally, pending completion of an independent valuation. If new information obtained within one year of the respective date of acquisition about the facts and circumstances that existed at the respective date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the respective date of acquisition, then the accounting for these acquisitions may be revised.

(e) Post-combination financial information

For the period from the respective dates of the acquisitions to 31 December 2021, Hemovent, Kerui Pharma and Suzhou Argus aggregately contributed revenue of US$1,474,000 and loss of US$1,927,000 to the Group's results. Had these acquisitions occurred on 1 January 2021, management estimates that consolidated revenue would have been US$784,162,000 and consolidated loss for the year ended 31 December 2021 would have been US$360,241,000.. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the respective date of acquisition would have been the same if these acquisitions had occurred on 1 January 2021.

31 DISPOSAL/DILUTION OF INTERESTS IN SUBSIDIARIES

(a) AccuPath Medical (Jiaxing) Co., Ltd. ("AccuPath")

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

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

The transaction was accounted for as a deemed disposal of AccuPath with a gain of US$8,218,000 recognised in profit or loss for the year ended 31 December 2021 and the Group's remaining interests in AccuPath were recognised as an investment in equity-accounted investee. A reconciliation of such gain of disposal of AccuPath is set out below:

	As at the date of the disposal US$'000
Fair value of remaining equity interests in AccuPath	13,908
Less: Net assets of AccuPath	(5,690)
Gain on disposal of AccuPath	8,218

(b) MP CardioFlow

In February 2021, MP CardioFlow was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "HKEx Main Board") and issued a total of 236,463,000 ordinary shares (including the exercise of over-allotment options) at the price of HK$12.2 per share (the "CardioFlow Listing").

The Group's equity interest in MP CardioFlow decreased from 63.59% as at 31 December 2020 to 44.92% upon the completion of the CardioFlow Listing.

As disclosed in note 13, the management believe the Group retains its control over MP CardioFlow. Accordingly, the amount of US$264,776,000, being the difference between (i) the sum of the net proceeds received from the CardioFlow Listing of US$357,069,000 and the carrying amount of share repurchase obligation of US$207,888,000, and (ii) the carrying amount of net assets in the proportion of the deemed disposed equity interests in MP CardioFlow as at the date of disposal was credited to capital reserve of the Group.

31 DISPOSAL/DILUTION OF INTERESTS IN SUBSIDIARIES (CONTINUED)

(c) MP MedBot

In November 2021, MP MedBot was listed on the HKEx Main Board and issued a total of 41,630,000 H shares (including the exercise of over-allotment options) at the price of HK$43.2 per share (the "MedBot Listing").

The Group's equity interest in MP MedBot decreased from 53.75% to 50.47% upon the completion of the MedBot Listing in 2021.

The amount of US$108,305,000, being the difference between (i) the sum of the net proceeds received from the MedBot Listing of US$221,777,000 and (ii) the carrying amount of net assets in the proportion of the deemed disposed equity interests in MP MedBot as at the date of disposal was credited to capital reserve of the Group.

(d) MP NeuroTech

In November 2021, MP NeuroTech and several investors (the "NeuroTech Investors") entered into a share subscription and purchase agreement, pursuant to which, (i) the NeuroTech Investors subscribed for an aggregate of 2,032,495 newly issued series A-2 preferred shares of MP NeuroTech (the "NT Series A-2 Shares") at an aggregated consideration of approximately US$31,256,000; and (ii) MicroPort Scientific Investment LTD, a wholly-owned subsidiary of the Company, transferred 7,720,432 ordinary shares of MP NeuroTech it held to the NeuroTech Investors at a consideration of approximately US$118,740,000, whereby the transferred shares were reclassified and re-designated as NT Series A-2 Shares.

Upon the completion of the above transactions and the Bond Exchange (see note 27(b)), the Group's voting right in MP NeuroTech were diluted to approximately 54.64% and the Group retained the control over MP NeuroTech as at 31 December 2021.

Such disposal of partial equity interest in MP NeuroTech was treated as a transaction within its shareholders in their capacity as equity holders. Hence, the amount of US$$22,623,000, being the gain on the disposal of equity interests in MP NeuroTech and net of the direct tax effects relating to the disposal equity interests in MP NeuroTech of US$11,354,000, was credited to capital reserve of the Group.

32 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 32(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, 15% (2020: 8.4%) and 28% (2020: 21.4%) 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.

32 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:

	2021		
	Expected loss rate %	**Gross carrying amount US$'000**	**Loss allowance US$'000**
Current (not past due)	**1.9%**	**183,091**	**3,395**
Less than 1 year past due	**46.1%**	**5,530**	**2,549**
More than 1 year past due	**62.9%**	**8,397**	**5,278**
		197,018	**11,222**

	2020		
	Expected loss rate %	Gross carrying amount US$'000	Loss allowance US$'000
Current (not past due)	1.2%	160,760	1906
Less than 1 year past due	50.9%	2,854	1,452
More than 1 year past due	91.9%	6,902	6,341
		170,516	9,699

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.

32 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:

	2021 **US$'000**	2020 US$'000
Balance at 1 January	**9,699**	9,680
Amounts written off during the year	**(77)**	(1,521)
Provision for impairment during the year	**1,160**	841
Exchange adjustments	**440**	699
Balance at 31 December	**11,222**	9,699

The management has assessed that during the year ended 31 December 2021, 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.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(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.

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:

	2021 Contractual undiscounted cash outflow					
	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$'000**	**Carrying amount at 31 December US$'000**
Interest-bearing borrowings	**96,120**	**33,670**	**155,937**	**82,515**	**368,242**	**364,383**
Convertible bonds	**–**	**–**	**721,406**	**–**	**721,406**	**660,369**
Lease liabilities	**53,795**	**53,818**	**129,527**	**5,784**	**242,924**	**218,942**
Trade and other payables	**474,136**	**34,532**	**548,561**	**–**	**1,057,229**	**771,706**
	624,051	**122,020**	**1,555,431**	**88,299**	**2,389,801**	**2,015,400**
Financial guarantee issued:						
Maximum amount guaranteed (note 21(iii))	**–**	**13,000**	**–**	**–**	**13,000**	**13,000**

	2020 Contractual undiscounted cash outflow					
	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$'000	Carrying amount at 31 December US$'000
Interest-bearing borrowings	13,092	74,377	78,991	33,163	199,623	192,879
Convertible bonds	2,000	51,833	–	–	53,833	48,583
Lease liabilities	12,848	11,831	23,652	8,769	57,100	54,848
Trade and other payables	403,838	278	249,853	4,741	658,710	562,495
	431,778	138,319	352,496	46,673	969,266	858,805
Financial guarantee issued:						
Maximum amount guaranteed (note 21(iii))	–	–	13,000	–	13,000	13,000

32 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's interest rate risk arises primarily from cash at banks, deposits with banks, interest-bearing borrowings and convertible bonds. Borrowings issued at variable rates and cash at banks expose the Group to cash flow interest rate risk. Deposits with banks and borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's interest rate risk profile as monitored by management is set out in (i) below.

(i) Interest rate risk profile

The following table, as reported to the management of the Group, details the interest rate risk profile of the Group's total borrowings, cash at banks and deposits with banks at the end of the reporting period:

	2021		2020	
	Effective interest rate	**Amount US$'000**	Effective interest rate	Amount US$'000
Net fixed rate instruments:				
Deposits with banks	**0.60% – 3.20%**	**309,474**	0.05% – 2.03%	403,140
Interest-bearing borrowings	**1.70% – 5.39%**	**(181,016)**	3.10% – 3.95%	(45,196)
Convertible preferred shares issued by subsidiaries	**12.14% – 14.38%**	**(365,903)**	9.09% – 15%	(362,957)
Lease liabilities	**4.00% – 22.00%**	**(218,942)**	3.88% – 9.50%	(54,848)
Convertible bonds	**2.46%**	**(660,369)**	4.00%	(48,583)
		(1,116,756)		(108,444)
Net variable rate instruments:				
Cash at banks	**0% – 2.25%**	**1,383,500**	0% – 2.03%	598,937
Deposits with banks	**0% – 2.55%**	**94,330**	1.75% – 2.75%	623
Interest-bearing borrowings	**3.65% – 5.64%**	**(183,367)**	1.22% – 5.64%	(147,683)
		1,294,463		451,877
		177,707		343,433

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At 31 December 2021, 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$5,648,000 (2020: decreased/increased loss by US$4,064,000) and decreased/increased accumulated losses by approximately US$5,422,000 (2020: decreased/increased accumulated losses by US$2,738,000), 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 2020.

(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$.

32 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$)					
	2021			2020		
	HK$	**US$**	**RMB**	HK$	US$	RMB
	US$'000	**US$'000**	**US$'000**	US$'000	US$'000	US$'000
Trade and other receivables	**–**	**9,462**	**13,558**	–	9,965	4,190
Cash and cash equivalents	**35,197**	**9,855**	**32,668**	1,941	9,637	64
Trade and other payables	**(1,075)**	**(8,352)**	**(11,540)**	–	(15,111)	(147)
Amounts due to group companies	**–**	**(5,217)**	**–**	–	(1,388)	(5,976)
Amounts due from related parties	**–**	**2,607**	**–**	–	1,799	–
Derivative financial liabilities	**–**	**(1,239)**	**–**	–	(2,093)	–
Net exposure arising from recognised assets and liabilities	**34,122**	**7,116**	**34,686**	1,941	2,809	(1,869)

32 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.

	2021		2020	
	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$)	**3%**	**947**	3%	(51)
	(3)%	**(947)**	(3)%	51
HKS (against US$)	**3%**	**932**	3%	58
	(3)%	**(932)**	(3)%	(58)

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 2020.

32 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

32 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)

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

		Fair value measurements as at 31 December 2021 categorised into		
	Fair value at 31 December 2021 US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000
Recurring fair value measurement				
Financial assets:				
Unlisted debt and equity securities (note 15)	**25,221**	**–**	**10,702**	**14,519**
Call options held (note 30(c))	**4,963**	**–**	**–**	**4,963**
Warrants issued by an equity-accounted investee	**1,406**	**–**	**–**	**1,406**
Financial liabilities:				
Contingent liabilities in business combination (note 30(a))	**(39,633)**	**–**	**–**	**(39,633)**
Put option written to				
– SRL Put Option (note 17(ii))	**(1,651)**	**–**	**–**	**(1,651)**
– Witney Put Option (note 17(iii))	**(1,239)**	**–**	**–**	**(1,239)**

32 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 2020 categorised into		
	Fair value at 31 December 2020 US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000
Recurring fair value measurement				
Financial assets:				
Unlisted debt and equity securities (note 15)	19,605	–	–	19,605
Warrants issued by an equity-accounted investees	1,920	–	–	1,920
Financial liabilities:				
Series D Adjustment (note 17(i))	(9,252)	–	–	(9,252)
Put option written to				
– SRL Put Option (note 17(ii))	(11,116)	–	–	(11,116)
– Witney Put Option (note 17(iii))	(2,093)	–	–	(2,093)
Interest rate swaps	(410)	–	(410)	–

During the years ended 31 December 2021 and 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(Expressed in United States dollars unless otherwise indicated)

32 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)

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of the unlisted equity securities in Level 2 is determined by the recent transaction price.

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	From 36% to 39%
		Expected probability of event	50%
Call options	Black-Scholes option pricing model (Note b)	Expected volatility, taking into account the historical volatility of the comparable companies	48%
Warrants	Binomial tree model (Note c)	Expected volatility, taking into account the historical volatility of the comparable companies	40-48%
Contingent liabilities	Probability-weighted discounted cash flow method (Note d)	Expected probability of achievement of milestones and conditions	100%
		Discount rate	0%
SRL Put Option	Black-Scholes option pricing model (Note e)	Expected volatility, taking into account the historical volatility of the comparable companies	44%
		Expected probability of event	35%
Witney Put Option	Black-Scholes option pricing model (Note f)	Expected volatility, taking into account the historical volatility of the comparable companies	40%
		Expected probability of event	50%

32 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 2021, 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$309,000/US$308,000 and an increase/decrease in the expected volatility by 5% would have decreased/increased the Group's loss by US$2,000/US$27,000.

Note b As at 31 December 2021, 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$863,000/US$533,000.

Note c As at 31 December 2021, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 5% would have decrease/increase the Group's loss by US$172,000/US$176,000.

Note d As at 31 December 2021, 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$3,966,000 and an increase in the discount rate by 1% would have decreased the Group's loss by US$733,000.

Note e As at 31 December 2021, 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$472,000/US$472,000 and an increase/decrease in the expected volatility by 5% would have increased/decreased the Group's loss by US$487,000/US$458,000.

Note f As at 31 December 2021, 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$248,000/US$248,000 and an increase/decrease in the expected volatility by 5% would have increased/decreased the Group's loss by US$179,000/US$176,000.

32 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 2021	21,525	(22,461)
Additions from acquisitions of subsidiaries (note 30(d))	4,963	(40,429)
Changes in fair value recognised in profit or loss during the year	12,294	10,922
Transfers into equity-accounted investees	(17,961)	–
Exercise of the Series D Adjustment (note 17)	–	9,445
Exchange adjustments	67	–
At 31 December 2021	20,888	(42,523)

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2021 and 2020.

33 COMMITMENTS

Capital commitments outstanding at 31 December 2021 not provided for in the financial statements were as follows:

	2021 US$'000	2020 US$'000
Contracted for	**200,538**	40,000
Authorised but not contracted for	**343,900**	158,000
	544,438	198,000

In addition, the Group was committed at 31 December 2021 to enter into a new lease of 7 years that are not yet commenced, the lease payments under which amounted to US$610,000 per annum with approximately 3% inflation in each subsequent year.

34 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:

	2021	2020
	US$'000	US$'000
Salaries and other benefits	**2,926**	2,934
Discretionary bonuses	**981**	177
Retirement scheme contributions	**130**	89
Equity-settled share-based payment expenses	**51,857**	40,527
Cash-settled share-based payment expenses	**299**	468
	56,193	44,195

Total remuneration was included in staff costs (note 5(b)).

(b) Financing arrangements

	2021	2020
	US$'000	US$'000
Loans to equity-accounted investees (Note)	**22,413**	3,775
Loans repaid by equity-accounted investees	**47,097**	300
Loans repaid to an equity-accounted investees	**–**	(633)
Loans repaid by Hopeway Biotech	**44,500**	–
Loans to Hopeway Biotech	**17,800**	24,205

Note: As at 31 December 2021, loans to equity-accounted investees of the Group bore an interest rate at 4.75% p.a. (2020: 4.75%)

(c) Leasing arrangement

In May 2021, the Group entered into a 6-year lease in respect of certain leasehold properties located in Shanghai from Shanghai Jushuo Investment Management Co., Ltd. ("Jushuo Investment") for use of manufacturing facilities, warehouses and office buildings. Jushuo Investment is a subsidiary of Shanghai Zhangjiang (Group) Corp. ("ZJ Group", which is a substantial shareholder of the Company). The amount of rent payable by the Group under the lease is US$150,000 per month, which was determined after arm's length negotiations with reference to the prevailing market rents of comparable properties. At the commence date of the lease, the Group recognised a right-of-use asset of US$10,172,000 and a lease liability of US$10,010,000.

(Expressed in United States dollars unless otherwise indicated)

34 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Cash deposit with a related party

During the year ended 31 December 2021, the Group placed cash deposits in SHRB, an equity-accounted investee of the Group, with an interest rate from 0.35% to 2.55% per annum. As at 31 December 2021, the amount of bank deposits in SHRB was US$20,450,000.

During the year ended 31 December 2021, the Group received interest income from the above bank deposits amounting to US$428,000.

(e) Sales to related parties

For the year ended 31 December 2021 and 2020, 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
AccuPath (Note)	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

Note: Upon the completion of the AccuPath Disposal during the year ended 31 December 2021 (see note 31(a)), AccuPath became an equity-accounted investee of the Group. The transaction with AccuPath since the date of the disposal have been disclosed as related party transactions.

34 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Sales to related parties (continued)

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

	2021 US$'000	2020 US$'000
Thai Otsuka	**2,904**	3,236
Otsuka Philippines	**70**	403
Otsuka Indonesia	**189**	225
Otsuka Pakistan	**354**	148
KISCO Co., Ltd.	**475**	412
AccuPath	**1,512**	–
MP EP	**–**	751
Horizon	**–**	223
Purple Medical	**1,154**	209

Amounts due from related parties are unsecured, interest-free and expected to be recovered within one year.

(f) 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
Shanghai MicroPort Lifesciences Co., Ltd.	Equity-accounted investee of the Group
Shanghai Endophix Medtech Co., Ltd.	Equity-accounted investee of the Group
SuZhou ProSteri Medical Technology Co., Ltd.	Equity-accounted investee of the Group
Suzhou Reveda Medtech Co., Ltd.	Equity-accounted investee of the Group
Robocath SAS	Equity-accounted investee of the Group

	2021 US$'000	2020 US$'000
Purchase from equity-accounted investees	**36,114**	524
Rental income from equity-accounted investees	**2,105**	260
Service fee income from equity-accounted investees	**907**	–
Payment on behalf of equity-accounted investees by the Group	**780**	–
Transfer of non-current assets to equity-accounted investees	**4,866**	–

(g) Applicability of the Listing Rules relating to connected transactions

The related party transactions with subsidiaries of ZJ Group and Otsuka Holding and Hopeway Biotech 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.

35 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	31 December 2021 US$'000	31 December 2020 US$'000
Non-current assets		
Investments in subsidiaries	**1,000,489**	640,069
Interest in equity-accounted investees	**5,061**	6,601
	1,005,550	646,670
Current assets		
Other receivables	**7,369**	7,742
Cash and cash equivalents	**474,533**	40,963
	481,902	48,705
Current liabilities		
Amounts due to subsidiaries	**40,797**	6,911
Other payables	**11,720**	13,714
Interest-bearing borrowings	**12,253**	–
	64,770	20,625
Net current assets	**417,132**	28,080
Total assets less current liabilities	**1,422,682**	674,750
Non-current liabilities		
Convertible bonds (note 27(a))	**660,369**	–
Interest-bearing borrowings	**47,538**	–
Other payables	**13,641**	13,000
Derivative financial liabilities (note 17)	**1,651**	11,116
	723,199	24,116
NET ASSETS	**699,483**	650,634
CAPITAL AND RESERVES (note 29(a))		
Share capital	**18**	18
Reserves	**699,465**	650,616
TOTAL EQUITY	**699,483**	650,634

(Expressed in United States dollars unless otherwise indicated)

36 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 25 February 2022, the Group, AccuPath and other third-party investors entered into capital contribution agreements, pursuant to which, the Group and other third-party investors agreed to contribute RMB64,000,000 and RMB136,000,000 in cash to AccuPath. Upon the completion of the transaction, the Group's interests in AccuPath will be diluted from 47.4% as at 31 December 2021 to 43.5% and AccuPath is still an equity-accounted investees of the Group.

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2021 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
Annual Improvements to HKFRS Standards 2018 – 2020	1 January 2022
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 16, *Property, plant and equipment: proceeds before intended use*	1 January 2022
Amendments to HKAS 37, *Onerous contracts – cost of fulfilling a contract*	1 January 2022
Amendments to HKAS 1, *Classification of liabilities as current or non-current*	1 January 2023
HKFRS 17, *Insurance contracts*	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023
Amendments to HKFRS 10 and HKAS 28, *Sale of contribution of assets between an investor and its associate or joint venture*	To be determined

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.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