2018 Interim Report

20th ANNIVERSARY 1998-2018

MicroPort Scientific Corporation
微創醫療科學有限公司

(Incorporated in the Cayman Islands
with limited liability)
(Stock Code: 00853)

MicroPort®
The Patient Always Comes First

COMPANY PROFILE

MicroPort Scientific Corporation (the "Company" or "MicroPort™") and its subsidiaries (collectively the "Group") are a leading, innovative high-end medical devices company in China, with the headquarter in Shanghai Zhangjiang Hi-Tech Park and the R&D or production bases in Shanghai, Suzhou, Jiaxing and Dongguan, China, Memphis, the United States, Clamart (suburban of Paris), France, Saluggia (suburban of Milan), Italy and Santo Domingo, the capital of Dominican Republic. As a company with global R&D, manufacturing, marketing and service networks, it has a workforce now reaching 5,000 employees from over 30 countries, with half of them being Chinese employees. MicroPort™ is dedicated to technological innovation, striving to provide the top-grade medical solutions to save and reshape patients' lives as well as to improve their quality of life.

The Group has more than 300 products approved for use worldwide, covering a broad range of business segments including interventional cardiology and structural heart, cardiac rhythm management (the "CRM") and electrophysiology (the "EP"), orthopedics, endovascular, neurovascular, diabetes and endocrine management, urology and gynecology, surgical management, surgical robotics and artificial intelligence. The Group's products are now available in over 8,000 hospitals across the major regions in Asia, Europe and America. On average, in every 12 seconds, somewhere around the world, MicroPort™ transforms a patient's life by bringing life-saving treatments or quality-improving care, or gives new hope of starting a family. Among which, MicroPort™ holds a leading position in China's drug eluting stent market since the launch of its drug-eluting stent in 2004, which is China's first domestically made drug-eluting stent. In particular, the launch of the world's first target-eluting stent in 2014 represented major leaps forward for the Group, transforming its drug-eluting-stent offering from a market follower to a global leader in this segment. Currently, among the disciplines of interventional therapy for coronary artery disease, orthopedics, CRM, endovascular field and others, the Group is ranked top five in the world in terms of market share.

The Group focuses on proprietary innovation, with a total of 3,500 patents granted (or under application). The Group won five National Awards for Science and Technology Progress (one of which is Enterprise Innovation Platform Model Award (企業創新平台模式獎)) and various State Awards for Science and Technology Progress; 14 products of the Group have entered the national special review procedure for innovative medical devices (the "Green Path") as at August 2018. The Group believes in evidence-based medicine and publishes the clinical performance or medical performance of nearly all core products and solutions in mainstream international scholarly journals.

The Group operates based on a patient- and doctor-oriented mentality; all the ideas and motives behind every operating activities stem from patients, and all the innovative notions originate from doctors and will be used specifically for them. As the saying goes "sun and moon will shine even the tiniest particles of dust, raindrops will nourish even the smallest blade of grass", MicroPort™ firmly believes everyone is born with the right to health, health care and longevity, and hopes that MicroPort™, via the cooperation between all walks of life, will be able to create various revolutionary medical solutions for everyone. The Group's vision (Dedicated People Striving to Make a Patient Oriented Global Enterprises Capable of Leading Minimally Invasive and Other Emerging Medical Technologies) and mission (Continuously Innovating and Subsequently Commercializing the Best and Yet Affordable Therapeutic Solutions to Save and Reshape Lives) are similar to the air we breathe, the sunbeam we see and the dew in the morning in nature; the Group aims to introduce the best high-end medical technology to every community, every corner, every family and every patient in the world, bringing them health and longevity fairly and equally.

With the management philosophy "eyes for greatness, hands on details", the Group will retain people-oriented mindset and be tirelessly dedicated to perfecting details and technological innovation. "Patients and doctors are comrade-in-arms; MicroPort™ is their backup; diseases are our sole and common enemy". "Serving the patients and doctors" is the Group's common belief. The Group is striving to create a community with a shared future for the patients and doctors, reducing or even obliterating the severe threats that chronic diseases pose to everyone. Besides, MicroPort™ aims to play a more important and indispensable role in the pursuit of human longevity and push the limits of average human life expectancy to 100 years, 120 years or even 150 years , and to make important contribution to meeting people's endlessly demands of good health and long life-span.

CONTENTS

Eyes for greatness
Hands on details

CORPORATE INFORMATION

DIRECTORS

EXECUTIVE DIRECTOR

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

NON-EXECUTIVE DIRECTORS

Mr. Norihiro Ashida

Mr. Hiroshi Shirafuji

Ms. Weiwei Chen *(resigned on 21 June 2018)*

Mr. Hongliang Yu *(appointed on 21 June 2018)*

Ms. Janine Junyuan Feng

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jonathan H. Chou

Dr. Guoen Liu

Mr. Chunyang Shao

COMPANY SECRETARY

Ms. Yee Har Susan Lo, *FCS (PE), FCIS*

AUTHORIZED REPRESENTATIVES

Dr. Zhaohua Chang

Ms. Yee Har Susan Lo

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)*

Ms. Weiwei Chen *(resigned on 21 June 2018)*

Dr. Guoen Liu

Mr. Hongliang Yu *(appointed on 21 June 2018)*

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

AUDITORS

KPMG, *Certified Public Accountants*

LEGAL CONSULTANT

Freshfields Bruckhaus Deringer

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.cn

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

China Construction Bank Corporation Shanghai Pudong Branch

Bank of China Limited Shanghai Zhangjiang Sub-Branch

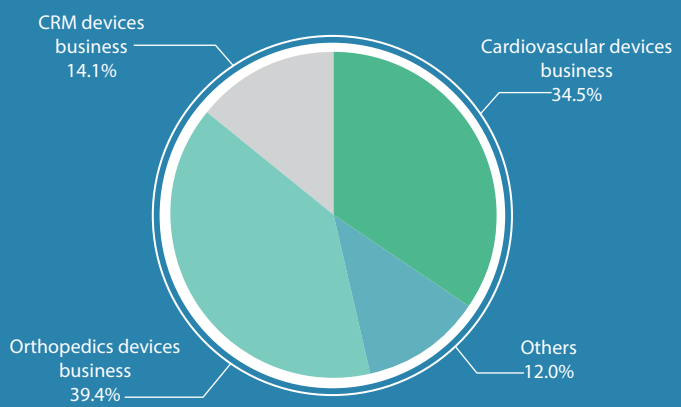
Shanghai Pudong Development Bank Zhangjiang Sub-Branch

FINANCIAL HIGHLIGHTS

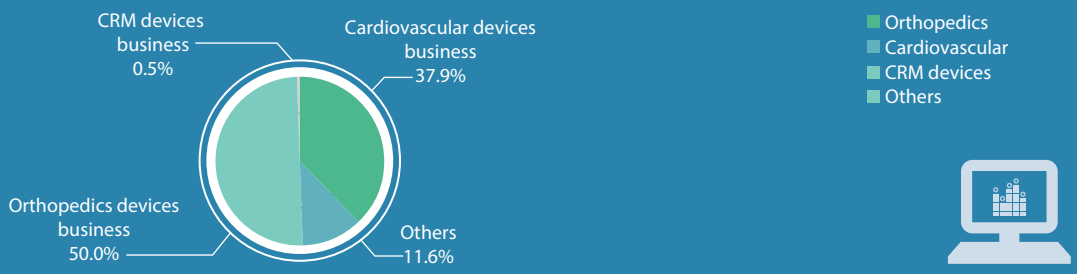
	Six months ended 30 June		
	2018 US$'000	2017 US$'000	Change %
Revenue	309,867	217,339	42.6%
Gross profit	219,429	158,344	38.6%
Profit for the period	24,203	20,614	17.4%
Profit attributable to equity shareholders	23,769	21,372	11.2%
Earnings per share –			
Basic (in cents)	1.64	1.50	9.3%
Diluted (in cents)	1.57	1.46	7.5%

REVENUE ANALYSIS

Revenue by Business Segment
For the Six Months Ended 30 June 2018



Revenue by Business Segment
For the Six Months Ended 30 June 2017



CEO STATEMENT

In the first half of 2018, the global medical device market continued to grow steadily, with the China medical device market in particular achieving substantial growth. Driven by the rapid development of China medical device industry and the influence of beneficial policies, cost-effective products from domestic medical device companies are accelerating the replacing process of imported products, and providing innovative products to patients in China even around the world. As a result of the ongoing optimization of Group's business operations and well implementation of diversified, globalized strategies, the Group recorded sales revenue of US$309.9 million for the six months ended 30 June 2018 (the "Reporting Period"), representing a year-on-year growth of 42.6%. Net profit was US$24.2 million, representing a year-on-year growth of 17.4%. These results were largely derived from the Group's further consolidation of its leading position of cardiovascular devices business in the PRC market, a rapid growth of orthopedics devices business, fast growing endovascular devices business driven by industry-leading R&D innovation capacity and efficient sales channels, robust sales growth of EP devices business and neurovascular devices business as well as sales contribution from the CRM devices business which was acquired on 30 April 2018.

CEO STATEMENT

The year 2018 marks a milestone in the Group's implementation of diversified and globalized strategies. During the Reporting Period, the Group completed the acquisition of a reputable CRM devices business with a history of more than 40 years. The business principally develops, manufactures and markets products including defibrillators, cardiac resynchronization therapy devices and pacemakers for the diagnosis, treatment and management of heart rhythm disorders and heart failure, with over one million patients implanted globally. Upon the completion of the acquisition, the Group officially owned the fifth-largest CRM devices business in the world with some of the most advanced technology and a global market. Thus, a new chapter in the Group's CRM devices business and sustainable development has begun.

Apart from this new business segment's contribution, the Group's existing businesses made significant progress in terms of R&D and marketing as well. As of 30 June 2018, the financial performance of the international (non-China) orthopedics devices business continued to maintain a favorable, stable momentum. The adjustment of sales strategies kept showing positive effects, with a growth rate in countries or regions such as the US and Japan above the market average. The China orthopedics devices business also made progress in market expansion. During the Reporting Period, the joint products of the Group expanded its sales coverage with over 200 new hospitals. As to the cardiovascular devices business, it continued to grow steadily with a growth rate above the China market average. The cardiovascular devices business segment also made great progress in the international market. The release of 1 year follow-up results from the TARGET ALL Comer ("Target AC") clinical trials of Firehawk™ Coronary Rapamycin Target Eluting Stent ("Firehawk™") attracted great attention from around the globe. Firehawk™ achieves primary endpoint and shows very promising results from TARGET AC clinical trial, the results of the TARGET AC trial demonstrated that vessels treated with the Firehawk™ showed non-inferiority results when compared to vessels treated with the control group. Such results further demonstrated that Firehawk™ has become one of the best drug eluting stents in the world. Other segments such as the endovascular devices business, neurovascular devices business and EP devices business all made notable progress in business operations and R&D as compared to last year.

The Rega™ Family Implantable Pacemakers obtained former China Food and Drug Administration ("CFDA") registration approval in 2017, and the first implant of the device was performed in March 2018, gaining wide attention from industry experts and media. Rega™ Family Implantable Pacemakers are available in three series (Orchidee™, Trefle™, and Rega™) and a total of eight models. All are automatic physiologic pacing pacemaker devices with world-class quality that feature a small size and a long service life. Currently, they are the smallest pacemakers on the market with a service life of 10 to 12 years. We are accelerating the integration of internal resources and planning to introduce more advanced technologies to China market from international (non-China) CRM devices business in future. Therefore, we can advance the replacement of imported products, and provide safe, efficacious and cost-effective high-end solutions and service to patients in China.

The Group announced one year follow-up clinical results for our in-house developed VitaFlow™ Transcatheter Aortic Valve and its Delivery System ("VitaFlow™"). These results demonstrated relatively low odds of all-cause mortality (2.7%) among the enrolled patients, with no major stroke. All patients' heart valves functioned properly, without moderate or severe paravalvular leakage. We expect VitaFlow™ to obtain the registration approval from State Drug Administration in the second half of 2018. Meanwhile, our in-house developed second generation VitaFlow™ will be joining our product portfolio in the coming years. Such product will include a "recoverable" function as well as integrated puncture and multi-directional bending, with increased compatibility which can significantly reduce vascular complications.

The year 2018 marks the 20th anniversary of the Group's founding. Today, MicroPort™ is a globalized medical devices group with over 300 products, 3,500 patents (or under application) and 5,000 employees. Our products are used in over 5,000 hospitals across the world. On average, in every 12 seconds, somewhere around the world, MicroPort™ transforms a patient's life by bringing life-saving treatments or quality-improving care, or gives new hope of starting a family. In future, we will retain our people-oriented mindset and continue to offer affordable, premium quality medical solutions to patients around the world. We will also be tirelessly dedicated to perfecting details and technological innovation. Through these efforts, we will earn a leadership position in the global high-tech medical field of minimally invasive procedures, and start a new chapter of MicroPort™.

1. BUSINESS OVERVIEW

OVERVIEW

In the first half of 2018, the global medical device industry continued to grow steadily. With an accelerating trend of population aging and diseases caused by modern lifestyle, there was growing market demand for innovative medical devices. 2018 is a crucial year for China for the implementation of the 13th Five-Year Plan; during the first half of the year, we have seen reconstructure of relevant organizations under the medical and health system, which marks the completion of the strategic framework at the top level of China's intensifying pharmaceutical reform. The State Medical Securities Administration, integrating the functions of medical insurance, product pricing and tendering, will take up the role for the administration and regulation of the pharmaceutical industry. In order to further reduce the financial burden of patients, protect people's lives and health, and enhance their quality of life, the government issued various policies to assure the continued development of the medical device industry in China. The main tasks include promoting the establishment of the hierarchical diagnosis and treatment system in the form of integrated medical system; establishing smart hospitals with the use of "Internet +" technology to better utilize China's health resources; continuously enhancing medical service capabilities and creating new markets for the medical device industry. With the high-end medical devices being taken as a key industry under the 13th Five-Year Plan, as well as the government's encouragement and support to the innovative enterprises in the industry, all these will facilitate the creation of new, cost-effective products with great quality by the leading enterprises in the industry. "The Guiding Principles on the Design of Medical Devices' Clinical Trials" (《醫療器械臨床試驗設計指導原則》) recognize the effectiveness of foreign clinical trial data when it comes to product registration in China; this will encourage backbone enterprises with international vision and operation experience to introduce new technologies to China. The increasingly tightened regulatory policies over product quality, distribution and tendering process will accelerate the elimination of backward production capacity in the industry, which will be beneficial for enterprises with strong economies of scale, products of premium quality and global strategic layouts and will form a new competitive landscape.

During the Reporting Period, the Group implemented the operational principles and goals in each business segment, so as to carry out key, diversified and globalized strategies. On 30 April 2018, the Group completed the acquisition of the CRM devices business from LivaNova. The newly acquired business not only contributes to the Group's revenue, but also helps the Group enhance competitiveness and attain sustainable development in the long run. For the six months ended 30 June 2018, the Group recorded revenue of US$309.9 million, representing a growth of 35.3% as compared to the corresponding period in 2017 (excluding the foreign exchange impact); and also recorded a net profit of US$24.2 million (profit attributable to equity shareholders: US$23.8 million).

SEGMENT REVIEW

– Orthopedics Devices Business Maintained Steady Growth

In the first half of 2018, based on the Group's unique concept of "Full Function, Faster™" in the orthopedics devices business, the product quality saw wider acceptance by doctors and patients, coupled with the continuous optimization of product mix and sales strategies, the orthopedics devices business maintained fast growing momentum. During the Reporting Period, the Group's orthopedics devices business recorded a revenue of US$122.1 million, representing a growth of 8.4% as compared to the corresponding period of last year (excluding the foreign exchange impact).

During the Reporting Period, the international (non-China) orthopedics business recorded a revenue of US$114.1 million, representing a growth of 6.5% as compared to the corresponding period of 2017 (excluding the foreign exchange impact), maintaining a growth rate above the market average. Sales performance in various countries or regions of the world had excellent performance, of which, business in North America achieved a growth of 8.9% (excluding the foreign exchange impact) in revenue as compared to the corresponding period of last year; business in Japan realized a growth of 5.1% (excluding the foreign exchange impact) in revenue as compared to the corresponding period of last year. The steady growth is driven by following factors: firstly, with the striving efforts of the Group's sales team, the sales coverage of the Group's international (non-China) orthopedics business expanded on a global scale; secondly, the Group continuously paid attention to medical education and training, including holding a number of roadshows during the Reporting Period and actively participating in industry conferences, so as to enhance the Group's brand recognition; last but not least, through the adjustment of sales strategy, the Group placed more resources and introduced more products catering for specific patients to countries and regions with higher profit margin. Due to the fast growing revenue, as well as great execution of the Group's defined turn-over plan, net loss of the Group's international (non-China) business was further narrowed by US$2.3 million, comparing to the corresponding period of last year. As for clinical research, the Group's Medial-Pivot Total Knee Replacement System ("Medial-Pivot Knee") are gaining more recognition in academia for its excellent product design and quality; its 17-year follow-up results demonstrate excellent clinical outcomes for both survivorship (98.8%) and patient satisfaction (95%). According to the comparative study authored by third party which published on The Journal of Arthroplasty, patients who underwent the Medial-Pivot total knee arthroplasty scored significantly better on the "Forgotten Joint Score" than those who underwent the posterior-stabilized total knee arthroplasty in terms of deep knee flexion and stability of the prosthesis.

During the Reporting Period, the Group's China orthopedics business recorded a revenue of US$8.0 million, representing a growth of 45.8% as compared to the corresponding period in 2017 (excluding the foreign exchange impact), which was driven by the rapid sales growth of joint business. The stable sales coverage expansion of the Group's China orthopedics business led to a steady increase in clinical implant volume in related products, among which, the implant volume of the Group's unique Medial-Pivot Knee increased notably. In the first half of 2018, through medical training activities such as overseas roadshows and workshops as well as the innovative online and offline media campaigns, the promotion of the MicroPort™ Orthopedics branding received positive feedback. During the Reporting Period, the Group's joint business developed over 200 new hospitals, of which, hip products developed 122 new hospitals, and knee products developed 80 new hospitals. At the same time, the quality of the joint business hospitals coverage continued to improve, with the average number of surgical procedures in each covered hospital increased. During the Reporting Period, spine and trauma business continued to increase its investment for innovation in spine products and academic promotion activities. As the technology intensiveness and competitive segmentation of spine products are greater than those of trauma products, the increasing sales contribution of spine products is favorable to the increase of the revenue and improvement of gross profit margin of the Group's China orthopedics business. With the significant breakthroughs made in the development of domestically made instruments by summarizing the characteristics of the existing knee instruments on the market based on tremendous amount of follow-up data on knee instrument users from the Group's international (non-China) orthopedics business, the Group's China orthopedics business independently developed the instrument kit for ADVANCE™ total knee replacement system specifically for China market. The instrument kit optimized 80% of the design of imported instruments, which significantly reduced the costs as well as the quantity of instruments, remarkably saved related instrument expenses and increased the turnover rate of orthopedics instruments. With an aim to reduce the operational cost in orthopedics business, the Group's Global Supply Center (the "GSC") continuously keeps playing an important role in the provision of centralized procurement, supply and logistic distribution services of surgical instruments and consumables for orthopedics business.

– CRM Devices Business Opens A New Chapter

The Group's CRM devices business principally develops, manufactures and markets products including defibrillators, cardiac resynchronization therapy devices and pacemakers for the diagnosis, treatment and management of heart rhythm disorders and heart failure. The Group completed the acquisition of CRM devices business from LivaNova on 30 April 2018. It is not only an overarching measure for the globalization strategy of the Group, but also a solid guarantee for the products' domestic production and the replacement of foreign products in China.

The Group's international (non-China) CRM devices business has a history of over 40 years in clinical application, with implantations over one million globally. Among the products, Kora™ series are the world's smallest full-body Magnetic Resonance Imaging ("MRI") conditional pacemakers, which make MRI scans no longer off-limits for pacemaker patients with the world's first pacemaker technology capable of detecting an MRI field and automatically switching to asynchronous mode. Platinium™ Implantable Cardioverter Defibrillator ("ICD") has the world's longest projected longevity of 14.3 years, giving the patients more durable and reliable safeguard. Platinium™ Cardiac Resynchronization Therapy Defibrillator ("CRT-D") features the world's only SonR™ contractility sensor for optimization of automatic Cardiac Resynchronization Therapy ("CRT"), improving heart failure symptoms. Ceaselessly pursuing innovation, the international (non-China) CRM devices business continues to provide the world the best, yet affordable therapeutic solutions which save and improve patients' lives. In the first half of 2018, PLATINIUM™ 4LV SonR™ CRT-D obtained approval from the Japanese Pharmaceuticals and Medical Devices Agency. SonR™ is the world's first and only sensor-based therapeutic optimization for CRT. The acquisition of CRM devices business was completed on 30 April 2018, during the Reporting Period, the international (non-China) CRM devices business recorded revenue for the period from 30 April 2018 to 30 June 2018, achieved reported revenue of US$42.8 million.

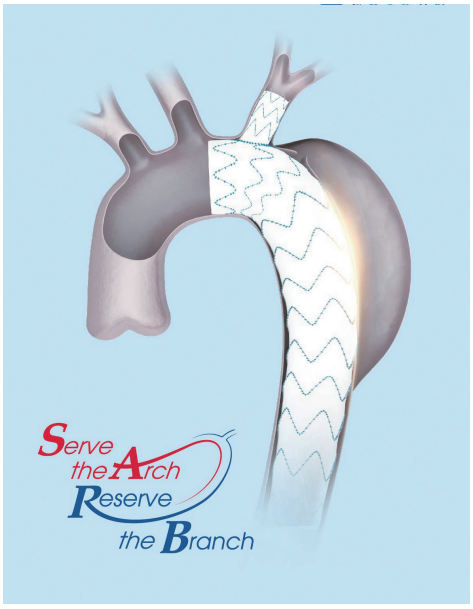
MicroPort Sorin CRM (Shanghai) Co., Ltd. ("MSC") manages the R&D, production and marketing of the Company's CRM devices business in China. Benefiting from the launch of domestic pacemakers, the CRM devices business in China performed outstandingly during the Reporting Period, the great sales performance was mainly attributable to the continuing expansion of the Group's sales coverage with both imported and domestic products. The first batch of the domestically-made Rega™ Family Implantable Pacemakers ("Rega™ Pacemaker") were implanted in March 2018. The Rega™ Pacemakers, with world-class quality and affordable price, gained wide recognition of the government, industry and media due to its small size, longevity, physiological ability and automatability. From March 2018 to the end of June 2018, 45 hospitals, including some leading hospitals in CRM industry, performed implantation of Rega™ Pacemakers. With its strong product portfolio and innovativeness, resources of international (non-China) CRM devices business can be leveraged to enhance the operational efficiency of the Group's China CRM devices business. In future, R&D cooperation between the international (non-China) and the Group's China CRM devices business will bring synergy to the Company; more international cutting edge technologies will be introduced to China, and patients there will enjoy the benefit of more affordable products with premium quality.

– Continued Rapid Growth of the Cardiovascular Devices Business

In the first half of 2018, the Group's cardiovascular devices business maintained a strong growing momentum. It recorded revenue of US$106.8 million, representing growth of 21.1% as compared to the corresponding period of 2017 (excluding the foreign exchange impact). The growth was mainly driven by the exceptional clinical and sales performance, coupled with further market expansion of the Group's world's first and only Firehawk™ Coronary Rapamycin Target Eluting Stent ("Firehawk™"), and the high value Firebird™ Coronary Rapamycin-Eluting CoCr Coronary Stent ("Firebird2™"). During the Reporting Period, revenue from the Group's drug eluting stents' domestic business achieved a year-on-year growth of 22.1% (excluding the foreign exchange impact). Among them, Firehawk™ delivered a year-on-year revenue growth of 37.9% (excluding the foreign exchange impact), and Firebird2™ realized a year-on-year revenue growth of 16.3% (excluding the foreign exchange impact). At the same time, our balloon products business continued to grow rapidly, experiencing a year-on-year sales growth of 69.6% (excluding the foreign exchange impact). The Group's cardiovascular devices business has further expanded hospital coverage in China. As of 30 June 2018, the Group's drug eluting stents were used in more than 1,550 hospitals across China. In July 2018, six new Firehawk™ models were approved by the State Drug Administration of China. This not only improves the competitiveness of Firehawk™, but also provides patients and doctors with more options, which will further consolidate the Group's leading position in the cardiovascular devices market in China.

During the Reporting Period, notable progress was made in the Group's international (non-China) cardiovascular devices business. In May 2018, the Group announced primary endpoint data at 12 months and Quantitative Coronary Angiography data at 13 months of the latest clinical trial of Firehawk™, TARGET AC in EuroPCR for the first time. Firehawk™ achieves primary endpoint and shows very promising results from TARGET AC clinical trial, the results of the TARGET AC trial demonstrated that vessels treated with the Firehawk™ showed non-inferiority results when compared to vessels treated with the control group. The TARGET AC trial is a prospective, multi-center, randomized controlled clinical trial consisting of entirely European based patients. This clinical study enrolled its first patient in December 2015 and completed enrollment of its last patient in October 2016.

– **Significant Growth of the Endovascular Devices Business**



During the Reporting Period, the Group's endovascular devices business experienced significant growth, recording a revenue of US$19.9 million, representing a growth of 51.4% (excluding the foreign exchange impact) as compared with the same period of last year, a growth rate far above the average rate in China market. Its strong performance was mainly attributable to the Group's products' excellent clinical and sales performance, as well as new products with high added value included in the product mix. During the Reporting Period, compared to the corresponding period of 2017, revenue of the Group's thoracic aortic aneurysm products grew 56.8% (excluding the foreign exchange impact), revenue of the Group's abdominal aortic aneurysm products grew 32.3% (excluding the foreign exchange impact), and revenue of the Group's surgical stent graft products grew 24.4% (excluding the foreign exchange impact). In terms of market expansion, the Group has developed 55 new hospitals in China. The Group's in-house developed Castor™ Thoracic Branch Stent-Graft System (the "Castor™") is the world's first thoracic branch stent-graft system, and its first implant was performed in September 2017. As of 30 June 2018, Castor™ has covered 100 hospitals in China. Sales contribution of new products, as well as refinements to product manufacturing and business operations have resulted in an increased gross profit margin for the Group's endovascular devices business. In addition to China business's rapid development, the exploration of overseas business also made exceptional progress. In January 2018, three of the Group's in-house developed products – Hercules™-T Low Profile Stent-Graft, Hercules™ Bifurcated Stent-Graft System and Delivery System, and Hercules™ Balloon Dilation Catheter – obtained approvals for registration from Colombia's health authority INVIMA. It was the first time the Group's endovascular products have gained approval for registration in that country. The above three products had already received approvals for registration in Brazil, Argentina, Peru, Thailand, Indonesia and the Philippines.

– **Significant Milestones in Other Businesses**

During the Reporting Period, the Group's neurovascular devices business achieved a year-on-year revenue growth of 33.6% (excluding the foreign exchange impact), mainly driven by a continuing sales coverage expansion of products and an even more comprehensive neurovascular product mix. In the first half of 2018, APOLLO™ Intracranial Stent System (the "APOLLO™"), which is used for the treatment of intracranial stenosis, developed 116 new hospitals in China, and achieved a revenue growth of 30.7% (excluding the foreign exchange impact) as compared with the same period of last year. The WILLIS™ Intracranial Stent Graft System (the "WILLIS™") is a first-of-its-kind product in China indicated for the treatment of intracranial aneurysms and the reconstruction of intracranial aneurysm. WILLIS™ developed 55 new hospitals in China in the first half of 2018, represented a revenue growth of 10.7% (excluding the foreign exchange impact) as compared with the same period of last year. In March 2018, the Group's in-house developed Tubridge™ Vascular Reconstruction Device (the "Tubridge™") received registration approval from CFDA, becoming the first flow diverting stent approved in China, Tubridge™ started to contribute revenue since second quarter of 2018. Meanwhile, Vertebral Artery Rapamycin Target Eluting Stent has passed CFDA's review and entered the Green Path, it is the world's first drug-eluting stent indicated for the treatment of vertebral artery stenosis.

As the only domestic provider with a total solution of 3D and magnetic orientation ablation treatment for cardiac arrhythmia, the Group's EP devices business achieved a substantial growth of 46.2% (excluding the foreign exchange impact) in revenue compared to the corresponding period of last year. The year on year revenue growth of 42.2% (excluding the foreign exchange impact) in its China business was mainly driven by the products' stable clinical performance and the continuing expansion of sales coverage. During the Reporting Period, the Group developed 61 new 3D EP clinical centers in China, which led to a steady growth in 3D product sales. The revenue of international business recorded significant growth of 73.7% (excluding the foreign exchange impact) as compared with the same period of last year, mainly attributable to substantial revenue growth in covered countries and regions such as Greece, Turkey and Spain. At the beginning of 2018, the Group successfully developed Ecuador as a new international market. During the Reporting Period, the in-house developed, second generation Columbus™ 3D EP Navigation System (the "Columbus™") and EasyFinder™ Deflectable Mapping Catheter 3D (the "EasyFinder™") obtained CFDA approval, which complement the Group's comprehensive product pipeline, and meet the needs of more patients and doctors. In June 2018, the publication of the Health Economic Evaluation Report on Columbus™ and Its Matching Catheters became the Group's third health economic evaluation report after Firehawk™ and WILLIS™.

– Major Progress in Research and Development

As of 30 June 2018, five of the Group's products had gained CFDA registration approval, with one product granted Green Path, and various other projects attaining milestone achievements.

In March 2018, the Group announced two-year follow-up results of the First-In-Man study (the FUTURE-I) of the Group's in-house developed Firesorb™ Bioresorbable Sirolimus Target Eluting Coronary Scaffold System (the "Firesorb™"). According to the results, the occurrence of the main endpoint in two years is zero, the occurrence of patient-oriented composite endpoint – including death, myocardial infarction, and revascularization – is 2.2%, and the occurrence of all-cause mortality, target vessel MI and stent thrombosis are all zero. These outcomes further demonstrated the feasibility, preliminary safety and efficacy of Firesorb™ in treating patients with single-vessel coronary diseases.

In April 2018, the Group announced one-year follow-up study results for the Group's in-house developed VitaFlow™. The study was a prospective, multi-center single-arm trial with 110 aged patients suffering from severe calcified aortic stenosis who are either high-risk or can't undergo open surgery. The data demonstrated the occurrence of all-cause mortality is as low as 2.7%, and there is no major stroke. All of the patients reported good hemodynamic function, no moderate or severe paravalvular leakage. The one-year clinical data of VitaFlow™ demonstrated that VitaFlow™ is safe and effective in treating severe calcified aortic stenosis.

During the Reporting Period, R&D for surgical robotics made stable progress. With increasingly frequent technological breakthroughs, the R&D achievements of this business segment gradually comes out.

2. FINANCIAL REVIEW

OVERVIEW

Faced with an increasingly fierce competition in the rapidly growing medical device industry in China and abroad, the Group have successfully achieved a revenue growth of 42.6% in US$ for the six months ended 30 June 2018 and maintained its leading position in China. The Group firmly continued to provide a diversified product portfolio and pursue the Group's globalization strategy with non-China sales contributing 53.0% of the total revenue. The Group aims to continuously bring its innovations, technologies and services to millions of global patients and become a patient oriented global enterprise capable of leading minimally invasive and other emerging medical technologies.

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

REVENUE

US$'000	Six months ended		Percent change	
	30 June 2018	30 June 2017	in US$	in local currency
Orthopedics devices business	**122,134**	108,771	12.3%	8.4%
– US	50,985	46,824	8.9%	8.9%
– EMEA	32,984	29,570	11.5%	1.8%
– Japan	17,401	15,904	9.4%	5.1%
– PRC	8,007	5,134	56.0%	45.8%
– Others	12,757	11,339	12.5%	11.7%
Cardiovascular devices business	**106,848**	82,422	29.6%	21.1%
CRM devices business *(*Note 1)*	**43,752**	1,052	4,058.0%	3,794.0%
Endovascular devices business	**19,876**	12,181	63.2%	51.4%
Neurovascular devices business	**8,331**	5,810	43.4%	33.6%
Electrophysiology devices business	**5,520**	3,526	56.6%	46.2%
Surgical devices business	**3,406**	2,862	19.0%	11.3%
Diabetes devices business *(*Note 2)*	**–**	715	(100.0%)	(100.0%)
Total	**309,867**	217,339	42.6%	35.3%

**Notes:*

1. The acquisition of the CRM devices business from LivaNova was completed on 30 April 2018. The financial results of the CRM devices business have been consolidated into the financial statement of the Group thereafter. As a result the revenue of this segment disclosed herein for the period ended 30 June 2018 includes the acquired business for the period from 30 April 2018 to 30 June 2018 and the previous pacemaker business for the six months period ended 30 June 2018.

   The revenue of cardiovascular devices business and CRM devices business for the period ended 30 June 2017 was represented to reclass the pacemaker revenue previously included in cardiovascular devices business to the CRM devices business.

2. This segment was restructured in 2017 whereby the Group ceased to hold the controlling interest of Shanghai MicroPort Lifesciences Co., Ltd. (the "MP Lifesciences Shanghai") which became an associate of the Group. As a result, revenue of this segment disclosed herein for the six months ended 30 June 2017 was recorded for the period from 1 January 2017 to the date of loss of control.

The Group's revenue for the six months ended 30 June 2018 was US$309.9 million, increasing by 42.6% compared to US$217.3 million for the six months ended 30 June 2017. The Group's reported revenue was impacted by translation from Renminbi ("RMB"), the functional currency of the Group's PRC subsidiaries, to US$, the presentation currency of the Group due to the appreciation or depreciation of US$ against RMB. Excluding the foreign exchange impact, the Group's revenue growth rate was 35.3%. Such an increase was primarily driven by strong sales performance of the major business and the acquisition of the CRM devices business. The following discussion is based on the Group's eight major business segments.

– Orthopedics Devices Segment

The Group's orthopedic devices segment achieved a revenue of US$122.1 million for the six months ended 30 June 2018, representing a growth of 8.4% excluding the foreign exchange impact or 12.3% in US$ compared to the six months ended 30 June 2017. Such operational increase was mainly because (i) revenue in the US market achieved 8.9% growth excluding the foreign exchange impact as US continued its trend of stabilization and growth with a focus on opening new sales channels, surgeon training effectiveness, and new product launches which encouraged revenue growth in the US market; (ii) revenue in Japan increased by 5.1% excluding the foreign exchange impact or 9.4% in US$, which was attributable to positive momentum from Japan market driven by a focus on sales execution and customer development; (iii) revenue in EMEA market increased by 1.8% excluding the foreign exchange impact or 11.5% in US$ over the prior period, mainly effected by the strategy to shift away from lower margin sales channels to higher margin subsidiaries for optimized utilization of limited corporate resources; (iv) revenue in the PRC market increased by 45.8% excluding the foreign exchange impact or 56.0% in US$, which was attributable to the completed internal organizational restructuring and greater market recognition from surgeons, leading to the increase in implants volume; and (v) sales in other markets achieved significant growth of 11.7% excluding the foreign exchange impact or 12.5% in US$, driven by steady growth in Australia and Canada.

– Cardiovascular Devices Segment

The Group's cardiovascular devices segment achieved a revenue of US$106.8 million for the six months ended 30 June 2018, representing a growth of 21.1% excluding the foreign exchange impact or a growth of 29.6% in US$ compared to the six months ended 30 June 2017. Such increase was mainly attributable to (i) Firehawk™ penetrated into an increasing number of hospitals across more provinces in China and overseas, with its global revenue achieving 30.2% growth excluding the foreign exchange impact compared with the six months ended 30 June 2017; and (ii) Firebird2™ sales maintaining a steady growth of 15.4% excluding the foreign exchange impact through advanced distribution channels.

– CRM Devices Business

CRM devices business was acquired by the Group from LivaNova, and the acquisition was completed on 30 April 2018. Following completion of such acquisition, the financial results of the CRM devices business has been consolidated into the financial statement of the Group. As a result the revenue of this segment disclosed herein for the six months ended 30 June 2018 includes the acquired business for the period from 30 April 2018 to 30 June 2018 and the previous pacemaker business for the six months period ended 30 June 2018.

– Endovascular Devices Segment

The Group's endovascular devices segment achieved revenue of US$19.9 million for the six months ended 30 June 2018, representing a growth of 51.4% excluding the foreign exchange impact or a growth of 63.2% in US$ compared with the six months ended 30 June 2017. Such growth was mainly attributable to the following factors: (i) positive market recognition and enhanced competitiveness of the Group's endovascular products in thoracic aortic aneurysm and endovascular treatment market as a result of market launch of Hercules™ Low Profile product; (ii) positive market recognition of the newly launched product Castor™, the world's first thoracic branch stent-graft system; and (iii) in response to government guideline, cultivating markets in second-and third-tier cities through effective promotion mechanisms.

– **Neurovascular Devices Segment**

The Group's neurovascular devices segment recorded revenue of US$8.3 million for the six months ended 30 June 2018, representing a growth of 33.6% excluding the foreign exchange impact or a growth of 43.4% in US$ compared to the six months ended 30 June 2017. Such growth was mainly attributable to (i) the organic growth of 30.7% excluding the foreign exchange impact in APOLLO™ driven by its greater market recognition; (ii) WILLIS™ penetrated into an increasing number of hospitals since being included in Shanghai's Drug Reimbursement List in April 2016, which contributed to the steady growth of 10.7% excluding the foreign exchange impact; (iii) positive market recognition for newly launched Tubridge™, the first flow diverting stent approved for product launch in China; and (iv) rapid growth of an agent product, neurovascular guide wire ASAHI.

– **Electrophysiology Devices Segment**

The Group's electrophysiology devices segment recorded revenue of US$5.5 million for the six months ended 30 June 2018, representing a growth of 46.2% excluding the foreign exchange impact or a growth of 56.6% in US$ compared to the six months ended 30 June 2017. Such increase was mainly attributable to a significant expansion of the Group's distribution network and hospital coverage, as well as new product sales of Columbus™ and FireMagic™ 3D irrigated ablation catheter.

– **Surgical Management Segment**

The Group's segment of surgical management devices recorded revenue of US$3.4 million for the six months ended 30 June 2018, representing a growth of 11.3% excluding the foreign exchange impact or a growth of 19.0% in US$ compared to the six months ended 30 June 2017. The increase was primarily attributable to the sales growth of membrane oxygenation system, ultrafiltration and surgical consumable driven by effective sales promotion activities.

– **Diabetes Care and Endocrinal Management Segment**

The Group's segment of diabetes care and endocrinal management was restructured in 2017 whereby the Group ceased to hold the controlling interest in MP Lifesciences Shanghai which became an associate entity of the Group, and its revenue was no longer consolidated thereafter.

COST OF SALES

For the six months ended 30 June 2018, the Group's cost of sales was US$90.4 million, representing a 53.3% increase as compared to US$59.0 million for the six months ended 30 June 2017. Such increase was primarily attributable to (i) the increased sales volume of the major segments; and (ii) the increased cost of the CRM devices business which was acquired in April 2018 and consolidated in the six months ended 30 June 2018.

GROSS PROFIT AND GROSS PROFIT MARGIN

As a result of the foregoing factors, the Group's gross profit increased by 38.6% from US$158.3 million for the six months ended 30 June 2017 to US$219.4 million for the six months ended 30 June 2018. Gross profit margin is calculated as gross profit divided by revenue. The Group's gross profit margin decreased to 70.8% for the six months ended 30 June 2018 as compared to 72.9% for the six months ended 30 June 2017, primarily due to the dilutive impact of the newly acquired CRM devices business with a gross margin lower than the average of the Group.

OTHER REVENUE AND OTHER NET GAIN/(LOSS)

The Group recorded other revenue of US$4.2 million and other net gain of US$0.1 million for the six months ended 30 June 2018, while other revenue and other net loss were US$1.9 million and US$4.4 million, respectively, for the six months ended 30 June 2017. The increase in other revenue was attributable to the increase in government grant; and the increase in other net gain was primarily due to the foreign exchange gain for the six months ended 30 June 2018 compared with a foreign exchange loss for the six months ended 30 June 2017.

GAIN ON DEEMED DISPOSAL OF A JOINT VENTURE

MicroPort Sorin CRM was previously jointly controlled by the Group and LivaNova. After the completion of the CRM Acquisition, MicroPort Sorin CRM became a subsidiary of the Company with its assets and liabilities consolidated into the Company's consolidated financial statements. Accordingly, the acquisition-date fair value of the existing equity interests in MicroPort Sorin CRM owned by the Group forms part of the consideration in determining the amount of goodwill. A gain on deemed disposal of interests in a joint venture of US$4.1 million was recognised in the consolidated profit or loss for the six months ended 30 June 2018, which was determined as the excess of the fair value of the existing equity interests in MicroPort Sorin CRM, over the nil carrying value of investment in the joint venture.

RESEARCH AND DEVELOPMENT COSTS

R&D costs increased by 62.6% from US$25.7 million for the six months ended 30 June 2017 to US$41.8 million for the six months ended 30 June 2018. Such increase was primarily due to (i) the acquisition of the CRM devices business, which incurred research and development costs of US$7.1 million for the six months ended 30 June 2018; and (ii) the increased investments in the on-going R&D projects and the newly kicked off R&D projects.

DISTRIBUTION COSTS

Distribution costs increased by 44.3% from US$63.7 million for the six months ended 30 June 2017 to US$91.9 million for the six months ended 30 June 2018. Such increase was mainly attributable to (i) the acquisition of CRM devices business, which incurred distribution costs of US$15.8 million for the six months ended 30 June 2018; (ii) increase in sales promotion and post-launching clinical trial expenses; and (iii) increase in staff cost.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by 35.3% from US$31.3 million for the six months ended 30 June 2017 to US$42.3 million for the six months ended 30 June 2018. The increase was mainly attributed to (i) the acquisition of CRM devices business, which incurred administrative expenses of US$3.6 million for the six months ended 30 June 2018; and (ii) increase in staff cost.

OTHER OPERATING COSTS

Other operating costs increased from US$1.1 million for the six months ended 30 June 2017 to US$7.9 million for the six months ended 30 June 2018. The increase was mainly attributable to (i) professional fees relating to the acquisition of the CRM devices business; and (ii) increase of impairment loss of intangible assets.

FINANCE COSTS

Finance costs increased from US$7.0 million for the six months ended 30 June 2017 to US$8.7 million for the six months ended 30 June 2018. The increase was mainly attributable to the interest expenses of new interest-bearing borrowings for the acquisition of CRM devices business.

INCOME TAX

Income tax increased from US$7.1 million for the six months ended 30 June 2017 to US$9.9 million for the six months ended 30 June 2018. This is primarily due to the increase in profit before tax of the PRC subsidiaries.

No deferred tax assets were recognized for certain loss-making subsidiaries as at 30 June 2018.

CAPITAL MANAGEMENT

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the Group had US$106.5 million of cash and cash equivalents on hand, as compared to US$160.2 million as of 31 December 2017. The decrease was mainly attributable to the cash consideration paid for the acquisition of the CRM devices business. The Board's approach to manage liquidity of the Group is to ensure sufficient liquidity at any time to meet its matured liabilities to avoid any unacceptable losses or damage to the Group's reputation.

BORROWING AND GEARING RATIO

Total borrowings of the Group as of 30 June 2018 was US$361.1 million, with an increase of US$109.6 million as compared to US$ 251.5 million as of 31 December 2017. This was driven by the new interest-bearing bank loans for the acquisition of CRM devices business during the six months ended 30 June 2018. As of 30 June 2018, the gearing ratio of the Group, calculated as total loans, bank borrowings and bonds divided by total equity, increased to 73.5% from 57.2% as at 31 December 2017.

The analysis of capital structure of the Group in terms of maturity profile of debt and obligation, type of capital instruments used, currency and interest rate structure is set out in note 14 to the unaudited interim financial report as set out in page 57 of this interim report.

NET CURRENT ASSETS

The Group's net current asset as at 30 June 2018 was US$149.8 million, as compared to US$230.8 million as at 31 December 2017.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to currency risk primarily from sales, purchases, borrowing and lending which give rises to receivables and payables that are denominated in a foreign currency (mainly RMB, Euro and Japanese yen). For the six months ended 30 June 2018, the Group recorded a net exchange gain of US$3.6 million, as compared to a net exchange loss of US$4.8 million for the six months ended 30 June 2017. The Group did not have any hedging arrangements to manage foreign exchange risk but has been actively monitoring its foreign exchange risk.

CAPITAL EXPENDITURE

On 30 April 2018, the Group had additions in property, plant and equipment with provisional fair value of US$22.8 million through the acquisition of the CRM devices business from LivaNova. In addition, during the six months ended 30 June 2018, the Group's total capital expenditure amounted to approximately US$47.1 million, which was used in (i) construction of building; (ii) acquiring equipment and machinery and (iii) expenditures for R&D projects in development stage.

CHARGE ON ASSETS

As at 30 June 2018, the Group had set mortgage on its buildings and land use right for own use for the securing a long term loan from Shanghai Municipal Financial Administration with a carrying value of US$0.2 million and bank loans of US$15.2 million.

As at 30 June 2018, a bank loan amounting to US$88.8 million in connection with the acquisition of the CRM devices business was secured by the equity interests of the Company's four subsidiaries, namely Shanghai MicroPort Medical (Group) Co., Ltd. ("MP Shanghai"), MicroPort International Corp. Limited, MicroPort International Corp. and MicroPort Cardiac Rhythm B.V. and guaranteed by MP Shanghai.

CONTINGENT LIABILITIES

Save as disclosed in note 20 to the unaudited interim financial report as set out on page 65 of this interim report, the Group had no material contingent liabilities as at 30 June 2018.

SUBSEQUENT EVENTS

In August 2018, 843,571 ordinary shares of the Company at an issue price of HK$9.994 per share were issued by the Company as the 2017 final dividend.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend to the Shareholders for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

3. HUMAN RESOURCES AND TRAINING

In the first half of 2018, the Group welcomed 893 overseas expertises from international (non-China) CRM devices business, over half of them are located in Europe. As of 30 June, 2018, the Group had 4,727 employees globally, 1,671 of which were overseas employees spreading around Asia Pacific, EMEA, North America, as well as Australia, accounting for 35% of total employees. For the six months ended 30 June 2018, the Group recorded US$102.6 million for staff cost. The evolution of the global footprint enriches the Group's staff diversity which fuels the future growth.

Talent development sparks as another highlight for the Group. All of the senior executives are committed to sharing their expertises and experience through training and lecturing sessions. The Group's "Leaders' Teach" philosophy not only plays a significant role in knowledge transfer, but also strengthens the bonding among employees. Strong people-oriented development strategy enables the talent retention strategy onwards.

4. PROSPECT

Under the guidance of our globalization and diversification strategy, the Group will continue to refine and implement business strategies, optimize management structure, accelerate the effective integration of internal resources, and further enhance our capability of independent R&D and innovation, so as to accelerate the substitution process of imported products, and strive to stand out in the increasingly competitive Chinese medical device market, and even the global medical device market.

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

As at 30 June 2018, interests and 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 Securities and Futures Ordinance ("SFO")) held by the directors of the Company ("Directors") and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Name of Director/Chief Executive	No. of Shares	Note	Capacity	Nature of interest	Approximate percentage of interest in the Company
Zhaohua Chang	44,128,171	1	Beneficial owner	Long position	3.02%

Note:

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

Save as disclosed above, as at 30 June 2018, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2018, 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 would need to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

INTERESTS AND SHORT POSITIONS IN THE SHARES

Name of Substantial Shareholder	No. of Shares	Notes	Capacity	Nature of interest	Percentage of total number of Shares in issue (%)
Otsuka Holdings Co., Ltd.	382,994,120	1	Interest of controlled corporation	Long position	26.19
Otsuka Medical Devices Co., Ltd.	382,994,120	1	Beneficial owner	Long position	26.19
Shanghai Zhangjiang (Group) Co., Ltd.	221,748,050	2	Interest of controlled corporation	Long position	15.17
Shanghai Zhangjiang Science and Technology Investment Co.	221,748,050	2	Interest of controlled corporation	Long position	15.17
Shanghai Zhangjiang Haocheng Venture Capital Co., Ltd.	221,748,050	2	Interest of controlled corporation	Long position	15.17
Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd.	221,748,050	2	Interest of controlled corporation	Long position	15.17
Shanghai Zhangjiang Science and Technology Investment (Hong Kong) Co., Limited	221,748,050	2	Interest of controlled corporation	Long position	15.17
Shanghai ZJ Hi-Tech Investment Corporation	221,748,050	2	Interest of controlled corporation/ Beneficial Owner	Long position	15.17
Shanghai ZJ Holdings Limited	221,748,050	2	Interest of controlled corporation	Long position	15.17
Shanghai Zhangjiang Health Solution Holdings Limited	214,705,470	2	Beneficial Owner	Long position	14.68
Maxwell Maxcare Science Foundation Limited	217,110,000	3	Interest of controlled corporation	Long position	14.85
We'Tron Capital Ltd.	217,110,000	3	Beneficial owner	Long position	14.85
Shanghai We'Tron Capital Corp.	217,110,000	3	Interest of controlled corporation	Long position	14.85
CAP IV, L.L.C.	159,449,693	4	Interest of controlled corporation	Long position	10.91
	38,267,875	4	Interest of controlled corporation	Short position	2.62
CAP IV General Partner, L.P.	159,449,693	4	Interest of controlled corporation	Long position	10.91
	38,267,875	4	Interest of controlled corporation	Short position	2.62
Carlyle Asia Partners IV, L.P.	159,449,693	4	Interest of controlled corporation	Long position	10.91
	38,267,875	4	Interest of controlled corporation	Short position	2.62
CAP IV Coinvestment, L.P.	159,449,693	4	Interest of controlled corporation	Long position	10.91
	38,267,875	4	Interest of controlled corporation	Short position	2.62
Erudite Holdings Limited	159,449,693	4	Interest of controlled corporation	Long position	10.91
	38,267,875	4	Interest of controlled corporation	Short position	2.62
GIC Private Limited	123,356,590	5, 6	Interest of controlled corporation/ investment manager	Long position	8.44

Name of Substantial Shareholder	No. of Shares	Notes	Capacity	Nature of interest	Percentage of total number of Shares in issue (%)
GIC Special Investments Pte Ltd.	123,331,927	5	Interest of controlled corporation	Long position	8.44
GIC (Ventures) Pte Ltd.	123,331,927	5	Interest of controlled corporation	Long position	8.44
Owap Investment Pte Ltd.	123,331,927	5	Person having a security interest in shares	Long position	8.44

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) 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% 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	14.68
Shanghai ZJ Hi-tech Investment Corporation	7,042,580	0.48
Total	221,748,050	15.17

(3) Maxwell Maxcare Science Foundation Limited holds 100% interest of Shanghai We'Tron Capital Corp. which in turn is interested in 94.19% of We'Tron Capital Limited. Therefore, Maxwell Maxcare Science Foundation Limited, Shanghai We'Tron Capital Corp. and We'Tron Capital Limited are interested in the same 217,110,000 Shares held by We'Tron Capital Limited.

(4) Erudite Holdings Limited holds the entire issued share capital of Erudite Parent Limited and Erudite Investment Limited respectively. Erudite Parent Limited and Erudite Investment Limited hold 121,181,818 Shares and 38,267,875 Shares, both in long position respectively. In addition, Erudite Investment Limited holds 38,267,875 Shares in long and short positions. Therefore, CAP IV, L.L.C., CAP IV General Partner, L.P., Carlyle Asia Partners IV, L.P., CAP IV Coinvestment, L.P. and Erudite Holdings Limited are deemed to be interested in the same 159,449,693 Shares in long position and 38,267,875 Shares in short position.

(5) GIC Private Limited holds 100% interest of GIC Special Investments Pte Ltd. which in turn holds 100% interest of GIC (Ventures) Pte Ltd, which in turn holds 100% interest of Owap Investment Pte Ltd. Therefore, Shares held by GIC Private Limited, GIC Special Investments Pte Ltd and GIC (Ventures) Pte Ltd are deemed to have security interests in the same 123,331,927 Shares held by Owap Investments Pte Ltd.. The Company was informed that on 23 July 2018, Owap Investment Pte Ltd. entered into a transferring agreement with the transferee Starwick Investment Limited regarding 113,669,590 Shares of the Company in long position, together with all rights accruing or attached to the Shares. Thus, the Shares held by Owap Investment Pte Ltd. became 9,687,000, and Shares held by Starwick Investment Limited was 113,669,590 since 23 July 2018.

(6) 9,687,000 Shares held by GIC Private Limited are interests held as investment manager.

Save as disclosed above, as at 30 June 2018, the Directors of the Company were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would need to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Pursuant to the share award scheme approved by the Board on 26 August 2011 ("Share Award Scheme"), the Company purchased, through the trustee of the Share Award Scheme ("Trustee"), a total of 802,000 shares of the Company at cash consideration of US$795,000 on the Stock Exchange for the six months ended 30 June 2018.

Save as disclosed above, during the six months ended 30 June 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Save as disclosed in note 17 to the unaudited interim financial report as set out from page 59 to page 62 of this interim report, the Group did not have any material acquisition or disposal of subsidiaries or associated companies during the six months ended 30 June 2018.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the six months ended 30 June 2018, the Directors were not aware of any business or interest of the Directors or any substantial shareholder (as defined under the Listing Rules) of the Company and their respective associates (as defined under the Listing Rules) that had competed or might compete directly or indirectly with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") as the code of conduct regarding securities transactions by Directors. Having made specific enquiry by the Company, all the Directors confirmed that they have complied with the requirements as set out in the Model Code throughout the period of six months ended 30 June 2018.

SHARE AWARD SCHEME

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

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

Pursuant to the Share Award Scheme, the Trustee of the Share Award Scheme purchased a total of 802,000 Shares at cash consideration of US$795,000 on the Stock Exchange during the six months ended 30 June 2018.

OTHER INFORMATION

SHARE OPTION SCHEMES

PRE IPO SHARE OPTION SCHEME

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

As part of the restructuring of the Company due to the IPO, the Company approved a 10-for-1 share split, which as a result adjusted all share options issued prior to the share split by a 10-for-1 ratio accordingly. As such, total number of securities available for issue under the Pre-IPO Share Option Scheme are 102,610,300 Shares and 65,091,570 Shares for the 2004 Option Plan and the 2006 Incentive Plan, respectively. As at 30 June 2018, the total aggregate share options that may be granted under the Pre-IPO Share Option Scheme is 167,701,870 Shares, which represented 11.47% of the issued share capital of the Company. However, no additional options have been issued under the Pre-IPO Share Option Scheme since the listing of the Company on the Stock Exchange, and the total outstanding options that has been issued under the Pre-IPO Share Option Scheme is 4,712,000 Shares.

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

SHARE OPTION SCHEME

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

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

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

The Company shall be entitled to issue options, provided that the total number of Shares which may be allotted and issued upon exercise of all outstanding options to be granted under the Share Option Scheme of the Company shall not exceed 10% of the aggregate Shares in issue as at the date when the Shares were first listed on the Stock Exchange, which is 140,411,234 Shares. As at 30 June 2018, 102,350,523 Shares were available for issue under the Share Option Scheme, which represented 7.00 % of the issued share capital. The Company may at any time refresh this 10% limit, subject to compliance with the Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme and any other share option scheme of the Company does not exceed 30% of the Shares in issue from time to time.

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

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

At the time of the grant of the options, the Company will specify the minimum period for which an option must be held before it can be exercised.

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

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

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

During the Reporting Period, 2,451,474 share options were granted and the status of the share options granted up to 30 June 2018 is as follows:

Category of participants	As at 31 December 2017	Granted during the Period	Exercised during the Period	Expired during the Period	Cancelled during the Period	As at 30 June 2018	Date of Grant of Share Options	Vesting Period	Exercise Period	Exercise Price	Share Price of the Company as at the date of grant of share options	Share Price of the Company Immediately before the exercise date of share options (Note)
Directors												N/A
Zhaohua Chang	2,500,000	–	–	–	–	2,500,000	9 Jul 2010	9 Jul 2010 – 9 Jul 2014	9 Jul 2011 – 8 Jul 2020	USD0.3062	N/A	
	13,500,000	–	–	–	–	13,500,000	20 Jan 2015	20 Jan 2015 – 20 Jan 2021	20 Jan 2016 – 19 Jan 2025	HKD3.21	HKD3.170	
	14,100,000	–	–	–	–	14,100,000	30 Mar 2016	30 Mar 2016 – 30 Mar 2021	30 Mar 2017 – 29 Mar 2026	HKD3.482	HKD3.36	
	13,500,000	–	–	–	–	13,500,000	23 Jan 2017	23 Jan 2017 – 23 Jan 2022	23 Jan 2022 – 22 Jan 2027	HKD5.628	HKD5.45	
	313,636	–	–	–	–	313,636	30 Mar 2017	30 Mar 2017 – 30 Mar 2022	30 Mar 2022 – 29 Mar 2027	HKD5.798	HKD5.70	
	–	214,535	–	–	–	214,535	29 Mar 2018	29 Mar 2023	29 Mar 2023 – 28 Mar 2028	HKD8.51	HKD8.51	
In Aggregate	43,913,636	214,535	–	–	–	44,128,171						
Consultants												N/A
	500,000	–	–	–	–	500,000	14 Jun 2007	24 Sep 2010 – 24 Sep 2014	24 Sep 2011 – 23 Sep 2020	USD0.3062	N/A	
In Aggregate	500,000	–	–	–	–	500,000						
Employees												HKD8.436
	480,000	–	–	–	–	480,000	8 Jul 2010	1 Aug 2010 – 1 Aug 2014	1 Aug 2011 – 7 Jul 2020	USD0.3062	N/A	
	112,000	–	30,000	–	–	82,000	8 Jul 2010	8 Jul 2010 – 8 Jul 2014	8 Jul 2011 – 7 Jul 2020	USD0.3062	N/A	
	1,150,000	–	–	–	–	1,150,000	9 Jul 2010	9 Jul 2010 – 9 Jul 2014	9 Jul 2011 – 8 Jul 2020	USD0.3062	N/A	
	1,109,000	–	1,109,000	–	–	–	9 Aug 2010	9 Aug 2010 – 31 Aug 2014	1 Sep 2011 – 8 Aug 2020	USD0.3062	N/A	
	150,000	–	–	–	–	150,000	17 Oct 2011	17 Oct 2011 – 17 Dec 2018	17 Oct 2012 – 16 Oct 2021	HKD4.790	HKD4.790	
	7,000,000	–	–	–	200,000	6,800,000	28 Aug 2012	28 Aug 2018 – 28 Aug 2019	28 Aug 2019 – 27 Aug 2022	HKD3.350	HKD3.350	

Category of participants	As at 31 December 2017	Granted during the Period	Exercised during the Period	Expired during the Period	Cancelled during the Period	As at 30 June 2018	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)
	500,000	–	–	–	–	500,000	7 Sep 2012	7 Sep 2012 – 5 Sep 2017	6 Sep 2013 – 6 Sep 2022	HKD3.330	HKD3.330	
	8,000,000	–	–	–	200,000	7,800,000	10 Dec 2012	10 Dec 2012 – 10 Dec 2019	10 Dec 2019 – 9 Dec 2022	HKD4.600	HKD4.600	
	250,000	–	–	–	–	250,000	28 Aug 2013	28 Aug 2013 – 28 Aug 2018	28 Aug 2014 – 27 Aug 2023	HKD4.970	HKD4.970	
	100,000	–	100,000	–	–	–	9 Dec 2013	9 Dec 2013 – 9 Dec 2017	9 Dec 2014 – 8 Dec 2023	HKD5.590	HKD5.400	
	500,000	–	–	–	–	500,000	28 Aug 2014	28 Aug 2014 – 28 Aug 2019	28 Aug 2015 – 27 Aug 2024	HKD4.718	HKD4.520	
	830,000	–	–	–	–	830,000	20 Jan 2015	20 Jan 2015 – 20 Jan 2019	20 Jan 2016 – 19 Jan 2025	HKD3.210	HKD3.170	
	3,170,000	–	750,000	–	–	2,420,000	20 Jan 2015	20 Jan 2015 – 20 Jan 2020	20 Jan 2016 – 19 Jan 2025	HKD3.210	HKD3.170	
	4,790,000	–	1,670,000	–	–	3,120,000	20 Jan 2015	20 Jan 2015 – 20 Jan 2021	20 Jan 2016 – 19 Jan 2025	HKD3.210	HKD3.170	
	300,000	–	200,000	–	–	100,000	30 Jun 2015	30 Jun 2015 – 30 Jun 2018	30 Jun 2016 – 29 Jun 2025	HKD3.900	HKD3.820	
	21,850,000	–	1,191,000	–	120,000	20,539,000	30 Mar 2016	30 Mar 2016 – 30 Mar 2021	30 Mar 2017 – 29 Mar 2026	HKD3.482	HKD3.36	
	700,000	–	–	–	–	700,000	27 Jun 2016	27 Jun 2016 – 27 Jun 2021	27 Jun 2017 – 26 Jun 2026	HKD3.850	HKD3.850	
	750,000	–	–	–	–	750,000	1 Sep 2016	1 Sep 2016 – 1 Sep 2021	1 Sep 2017 – 31 Aug 2026	HKD4.950	HKD4.950	
	500,000	–	–	–	–	500,000	23 Jan 2017	23 Jan 2017 – 23 Jan 2022	23 Jan 2018 – 22 Jan 2027	HKD5.628	HKD5.45	
	9,040,000	–	–	–	–	9,040,000	23 Jan 2017	23 Jan 2022	23 Jan 2022 – 22 Jan 2027	HKD5.628	HKD5.45	
	294,555	–	–	98,185	196,370	–	30 Mar 2017	30 Mar 2017 – 30 Mar 2020	30 Mar 2018 – 29 Mar 2027	HKD5.798	HKD5.70	
	2,486,413	–	–	–	–	2,486,413	30 Mar 2017	30 Mar 2022	30 Mar 2022 – 29 Mar 2027	HKD5.798	HKD5.70	
	2,000,000	–	–	–	–	2,000,000	25 Aug 2017	25 Aug 2018 – 25 Aug 2022	25 Aug 2018 – 24 Aug 2027	HKD7.418	HKD7.020	
	–	2,236,939	–	–	–	2,236,939	29 Mar 2018	29 Mar 2023	29 Mar 2023 – 28 Mar 2028	HKD8.51	HKD8.51	
In Aggregate	66,061,968	2,236,939	5,050,000	98,185	716,370	62,434,352						
Total	110,475,604	2,451,474	5,050,000	98,185	716,370	107,062,523						

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

OTHER INFORMATION

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period of the six months ended 30 June 2018, except for the provisions as addressed below, the Company had complied with all the applicable code provisions (the "Code Provisions") as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Listing Rules.

Pursuant to the Code Provision A.2.1, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Dr. Zhaohua Chang ("Dr. Chang") has assumed the responsibility of the executive Director and the chairman of the Company and is responsible for managing the Board and the Group's business. As the Board considers that Dr. Chang has in-depth knowledge in the Group's business and can make appropriate decisions promptly and efficiently, he has assumed the position of the chief executive officer of the Company. Nevertheless, the Board will continue to review the efficacy of the Group's corporate governance structure to assess whether the separation of the positions of chairman and chief executive officer of the Company is necessary.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend to the Shareholders for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

INDEPENDENT REVIEW OF AUDITORS

The interim financial report for the six months ended 30 June 2018 is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be sent to the Shareholders.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

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

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

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2018 and considered that the results complied with relevant accounting standards, rules and regulations and appropriate disclosure have been duly made.

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Ms. Weiwei Chen has resigned as a non-executive Director of the Company and a member of Nomination Committee of the Board due to other work commitment with effect from 21 June 2018.

Mr. Hongliang Yu has been appointed as a non-executive Director of the Company and a member of Nomination Committee of the Board with effect from 21 June 2018. The biographical details of Mr. Hongliang Yu and his information which was required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules were set out in the announcement of the Company dated 21 June 2018.

Save as disclosed above, there has been no change in the Directors nor the information of Directors and senior management of the Company that is required to be disclosed under Rule 13.51(B) of the Listing Rules since the publication of the 2017 annual report of the Company.

DISCLOSURE OF INFORMATION

The interim report of the Group for the six months ended 30 June 2018 containing all the relevant information required by the Listing Rules will be published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.microport.com.cn) in due course, in accordance with the Listing Rules.

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

Shanghai, The PRC
30 August 2018

INDEPENDENT AUDITOR'S REPORT

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

INTRODUCTION

We have reviewed the interim financial report set out on pages 29 to 68 which comprises the consolidated statement of financial position of MicroPort Scientific Corporation (the "Company") as of 30 June 2018 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2018 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

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

30 August 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2018 (unaudited)
(Expressed in United States dollars)

	Note	Six months ended 30 June 2018 US$'000	2017 (note) US$'000
Revenue	*3*	**309,867**	217,339
Cost of sales		**(90,438)**	(58,995)
Gross profit		**219,429**	158,344
Other revenue	*4*	**4,155**	1,920
Other net gain/(loss)	*4*	**119**	(4,442)
Research and development costs		**(41,791)**	(25,708)
Distribution costs		**(91,902)**	(63,707)
Administrative expenses		**(42,291)**	(31,264)
Other operating costs		**(7,942)**	(1,098)
Profit from operations		**39,777**	34,045
Finance costs	*5(a)*	**(8,708)**	(7,004)
Gain on disposal of subsidiaries		**–**	6,531
Gain on deemed disposal of a joint venture	*17*	**4,133**	–
Share of losses of associates		**(848)**	(3,279)
Share of losses of a joint venture		**(202)**	(2,532)
Profit before taxation	*5*	**34,152**	27,761
Income tax	*6*	**(9,949)**	(7,147)
Profit for the period		**24,203**	20,614
Attributable to:			
Equity shareholders of the Company		**23,769**	21,372
Non-controlling interests		**434**	(758)
Profit for the period		**24,203**	20,614
Earnings per share	*7*		
– Basic (in cents)		**1.64**	1.50
– Diluted (in cents)		**1.57**	1.46

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2

The notes on pages 36 to 68 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 16(a).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2018 (unaudited)
(Expressed in United States dollars)

	Six months ended 30 June	
	2018	2017 (note)
	US$'000	US$'000
Profit for the period	**24,203**	20,614
Other comprehensive income for the period, net of tax		
Items that will not be reclassified to profit or loss:		
Remeasurement of net defined benefit liabilities	**128**	–
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements, net of nil tax	**(14,043)**	14,459
Other comprehensive income for the period	**(13,915)**	14,459
Total comprehensive income for the period	**10,288**	35,073
Attributable to:		
Equity shareholders of the Company	**11,247**	35,499
Non-controlling interests	**(959)**	(426)
Total comprehensive income for the period	**10,288**	35,073

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

The notes on pages 36 to 68 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2018 (unaudited)
(Expressed in United States dollars)

	Note	At 30 June 2018		At 31 December 2017 (note)	
		US$'000	US$'000	US$'000	US$'000
Non-current assets					
Investment properties			**5,740**		5,899
Other property, plant and equipment	*8*		**316,219**		282,280
Land use rights			**15,836**		16,224
			337,795		304,403
Intangible assets	*8*		**110,857**		83,904
Goodwill	*8*		**130,349**		54,458
Interest in associates			**12,747**		13,998
Interest in a joint venture			**–**		197
Available-for-sale securities			**–**		5,000
Other financial assets	*2(b)*		**5,206**		–
Deferred tax assets			**29,961**		5,584
Prepayments for non-current assets			**4,393**		2,491
Other non-current assets	*10*		**18,904**		3,883
			650,212		473,918
Current assets					
Inventories	*11*	**164,671**		106,160	
Trade and other receivables	*12*	**259,032**		162,242	
Pledged deposits and time deposits		**753**		760	
Cash and cash equivalents		**106,522**		160,229	
Derivative financial assets		**–**		314	
		530,978		429,705	
Current liabilities					
Trade and other payables	*13*	**200,849**		125,085	
Contract liabilities	*2(c)*	**3,096**		–	
Interest-bearing borrowings	*14*	**65,860**		68,819	
Convertible bonds		**100,343**		–	
Income tax payable		**11,071**		4,989	
		381,219		198,893	
Net current assets			**149,759**		230,812
Total assets less current liabilities			**799,971**		704,730

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2018 (unaudited)
(Expressed in United States dollars)

	Note	At 30 June 2018 US$'000	At 30 June 2018 US$'000	At 31 December 2017 (note) US$'000	At 31 December 2017 (note) US$'000
Non-current liabilities					
Interest-bearing borrowings	*14*	**138,391**		28,235	
Deferred income	*15*	**25,553**		24,291	
Convertible bonds		**56,482**		154,421	
Other payables	*13*	**71,694**		54,796	
Deferred tax liabilities		**14,661**		3,535	
Derivative financial liabilities	*17*	**2,039**		–	
			308,820		265,278
Net assets			**491,151**		439,452
Capital and reserves	*16*				
Share capital			**15**		14
Reserves			**408,576**		401,589
Total equity attributable to equity shareholders of the Company			**408,591**		401,603
Non-controlling interests			**82,560**		37,849
Total equity			**491,151**		439,452

Note: *The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.*

Approved and authorised for issue by the board of directors on 30 August 2018.

Zhaohua Chang
Chairman

Jonathan H. Chou
Director

The notes on pages 36 to 68 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2018 (unaudited)
(Expressed in United States dollars)

		Attributable to equity shareholders of the Company								
	Note	Share capital US$'000	Share premium US$'000	Exchange reserve US$'000	Capital reserve US$'000	Statutory general reserve US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2017		14	248,431	(28,120)	46,849	21,890	43,845	332,909	13,570	346,479
Changes in equity for the six months ended 30 June 2017:										
Profit/(loss) for the period		–	–	–	–	–	21,372	21,372	(758)	20,614
Other comprehensive income		–	–	14,127	–	–	–	14,127	332	14,459
Total comprehensive income		–	–	14,127	–	–	21,372	35,499	(426)	35,073
Capital contribution from non-controlling interests and disposal of partial equity interests in subsidiaries		–	–	–	25,967	–	–	25,967	3,030	28,997
Equity-settled share-based transactions	*16(b)*	–	–	–	2,068	–	–	2,068	–	2,068
Shares issued under share option scheme	*16(b)*	–	1,486	–	(369)	–	–	1,117	–	1,117
Shares purchased under share award scheme	*16(c)*	–	–	–	(3,880)	–	–	(3,880)	–	(3,880)
Shares granted under share award scheme		–	–	–	4,451	–	–	4,451	–	4,451
Dividends approved in respect of the previous year		–	–	–	–	–	(3,510)	(3,510)	–	(3,510)
Balance at 30 June 2017 and 1 July 2017		14	249,917	(13,993)	75,086	21,890	61,707	394,621	16,174	410,795
Changes in equity for the six months ended 31 December 2017:										
Loss for the period		–	–	–	–	–	(2,549)	(2,549)	(1,114)	(3,663)
Other comprehensive income		–	–	19,157	–	–	–	19,157	642	19,799
Total comprehensive income		–	–	19,157	–	–	(2,549)	16,608	(472)	16,136
Capital contribution from non-controlling interests and disposal of partial equity interests in subsidiaries		–	–	–	(11,003)	–	–	(11,003)	22,133	11,130
Equity-settled share-based transactions		–	–	–	2,203	–	–	2,203	14	2,217
Appropriation of statutory general reserve		–	–	–	–	955	(955)	–	–	–
Shares issued under share option scheme		–	7,350	–	(2,989)	–	–	4,361	–	4,361
Shares purchased under share award scheme		–	–	–	(5,737)	–	–	(5,737)	–	(5,737)
Shares granted under share award scheme		–	–	–	467	–	–	467	–	467
Change in carrying amount of share repurchase obligations of a subsidiary		–	–	–	(1,132)	–	–	(1,132)	–	(1,132)
Dividends paid in respect of the previous year		–	1,215	–	–	–	–	1,215	–	1,215
Balance at 31 December 2017		14	258,482	5,164	56,895	22,845	58,203	401,603	37,849	439,452

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2018 (unaudited)
(Expressed in United States dollars)

	Note	Attributable to equity shareholders of the Company								
		Share capital US$'000	Share premium US$'000	Exchange reserve US$'000	Capital reserve US$'000	Statutory general reserve US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 31 December 2017		14	258,482	5,164	56,895	22,845	58,203	401,603	37,849	439,452
Impact on initial application of HKFRS 9	2	–	–	–	–	–	(4,163)	(4,163)	(158)	(4,321)
Adjusted balance at 1 January 2018		14	258,482	5,164	56,895	22,845	54,040	397,440	37,691	435,131
Changes in equity for the six months ended 30 June 2018:										
Profit for the period		–	–	–	–	–	23,769	23,769	434	24,203
Other comprehensive income		–	–	(12,618)	96	–	–	(12,522)	(1,393)	(13,915)
Total comprehensive income		–	–	(12,618)	96	–	23,769	11,247	(959)	10,288
Capital contribution from non-controlling interests and disposal of partial equity interests in subsidiaries		–	–	–	(1,871)	–	–	(1,871)	50,243	48,372
Equity-settled share-based transactions	16(b)	–	–	–	2,189	–	–	2,189	13	2,202
Shares issued under share option scheme	16(b)	1	3,124	–	(995)	–	–	2,130	–	2,130
Shares purchased under share award scheme	16(c)	–	–	–	(795)	–	–	(795)	–	(795)
Shares granted under share award scheme		–	–	–	5,317	–	–	5,317	–	5,317
Change in carrying amount of share repurchase obligations of a subsidiary	13	–	–	–	(2,409)	–	–	(2,409)	–	(2,409)
Appropriation of statutory general reserve		–	–	–	–	363	(363)	–	–	–
Dividends approved in respect of the previous year	16(a)	–	–	–	–	–	(4,657)	(4,657)	–	(4,657)
Dividends to holders of non-controlling interests		–	–	–	–	–	–	–	(4,428)	(4,428)
Balance at 30 June 2018		15	261,606	(7,454)	58,427	23,208	72,789	408,591	82,560	491,151

The notes on pages 36 to 68 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2018 (unaudited)
(Expressed in United States dollars)

	Note	Six months ended 30 June	
		2018	2017
		US$'000	US$'000
Operating activities			
Cash generated from operations		**58,902**	45,060
Income tax paid		**(7,716)**	(5,682)
Income tax refund received		**84**	2,955
Net cash generated from operating activities		**51,270**	42,333
Investing activities			
Payments for purchase of property, plant and equipment		**(38,647)**	(24,107)
Payments for acquisition of subsidiaries	*17*	**(184,025)**	–
Placement of security deposits to a related party	*10*	**(17,733)**	–
Other cash flows arising from investing activities		**(9,341)**	(11,657)
Net cash used in investing activities		**(249,746)**	(35,764)
Financing activities			
Repayments of interest-bearing borrowings		**(40,324)**	(55,153)
Proceeds from other interest-bearing borrowings, net of transaction costs		**136,873**	3,001
Proceeds from disposal of partial equity interests in subsidiaries, net of relevant taxes and expenses		**–**	28,417
Capital contributions from non-controlling interests		**56,244**	–
Other cash flows arising from financing activities		**(6,776)**	(4,880)
Net cash generated from/(used in) financing activities		**146,017**	(28,615)
Net decrease in cash and cash equivalents		**(52,459)**	(22,046)
Cash and cash equivalents at 1 January		**160,229**	123,694
Effect of foreign exchange rate changes		**(1,248)**	1,677
Cash and cash equivalents at 30 June		**106,522**	103,325

The notes on pages 36 to 68 form part of this interim financial report.

1 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of MicroPort Scientific Corporation (the "Company") and its subsidiaries (together, the "Group") since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

This interim financial report is unaudited, but has been reviewed by the audit committee of the Company and approved for issue on 30 August 2018. The interim financial report has also been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the board of directors of the Company is included on page 28.

The financial information relating to the financial year ended 31 December 2017 that is included in the interim financial report as comparative information does not constitute the Company's annual consolidated financial statements for that financial year but is derived from those financial statements. The Company's annual consolidated financial statements for the year ended 31 December 2017 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 March 2018.

2 CHANGES IN ACCOUNTING POLICIES

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HK (IFRIC) 22 does not have a material effect on how the Group's results and financial position for the current or prior period have been prepared or presented in this interim financial report.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to presentation of contract liabilities. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9 and note 2(c) for HKFRS 15.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Overview (continued)

Under the transition methods chosen, the Group recognises the cumulative effects of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening statement of financial position at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9 and HKFRS 15:

	At 31 December 2017 US$'000	Impact on initial application of HKFRS 9 US$'000	Impact on initial application of HKFRS 15 US$'000	**At 1 January 2018 US$'000**
Available-for-sale securities	5,000	(5,000)	–	**–**
Other financial assets	–	5,000	–	**5,000**
Non-current assets	**473,918**	**–**	**–**	**473,918**
Trade and other receivables	162,242	(4,321)	–	**157,921**
Total current assets	**429,705**	**(4,321)**	**–**	**425,384**
Trade and other payables	(125,085)	–	2,779	**(122,306)**
Contract liabilities	–	–	(2,779)	**(2,779)**
Total current liabilities	**(198,893)**	**–**	**–**	**(198,893)**
Net current assets	**230,812**	**(4,321)**	**–**	**226,491**
Total assets less current liabilities	**704,730**	**(4,321)**	**–**	**700,409**
Net assets	**439,452**	**(4,321)**	**–**	**435,131**
Reserve	(401,589)	4,163	–	**(397,426)**
Total equity attributable to equity shareholders of the Company	**(401,603)**	**4,163**	**–**	**(397,440)**
Non-controlling interests	(37,849)	158	–	**(37,691)**
Total equity	**(439,452)**	**4,321**	**–**	**(435,131)**

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

Details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

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;
- 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; or
- 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.

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 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 (non-recycling), are recognised in profit or loss as other revenue.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, *Financial instruments* (continued)

(i) Classification of financial assets and financial liabilities (continued)

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017 US$'000	Reclassification US$'000	Remeasurement US$'000	**HKFRS 9 carrying amount at 1 January 2018 US$'000**
Financial assets carried at amortised cost				
Cash and cash equivalents	160,229	–	–	**160,229**
Pledged deposits and time deposits	760	–	–	**760**
Trade and other receivables	144,309	–	(4,321)	**139,988**
Debt component of convertible bonds issued by an associate (note (i))	5,365	(5,365)	–	**–**
Amounts due from associates	3,256	–	–	**3,256**
	313,919	(5,365)	(4,321)	**304,233**
Financial assets carried at FVPL				
Convertible bonds issued by an associate (note (i))	314	5,365	–	**5,679**
Equity securities not held for trading (note (ii))	–	5,000	–	**5,000**
	314	10,365	–	**10,679**
Financial assets classified as available-for-sale under HKAS 39 (note (ii))	5,000	(5,000)	–	**–**

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, *Financial instruments* (continued)

(i) Classification of financial assets and financial liabilities (continued)

Note:

(i) Under HKAS 39, conversion option embedded in the convertible bonds issued by an associate was separated from the host and recognised as a derivative financial asset, of which fair value was remeasured at the end of each reporting period. The host contract is subsequently carried at amortised cost. Under HKFRS 9, such hybrid instrument as a whole is assessed for classification and is carried at FVPL.

(ii) Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under HKFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, none of the investments has been designated at FVOCI (non-recycling).

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts, if any.

The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit loss ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and amounts due from associates and a joint venture), contract assets as defined in HKFRS 15, and financial guarantee contracts issued.

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) 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).

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, *Financial instruments* (continued)

(ii) Credit losses (continued)

Measurement of ECLs (continued)

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: 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.

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.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, *Financial instruments* (continued)

(ii) Credit losses (continued)

Significant increase 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 (i) 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); or (ii) the financial asset is 60 days past due. 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.

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).

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, *Financial instruments* (continued)

(ii) Credit losses (continued)

Opening balance adjustment

As a result of this change in accounting policy, the Group has recognised additional ECLs amounting to US$4,321,000, which decreased retained earnings by US$4,163,000 and non-controlling interests by US$158,000. The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 January 2018.

	US$'000
Loss allowance at 31 December 2017 under HKAS 39	6,141
Additional credit loss recognised at 1 January 2018 on trade receivables	4,321
Loss allowance at 1 January 2018 under HKFRS 9	10,462

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

- The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group).

- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and determines that there is no significant impact of transition to HKFRS 15 on retained earnings and related tax as at 1 January 2018. Therefore, no adjustment to the opening balance of equity at 1 January 2018 was made. Comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

Details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before receiving the consideration or being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognised the related revenue. 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.

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of HKFRS 15:

"Advances received from customers" amounting to US$2,779,000, which were previously included in trade and other payables are now included under contract liabilities.

3 REVENUE AND SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both lines of business and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified eight reportable segments (2017: seven). On 30 April 2018, the Group completed the acquisition of cardiac rhythm management business (the "CRM devices business") from LivaNova PLC ("LivaNova") (note 17). The Group presented CRM devices business segment as a reportable segment since 2018 which previously was included in the cardiovascular devices business segment. The comparative information has also been re-presented to reflect such change. No operating segments have been aggregated to form the following reportable segments.

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products and geographical location of customers is as follow:

	Six months ended 30 June	
	2018	2017 (Re-presented)
	US$'000	US$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregate by major products		
– Orthopedics devices	**122,134**	108,771
– Cardiovascular devices		
– Drug eluting stents	**101,458**	79,681
– Others	**5,219**	2,582
– Cardiac rhythm management devices	**43,752**	1,052
– Endovascular devices		
– TAA/AAA stent grafts	**16,057**	9,951
– Others	**3,819**	2,230
– Electrophysiology devices	**5,520**	3,526
– Neurovascular devices	**8,264**	5,747
– Surgical management devices	**3,406**	2,862
– Diabetes and endocrinal devices	**–**	715
	309,629	217,117
Revenue from other sources		
– Gross rentals from investment properties	**238**	222
	309,867	217,339

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Disaggregation of revenue (continued)

	Six months ended 30 June	
	2018	2017
	US$'000	US$'000
Disaggregate by geographical location of external customers		
– the People's Republic of China (the "PRC") (country of domicile)	**145,382**	106,150
– North America	**55,251**	49,586
– Europe	**70,681**	30,340
– Asia (excluding the PRC)	**28,165**	22,020
– South America	**5,496**	6,400
– Others	**4,892**	2,843
	164,485	111,189
	309,867	217,339

The geographical analysis above includes property rental income from external customers in the PRC for the six months ended 30 June 2018 of US$238,000 (six months ended 30 June 2017: US$222,000). Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 3(b).

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

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

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

	Six months ended 30 June 2018								
	Orthopedics devices business US$'000	Cardiovascular devices business US$'000	Cardiac rhythm management devices business US$'000	Endovascular devices business (note) US$'000	Electrophysiology devices business US$'000	Neurovascular devices business US$'000	Surgical management business US$'000	Diabetes care and endocrinal business US$'000	Total US$'000
Disaggregated by timing of revenue recognition									
Point in time – sales of medical devices	122,134	106,677	43,752	19,876	5,520	8,264	3,406	–	309,629
Over time – rental income	–	171	–	–	–	67	–	–	238
	122,134	106,848	43,752	19,876	5,520	8,331	3,406	–	309,867
Reportable segment net (loss)/profit	(8,657)	42,063	(3,389)	3,746	146	2,242	(2,307)	(330)	33,514

	At 30 June 2018								
	Orthopedics devices business US$'000	Cardiovascular devices business US$'000	Cardiac rhythm management devices business US$'000	Endovascular devices business US$'000	Electrophysiology devices business US$'000	Neurovascular devices business US$'000	Surgical management business US$'000	Diabetes care and endocrinal business US$'000	Total US$'000
Reportable segment assets	406,855	456,254	302,005	43,807	19,317	23,010	22,418	5,069	1,278,735
Reportable segment liabilities	194,292	116,662	104,965	8,367	10,424	6,628	15,829	–	457,167

Note: Reportable segment net profit of endovascular devices business segment for the six months ended 30 June 2018 included a change in fair value of US$5,679,000 in relation to the Group's investment in convertible bonds issued by an associate of the Group (note 9).

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

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

	Six months ended 30 June 2017 (Re-presented)								
	Orthopedics devices business US$'000	Cardiovascular devices business US$'000	Cardiac rhythm management devices business US$'000	Endovascular devices business US$'000	Electrophysiology devices business US$'000	Neurovascular devices business US$'000	Surgical management business US$'000	Diabetes care and endocrinal business US$'000	Total US$'000
Disaggregated by timing of revenue recognition									
Point in time – sales of medical devices	108,771	82,263	1,052	12,181	3,526	5,747	2,862	715	217,117
Over time – rental income	–	159	–	–	–	63	–	–	222
Revenue from external customers	108,771	82,422	1,052	12,181	3,526	5,810	2,862	715	217,339
Reportable segment net (loss)/profit	(9,367)	38,961	(2,486)	3,227	(1,342)	822	(1,307)	(756)	27,752

	At 31 December 2017 (Re-presented)								
	Orthopedics devices business US$'000	Cardiovascular devices business US$'000	Cardiac rhythm management devices business US$'000	Endovascular devices business US$'000	Electrophysiology devices business US$'000	Neurovascular devices business US$'000	Surgical management business US$'000	Diabetes care and endocrinal business US$'000	Total US$'000
Reportable segment assets	407,087	435,375	760	40,087	19,692	20,662	28,731	8,633	961,027
Reportable segment liabilities	154,689	113,993	1,123	5,402	11,069	3,146	17,453	–	306,875

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

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2018	2017
	US$'000	US$'000
Reportable segment net profit	**33,514**	27,752
Share awards scheme	**(2,636)**	(2,531)
Other equity-settled share-based payment expenses	**(2,060)**	(2,068)
Unallocated exchange gain/(loss)	**4,569**	(2,295)
Gain on disposal of subsidiaries	**–**	6,531
Gain on deemed disposal of a joint venture	**4,133**	–
Unallocated expenses, net	**(13,317)**	(6,775)
Consolidated profit for the period	**24,203**	20,614

4 OTHER REVENUE AND NET GAIN/(LOSS)

	Six months ended 30 June	
	2018	2017
	US$'000	US$'000
Other revenue		
Government grants	**2,804**	1,016
Interest income on bank deposits	**563**	367
Fee income from a security deposit (note 10)	**275**	–
Others	**513**	537
	4,155	1,920
Other net gain/(loss)		
Net foreign exchange gain/(loss)	**3,621**	(4,779)
Changes in fair value of financial assets and liabilities carried at FVPL	**(5,776)**	(239)
Others	**2,274**	576
	119	(4,442)

5 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2018	2017
	US$'000	US$'000
(a) Finance costs		
Interest on the convertible bonds	**4,670**	4,830
Interest on other interest-bearing borrowings	**3,971**	1,737
Others	**302**	437
Total interest expenses on financial liabilities not at fair value through profit or loss	**8,943**	7,004
Less: Interest expense capitalised into properties under development *	**(235)**	–
	8,708	7,004

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

	Six months ended 30 June	
		2017
	2018	(note)
	US$'000	US$'000
(b) Other items		
Amortisation of intangible assets	**3,578**	2,926
Depreciation	**16,788**	14,440
Research and development costs #	**41,791**	25,708
Provision of inventories write-down (note 11)	**3,217**	188
Impairment losses		
– intangible assets	**1,884**	150
– trade and other receivables	**963**	751

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

\# Research and development costs includes amortisation of intangible assets of US$1,867,000 (six months ended 30 June 2017: US$1,388,000) and depreciation of property, plant and equipment of US$ 2,061,000 (six months ended 30 June 2017: US$1,586,000), which are included in the total amortisation and depreciation charges as disclosed above.

6 INCOME TAX

	Six months ended 30 June	
	2018	2017
	US$'000	US$'000
Current tax – the PRC corporate income tax ("CIT")	**10,683**	6,756
Current tax – other jurisdictions	**766**	744
	11,449	7,500
Deferred taxation	**(1,500)**	(353)
	9,949	7,147

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 five entities entitled to a preferential income tax rate of 15% as they are certified as "advanced and new technology enterprise" ("ANTE"). According to Guoshuihan 2009 No.203, if an entity is certified as an ANTE, it is entitled to a preferential income tax rate of 15%.

Two subsidiaries of the Group obtained the certificates of ANTE in 2015 with an effective period of three years from 2015 to 2017. Subject to renewal, these subsidiaries' ANTE status will enable them to continue to enjoy the preferential income tax rate of 15% from 2018 to 2020. The Group assesses that these subsidiaries meet all the criteria for the renewal of ANTE. Therefore, income tax expense of these two subsidiaries for the six months ended 30 June 2018 was calculated based on an income tax rate of 15%.

The US Tax Cuts and Jobs Act ("Tax Act") was enacted on 22 December 2017 and introduces significant changes to US corporate tax law. Effective in 2018, the Tax Act reduces the federal corporate tax rate from 35% to 21% and creates new taxes on certain foreign-sourced earnings and certain related-party payments, which are referred to as the global intangible low-taxed income tax and the base erosion tax, respectively. In addition, the new law revised the net operating loss carry forward period from 20 years to indefinite. The mandatory repatriation tax (one-time transition tax) was not applicable to the Group as the US does not have any controlled foreign subsidiaries.

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

The Company's subsidiaries incorporated in Italy are subject to an income tax rate of 24% and to a regional tax rate on the "net value of production" of 3.9%.

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

As at 30 June 2018, based on management's assessment of probability on the future taxable profit subsequent to the date of the reporting period, no deferred tax assets had been recognised for tax losses and deductible temporary differences of certain loss-making entities.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of US$23,769,000 for the six months ended 30 June 2018 (six months ended 30 June 2017: US$21,372,000) and the weighted average of 1,446,573,000 ordinary shares in issue during the six months ended 30 June 2018 (six months ended 30 June 2017: 1,428,078,000 ordinary shares).

(i) Weighted average number of ordinary shares

	Six months ended 30 June	
	2018	2017
	Number of shares '000	Number of shares '000
Issued ordinary shares at 1 January	**1,457,063**	1,439,481
Effect of share options exercised	**4,101**	1,096
Effect of shares under share award scheme	**(14,591)**	(12,499)
Weighted average number of ordinary shares at 30 June	**1,446,573**	1,428,078

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of US$23,451,000 for the six months ended 30 June 2018 (six months ended 30 June 2017: US$21,372,000) and the weighted average shares of 1,497,882,000 shares for the six months ended 30 June 2018 (six months ended 30 June 2017: 1,462,258,000 ordinary shares) after adjusting the effects of dilutive potential ordinary shares under the Company's share option scheme and a put option that may be settled in ordinary shares of the Company or cash at the Company's option (note 17).

The calculation of diluted earnings per share amount for the six months ended 30 June 2018 has not included the potential effect of the deemed conversion of the convertible bonds issued by the Company into ordinary shares during the period, as it has an anti-dilutive effect on the basic earnings per share amount for the period.

8 OTHER PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND GOODWILL

On 30 April 2018, the Group had additions in property, plant and equipment, intangible assets and goodwill with provisional fair value of US$22,787,000, US$23,618,000 and US$75,891,000, respectively through the acquisition of the CRM devices business from LivaNova (note 17). In addition to above, the Group acquired items of property and equipment with a cost of US$18,881,000 (six months ended 30 June 2017: US$7,054,000), incurred construction costs for buildings of US$12,134,000 (six months ended 30 June 2017: US$10,599,000) and capitalised development costs of US$9,732,000 (six months ended 30 June 2017: US$7,076,000) during the six months ended 30 June 2018.

9 INVESTMENT IN LOMBARD MEDICAL, LNC.

The Group previously invested in Lombard Medical, Inc. ("Lombard"), a company listed on OTCQX (symbol: EVARF) by way of (i) the 8,064,516 ordinary shares of Lombard (the "Lombard Cayman Shares") at a consideration of US$5,000,000; and (ii) the convertible bonds in an aggregate principal amount of US$10,000,000, with a term of five years (the "Lombard Convertible Bonds"). In prior years, the Lombard Cayman Shares was accounted for as an investment in an associate. The conversion option embedded in the Lombard Convertible Bonds was considered as a derivative financial asset which was separated from the host contract under HKAS 39. The excess of payments to acquire the Lombard Convertible Bonds over the amount initially recognised as the derivative component was recognised as the debt component and classified as interest in associates.

In 2017, the Group's share of losses of Lombard exceeded the Group's investment in the Lombard Cayman Shares. A loss of US$5,000,000 was recognised in profit or loss during 2017, which reduced the carrying amount of the Lombard Cayman Shares to zero. In addition, the Group considered that there was objective evidence of impairment on the Lombard Convertible Bonds and reassessed the recoverable amount of the Lombard Convertible Bonds as at 31 December 2017. An impairment loss of US$1,604,000 and the decrease in fair value of the conversion option embedded in the Lombard Convertible Bonds of US$3,185,000 were also charged to profit or loss directly in 2017. As a result of the adoption of HKFRS 9 as disclosed in note 2(b)(i) above, the Lombard Convertible Bonds, including the debt component and derivative component, were both classified as financial assets carried at FVPL.

During the six months ended 30 June 2018, Lombard commenced an official liquidation proceeding under the laws of the Cayman Islands and implemented a restructuring. As a result, the Group determined that the fair value of the Lombard Convertible Bonds would be inconsequential and reduced its fair value to zero with a change in fair value of US$5,679,000 recognised in profit or loss for the six months ended 30 June 2018. In addition, pursuant to the restructuring plan, Lombard transferred its operation business in United Kingdom and Germany to Endovascular Technology Corp. ("ETC"). As at 30 June 2018, the Group had invested US$2,000,000 in ETC and owned approximately 12% equity interest in ETC. In April 2018, the Company issued a guarantee to Oxford Finance LLC in respect of the senior debts of ETC's subsidiary with a principle amount of US$13,000,000. The senior debts bear no interest and will be matured in April 2023.

10 OTHER NON-CURRENT ASSETS

In order to secure future leasing of certain buildings from Shanghai Weichuang Investment Management Co., Ltd. (the "Lessor"), the Group entered into an agreement (the "Lease Security Agreement") with the Lessor in December 2017. The Group plans to use those buildings for research and development, production and office functions in connection with the Group's expansion plan. The legal representative and the chairmen of the board of the directors of the Lessor is a director of the Company. Thus the Lessor is a related party of the Company.

Pursuant to the Lease Security Agreement, the Lessor agreed to lease out certain buildings for five years starting from 1 May 2020 (the "Lease") when it has completed the constructions of those buildings. The annual rental charges for those buildings are preliminarily agreed as RMB56.4 million, subject to further adjustment based on the prevailing property market condition when the Lease commence on 1 May 2020. Both parties also agree to enter into a lease agreement (the "Future Lease Agreement") setting out the final annual rental charges, guarantee deposit amount and lease period prior to the commencement of the Lease. To secure the Lease, the Group paid a security deposit totalling RMB112,800,000 (the "Security Deposit"), representing two years' lease rental, to the Lessor during the six months ended 30 June 2018. Pursuant to the Lease Security Agreement, the payment of the guarantee deposits and final annual rental charges, those amounts of which are yet to be agreed in the Future Lease Agreement, could be firstly deducted from the Security Deposit. The Group is liable for a compensation in the amount of 20% of the Security Deposit if the Group cancels the Lease without obtaining consent from the Lessor. The Group is entitled to a fee (the "Fee Income") from the Lessor during the period from the payment date of the Security Deposit through the commencement of the Lease. The Fee Income is calculated as the amount of Security Deposits multiplied by bank borrowing rate plus 10% in that period and could be used to offset the Group's payment obligation of final annual rental charges under the Lease.

10 OTHER NON-CURRENT ASSETS (CONTINUED)

As the Security Deposit is placed in advance of the commencement of the Lease and earns Fee Income calculated with reference to the prevailing bank borrowing rate, the Group has included the Security Deposit paid of RMB112,800,000 (equivalent to approximately US$17,733,000) under investing activities in the consolidated cash flow statements and recorded the Security Deposits under "Other non-current assets" on the consolidated financial position. The Fee Income from the Security Deposit is recorded under other revenue in the consolidated statement of profit and loss.

11 INVENTORIES

During the six months ended 30 June 2018, a provision of US$ 3,217,000 (six months ended 30 June 2017: US$188,000) to write down certain inventories items to their estimated net realisable value has been recognised as an expense in profit or loss.

12 TRADE AND OTHER RECEIVABLES

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

	At 30 June 2018 US$'000	At 31 December 2017 US$'000
Within 1 month	**88,431**	42,899
1 to 3 months	**60,361**	52,694
3 to 12 months	**31,324**	23,167
More than 12 months	**7,150**	2,379
	187,266	121,139
Amounts due from a joint venture	**–**	6,897
Amounts due from the holders of non-controlling interests in relation to the capital contributions	**5,015**	9,642
Other debtors	**27,132**	12,849
Income tax recoverable	**19,315**	–
Deposits and prepayments	**20,304**	11,715
	259,032	162,242

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

13 TRADE AND OTHER PAYABLES

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

	At 30 June 2018 US$'000	At 31 December 2017 US$'000
Current		
Within 1 month	**42,371**	21,881
1 to 3 months	**17,379**	10,714
Over 3 months but within 6 months	**2,264**	479
Over 6 months but within 1 year	**2,150**	273
Over 1 year	**18,739**	18,804
Trade payables	**82,903**	52,151
Advances received from customers (note 2(c))	**–**	2,779
Dividends payables to ordinary shareholders	**4,746**	89
Dividends to holders of non-controlling interests	**1,374**	–
Other payables and accrued charges	**111,826**	70,066
	200,849	125,085
Non-current		
Share repurchase obligation (note)	**53,949**	52,275
Provision for employee severance indemnities and other employee benefit provisions	**9,118**	–
Other payables	**8,627**	2,521
	71,694	54,796

All of above balances classified as current liabilities are expected to be settled within one year.

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

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

14 INTEREST-BEARING BORROWINGS

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

	At 30 June 2018 US$'000	At 31 December 2017 US$'000
Within 1 year or on demand	**65,860**	68,819
After 1 year but within 2 years	**9,266**	25,827
After 2 years but within 5 years	**129,125**	2,408
	138,391	28,235
	204,251	97,054

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

	At 30 June 2018 US$'000	At 31 December 2017 US$'000
Bank loans		
– secured	**104,021**	46,871
– unsecured	**100,050**	50,000
	204,071	96,871
Secured other borrowings	**180**	183
	204,251	97,054

At 30 June 2018, the bank facilities drawn down by the Group of US$15,236,000 (31 December 2017: US$46,871,000) were secured by land use rights and buildings held for own use with net book value of US$4,377,000 and US$45,427,000, respectively (31 December 2017: US$8,725,000 and US$110,750,000, respectively).

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

15 DEFERRED INCOME

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

16 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

At the meeting of the board of directors of the Company held on 27 March 2018, the board of directors recommended the payment of a final dividend of HK2.5 cents per ordinary share of the Company for the year ended 31 December 2017 (the "2017 Final Dividend") by way of cash, with an option to elect receiving new fully paid shares of the Company in lieu of cash. The 2017 Final Dividend was approved at the annual general meeting of the Company held on 14 May 2018 and is payable to shareholders of the Company whose names appeared on the register of members of the Company on 23 May 2018. Accordingly, a liability of US$4,657,000 has been recognised as at 30 June 2018.

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

(b) Share option plans (equity-settled)

Apart from the share options in issue carried forward from 2017, 2,451,474 share options of the Company were granted to senior management and employees of the Group under the Company's employee share option scheme during the six months ended 30 June 2018 (six months ended 30 June 2017: 26,617,472). The amount payable by each grantee of option to the Company on acceptance of the offer for the grant of option is US$1.00. Each option entitles the holder to subscribe for one ordinary share in the Company. These share options will vest on 29 March 2023 with an exercise price of HK$8.51.

During the six months ended 30 June 2018, 5,050,000 share options of the Company were exercised (six months ended 30 June 2017: 4,910,190) with a weighted average exercise price of HK$3.30 (equivalent to approximately US$0.42) (six months ended 30 June 2017: HK$2.80 (equivalent to approximately US$0.36)) and the total number of ordinary shares of the Company increased by 5,050,000 for the six months ended 30 June 2018 (six months ended 30 June 2017: 4,910,190 ordinary shares).

In 2017, Shanghai MicroPort EP MedTech Co., Ltd. ("MP EP"), a subsidiary of the Company, adopted a share option scheme (the "EP Option Scheme") and granted 2,100,000 share options of MP EP. Each option under the EP Option Scheme entitles the holder to subscribe for one ordinary share in MP EP. During the six months ended 30 June 2018, additional 700,000 share options of MP EP were granted to the management and employees of MP EP with an exercise price of RMB5.93. No share option under the EP Option Scheme was exercised during the six months ended 30 June 2018.

16 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share award scheme (equity-settled)

Pursuant to a share award scheme approved by the Board in 2011, the Company may purchase its own shares and grant such shares to certain employees of the Group at nil consideration. For the six months ended 30 June 2018, the Company granted 5,031,015 shares (six months ended 30 June 2017: 6,682,414) to the Group's executives and purchased 802,000 shares (six months ended 30 June 2017: 5,432,000) at cash consideration of US$795,000 (six months ended 30 June 2017: US$3,880,000).

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

Since 2014, the Group adopted several ESPPs, pursuant to which, the Group agreed to transfer partial equity interests in its subsidiaries to the partnership firms, whose limited partners consisted of employees of the Group. All participants of above ESPPs have purchased equity interests in respective partnership firms at amounts specified in the respective partnership agreements. The ESPPs all contain a service condition. Employees participating in the plan have to transfer out their equity interests if their employments with the Group or the Group's associates 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.

During the six months ended 30 June 2018, partnership firms subscribed for newly issued share capital of Shanghai Yuanxin Medtech Co., Ltd. ("Yuanxin") and Shanghai MicroPort Jiehao New Material Co., Ltd. ("Jiehao") and held 60% and 65% equity interests in Yuanxin and Jiehao, respectively. No expenses were recognised for the six months ended 30 June 2018 in relation to the foresaid ESPPs as the transfer considerations approximated to the fair value of the equity interests transferred.

17 ACQUISITION OF SUBSIDIARIES

On 8 March 2018, the Company, MicroPort Cardiac Rhythm B.V. (the "Purchaser", a subsidiary of the Company incorporated in the Netherlands) and LivaNova entered into a stock and asset purchase agreement (the "Stock and Asset Purchase Agreement"), pursuant to which, the Purchaser conditionally agreed to acquire, and LivaNova conditionally agreed to sell, the CRM devices business (the "CRM Acquisition") for an initial consideration of US$190 million, subject to working capital and other customary adjustments (collectively referred to the "Adjustment Amount"). The CRM devices business primarily operates in various countries in Europe, as well as in US, Canada and parts of Asia. The Group believes the CRM Acquisition is in line with the development strategies of the Group and will bring long-term and strategic benefits to the Company.

On 30 April 2018, the Company, the Purchaser and LivaNova entered into a side letter to the Stock and Asset Purchase Agreement (the "Side Letter"). Pursuant to the Side Letter, the closing of the CRM Acquisition for certain countries specified in the Side Letter (the "Initial Closing Countries") was completed on 30 April 2018 (the "Initial Closing"), while for certain other countries specified in the Side Letter (the "Deferred Closing Countries"), closing shall take place through one or more deferred closings (the "Deferred Closings") not more than six months after the date of the Initial Closing. From the date of the Initial Closing until the applicable Deferred Closings, LivaNova shall conduct the business in the applicable Deferred Closing Countries at the direction of the Group and the CRM devices business in Deferred Closing Countries shall be held for the Group's benefit and account. Pursuant to the Stock and Asset Purchase Agreement together with the Side Letter, the board of directors of the Company determined that the Group completed the CRM Acquisition on 30 April 2018 and has controlled the CRM devices business since then.

17 ACQUISITION OF SUBSIDIARY (CONTINUED)

In April 2018, the Group paid US$195,800,000 in cash to LivaNova, based on an estimated Adjustment Amount of the purchase price consideration provided by LivaNova. As at the date of this interim report, the Group and LivaNova are in the process of agreeing the computation of the Adjustment Amount pursuant to the Stock and Asset Purchase Agreement.

Acquisition-related costs amounted to approximately US$7,495,000, of which US$4,979,000 and US$2,516,000 were recognised in other operating costs in the consolidated statement of profit or loss for the six months period ended 30 June 2018 and the year ended 31 December 2017, respectively.

The CRM Acquisition was financed by way of (i) a new bank loan of US$88,785,000 (note 14); and (ii) the contribution totalling US$50,000,000 to the Purchaser by Sino Rhythm Limited ("SRL"), a third party investor.

Pursuant to the contribution and shareholder agreement entered into between the Purchaser, SRL and MicroPort International Corp. Limited ("MP HK", a subsidiary of the Company), in February 2018, SRL contributed capital of US$50,000,000 to the Purchaser for the CRM Acquisition and therefore held 25% equity interests in the Purchaser. In addition, in the event that an initial public offering or a trade sale of the CRM devices business has not occurred on or prior to the fifth anniversary of the closing of the CRM Acquisition, SRL has the right to require the Company to purchase any or all of the equity interests in the Purchaser held by SRL at a price equal to the original investment plus an annual internal return of 8% (the "SRL Put Option"). 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 a fair value of US$1,942,000 on initial recognition. As at 30 June 2018, the fair value of the SRL Put Option was US$2,039,000. Accordingly, the change in fair value of US$97,000 was charged to the consolidated profit or loss during the six months ended 30 June 2018. Valuation techniques and significant assumptions for determining the fair value of the SRL Put Option was set out in note 18.

17 ACQUISITION OF SUBSIDIARY (CONTINUED)

Details of the provisional fair value of net identified assets acquired are as follows:

	Provision fair value of net identifiable assets acquired at the acquisition date US$'000
Cash and cash equivalents	11,775
Property, plant and equipment	22,787
Intangible assets	23,618
Trade and other receivables	86,240
Inventories	65,909
Other non-current assets	449
Deferred tax assets	24,091
Interest-bearing borrowings	(10,369)
Trade and other payables	(66,073)
Income tax payables	(4,765)
Other non-current liabilities	(16,964)
Deferred tax liabilities	(12,656)
Net identifiable assets	124,042
Goodwill	75,891
Fair value of considerations	199,933
Considerations including:	
Fair value of the existing equity interests in a joint venture (Note)	4,133
Cash considerations paid in 2018	195,800
	199,933
Net cash outflow arising from the acquisition in 2018	(184,025)

Note: MicroPort Sorin CRM (Shanghai) Co., Ltd. ("MicroPort Sorin CRM") was previously jointly controlled by the Group and LivaNova. After the completion of the CRM Acquisition, MicroPort Sorin CRM became a subsidiary of the Company with its assets and liabilities consolidated into the Company's consolidated financial statements. Accordingly, the acquisition-date fair value of the existing equity interests in MicroPort Sorin CRM owned by the Group forms part of the consideration in determining the amount of goodwill. A gain on deemed disposal of interests in a joint venture of US$4,133,000 was recognised in the consolidated profit or loss for the six months ended 30 June 2018, which was determined as the excess of the fair value of the existing equity interests in MicroPort Sorin CRM of US$4,133,000, over the nil carrying value of investment in the joint venture.

17 ACQUISITION OF SUBSIDIARY (CONTINUED)

The fair values are determined provisionally based on information available up to the date of this report. The directors are in the process of finalising the valuation of the net identifiable assets acquired. If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised.

For the period from 30 April 2018 to 30 June 2018, the CRM devices business contributed revenue of US$43,651,000 and loss of US$3,398,000 to the Group's results. Had the CRM Acquisition occurred on 1 January 2018, management estimates that consolidated revenue would have been US$386,070,000 and consolidated profit for the six months ended 30 June 2018 would have been US$7,769,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2018.

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

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

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

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

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

(i) Fair value hierarchy (continued)

		Fair value measurements as at 30 June 2018 categorised into		
	Fair value at 30 June 2018 US$'000	**Level 1 US$'000**	**Level 2 US$'000**	**Level 3 US$'000**
Recurring fair value measurement				
Financial assets:				
Unlisted equity securities	**5,206**	**–**	**–**	**5,206**
Financial liabilities:				
Derivative financial liabilities – SRL Put Option	**2,039**	**–**	**–**	**2,039**

		Fair value measurements under HKFRS 9 as at 31 December 2017 categorised into		
	Fair value at 31 December 2017 US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000
Recurring fair value measurement				
Financial assets:				
Unlisted equity securities	5,000	–	–	5,000
Convertible bonds issued by an associate	5,679	–	–	5,679

During the six months ended 30 June 2018 and 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable
Unlisted equity securities	Recent transaction price	N/A
SRL Put Option	Black-Scholes Model	Expected probability of event of 10% (note a) Expected volatility of 25.22%, taking into account the historical volatility of the comparable companies (note b)

Note a As at 30 June 2018, it is estimated that with all other variables held constant, an increase/decrease in the expected probability of event by 5% would have decreased/increased the Group's profit by US$1,020,000/US$1,020,000.

Note b As at 30 June 2018, 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 profit by US$236,000/US$201,000.

(iii) Reconciliation of Level 3 fair value measurements

	Unlisted equity securities US$'000	Convertible bonds issued by an associate US$'000	SRL Put Option US$'000	Total US$'000
At 1 January 2018 under HKFRS 9	**5,000**	**5,679**	**–**	**10,679**
Acquisition of investments	**2,206**	**–**	**–**	**2,206**
Transferred to interests in associates	**(2,000)**	**–**	**–**	**(2,000)**
Issuance of the SRL Put Option (note 17)	**–**	**–**	**(1,942)**	**(1,942)**
Fair value change during the period (note 4)	**–**	**(5,679)**	**(97)**	**(5,776)**
At 30 June 2018	**5,206**	**–**	**(2,039)**	**3,167**

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2017 and 30 June 2018.

19 CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

	At 30 June 2018 US$'000	At 31 December 2017 US$'000
Contracted for	**29,225**	34,746
Authorised but not contracted for	**58,098**	71,461
	87,323	106,207

20 CONTINGENT ASSETS AND LIABILITIES

In addition to the guarantee provided by the Group as disclosed in note 9, the Group also had below contingent liabilities:

The Group was informed by LivaNova that, on 19 April 2018, an investigation has been initiated by a regional antitrust authority in France into the French cardiac rhythm management market, and a subsidiary of the CRM devices business operating the business in France is one of the companies being investigated. The Group believes the subsidiary under investigation is in full compliance with all applicable laws and is and intends to continue to cooperate with the relevant authorities. In connection with the CRM Acquisition, LivaNova agreed to provide a limited indemnity to the Group of generally up to EUR16,500,000 relating to such investigation.

As at the end of the reporting period, the directors of the Company do not consider it is probable that a claim will be made against the Group under the above investigation or guarantee. No provision was therefore made in this respect as at 30 June 2018.

21 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

In August 2018, 843,571 ordinary shares of the Company at a price of HK$9.994 per ordinary share were issued by the Company as the 2017 Final Dividend (note 16(a)).

22 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	Six months ended 30 June	
	2018	2017
	US$'000	US$'000
Salaries and other benefits	**1,447**	1,227
Discretionary bonuses	**2,559**	1,504
Retirement scheme contributions	**38**	31
Equity-settled share-based payment expenses	**1,575**	1,304
Cash-settled share-based payment expenses	**–**	404
	5,619	4,470

(b) Other transactions with related parties

During the six months ended 30 June 2018 and 2017 the Group entered into other transactions with the following related parties:

Name of party	*Relationship*
Thai Otsuka Pharmaceutical Co., Ltd. ("Thai Otsuka")	Subsidiary of Otsuka Holdings Co., Ltd. ("Otsuka Holdings", a substantial shareholder of the Company)
Otsuka (Philippines) Pharmaceutical, Inc. ("Otsuka Philippines")	Subsidiary of Otsuka Holdings
P.T. Otsuka Indonesia ("Otsuka Indonesia")	Subsidiary of Otsuka Holdings
Otsuka Pakistan Ltd. ("Otsuka Pakistan")	Subsidiary of Otsuka Holdings
KISCO Co., Ltd.	Subsidiary of Otsuka Holdings
MicroPort Sorin CRM (note)	Formerly joint venture of the Group
Zhangjiang Science & Technology Venture Capital Co., Ltd. ("ZJ Sci-Tech Venture")	Subsidiary of a substantial shareholder of the Company
Shanghai MicroPort Lifesciences Co., Ltd. ("MP Lifesciences Shanghai")	Associate of the Group
Shanghai Weichuang Investment Management Co., Ltd. ("Weichuang")	Legal representative and chairman of the board of directors of Weichuang is a director of the Company

Note: MicroPort Sorin CRM become a subsidiary of the Group since 30 April 2018 in connection with the acquisition of the CRM devices business (note 17). The transactions with MicroPort Sorin CRM during the period from 1 January 2018 to 30 April 2018 were still disclosed as related party transactions.

22 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other transactions with related parties (continued)

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

	Six months ended 30 June	
	2018	2017
	US$'000	US$'000
Sales of goods to:		
Thai Otsuka	**444**	729
Otsuka Philippines	**522**	370
Otsuka Indonesia	**367**	422
Otsuka Pakistan	**311**	785
KISCO Co., Ltd.	**274**	–
	1,918	2,306

	Six months ended 30 June	
	2018	2017
	US$'000	US$'000
Purchase of goods from MicroPort Sorin CRM	**–**	1,139
Disposal of partial equity interests of a subsidiary to ZJ Sci-Tech Venture	**–**	5,291
Placement of the Security Deposit to Weichuang (note 10)	**17,733**	–
Fee income from the Security Deposit	**275**	–
Loans to MicroPort Sorin CRM	**4,736**	–
Loans repaid by MicroPort Sorin CRM	**9,315**	–
Loans repaid by MP Lifesciences Shanghai	**1,115**	–

23 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2018

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. The Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following update to the information provided in the last annual financial statements in respect of HKFRS 16, *Leases*, which may have a significant impact on the Group's consolidated financial statements.

HKFRS 16, *Leases*

As discussed in the 2017 annual financial statements, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. Upon the adoption of HKFRS 16, where the Group is the lessee under the lease the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognise and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding "right-of-use" asset at the commencement date of the lease, subject to practical expedients. HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for items of property, plant and equipment which are currently classified as operating leases.

Upon the initial adoption of HKFRS 16 at 1 January 2019, the present value of most of the future minimum lease payments that are payable after 6 months will be recognised as lease liabilities, with corresponding right-of-use assets recognised as non-current assets. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16.