

May 2024

Script and Q&A of Mindray FY2023 & 1Q2024 Earnings Call

Hello everyone!

I'm May Li, Board Secretary of Mindray. Thank you for joining us today for this conference call to discuss our performance for the fiscal year of 2023 and the first quarter of 2024. It's great to have all our investors and analysts on this call today.

Now, let me go over our performance in detail:

In 2023, the Company's total revenue reached 34.93 billion yuan, representing a year-over-year increase of 15%.

Geographically speaking:

We've seen a growth of 14.5% in China market, with a strong increase of 27% in the first half of 2023. Since March last year, China has seen a rapid rebound in diagnosis and treatment activities such as routine outpatient and emergency medical treatments, physical examinations, and surgeries. This recovery has driven the consumption of IVD reagents, with IVD segment achieving a robust 20% growth for the year. Notably, IVD reagent sales increased by over 25%. Although the new healthcare infrastructure buildup projects and the recovery of regular ultrasound procurement in the first half of the year have boosted PMLS and MIS segments in China, the bidding activities for these products have been delayed as the anti-corruption campaign in healthcare sector starting from August. At the same time, a slowdown in the issuance of medical specialized bonds was also seen in the fourth quarter. Consequently, the PMLS and MIS segments grew at a significantly lower rate in the second half of the year compared to the first half. More importantly, even if bidding and procurement activities have been delayed, procurement demand itself hasn't been affected. As the anti-corruption activities becoming normalized this year, the postponed procurement projects are expected to gradually recover.

The international sales grew by 15.8%, driven by an increase of 22% in the second half of 2023. The most remarkable performance continued coming from emerging markets, with annual growth rates over 20%. Countries like Mexico, Brazil, Indonesia, and Turkey have experienced rapid growth. Despite the high base from 2022, US market has maintained steady growth, with a compound growth rate of 18% for two consecutive years. While the external environment hasn't improved significantly, we have increased our efforts to strengthen operational capabilities across sales and marketing, customer service, IT support, and warehouse logistics within the European team. As a result, the European market has started to break free from the grip of geopolitical tensions, and achieved nearly 10% growth last year. It's expected to gain further momentum this year.

Now let's take a closer look by three business segments.

Throughout the year, the IVD segment achieved a substantial growth of 21.1%, notably, the international IVD segment maintained a compound growth rate of over 30% for two consecutive years. China has experienced a rapid recovery of diagnosis and treatment activities since March, including routine outpatient and emergency medical treatments, physical examinations, and surgeries. This has led to a corresponding rebound in IVD reagent consumption in China market. Besides, blockbuster equipments such as the hematology analyzer BC-7500, CLIA analyzer CL-8000i, biochemistry analyzer BS-2800M, coagulation analyzer CX-9000, and the TLA still delivered impressive installation. Over 2,000 units of the BC-7500 series were installed, further solidifying our position as the No.1 player in the domestic hematology market. And they have brought in over RMB 1 billion in revenue for the entire year, marking a new product reached RMB 1 billion revenue milestone within just three years since its launch in history. The new CLIA analyzer installations have exceeded 2,000 units in China market, with high-speed analyzers accounting for nearly 60%. Most importantly, the penetration of large testing-volume customers has continued to accelerate. The number of hospitals with an annual output of over RMB 5 million from biochemistry and CLIA reagents have reached to 68, more than doubling from before. This has fueled

our CLIA sales to surpass an MNC brand in domestic market share for the first time and achieve the fourth position. In the international market, we have ramped up our local platform building capacity in overseas IVD markets. We have focused on production, logistics, clinical support, and IT services through both M&As and our self-built endeavors. On top of that, our penetration into the medium to large-volume customers abroad will keep speeding up. In 2023, we have successfully penetrated in over 100 overseas ICLs. Additionally, we will further strengthen our collaboration with overseas ICL clients by leveraging our advantage of technological innovation and clinical value established by the hematology product line. It is notable that we have become the exclusive hematology supplier for DASA, the largest laboratory in Latin America, and planned to further expand more product penetration.

The PMLS segment grew by 13.8% in 2023. The growth of minimally invasive surgery business exceeded 30%, and the market share of rigid endoscopic system have risen to the third place in China. In the domestic market, the new healthcare infrastructure buildup projects like the expansion of ICU wards in the first half of 2023, providing a substantial boost to PMLS segment. However, the anti-corruption activities in the healthcare industry led to inevitable delays in bidding and procurement activities. Moreover, the postponement of medical specialized bond issuance in the fourth quarter further impacted the implementation of new healthcare infrastructure buildup projects, leading to a weakened performance for PMLS segment in the second half of 2023. According to our statistics, as of the end of last year, our addressable market for new healthcare infrastructure buildup projects in China market remained above RMB 20 billion. This is expected to contribute positively to the growth of PMLS segment in the next two years. In the overseas market, although production capacity was primarily tilted towards domestic needs during the first quarter, it was fully restored starting from the second quarter. Additionally, the procurement demand in the international market has mostly recovered, leading to over 20% growth in the PMLS segment overseas in the second half of 2023. World-class technology competitiveness has enabled PMLS products accelerated their penetration into high-end customers. Our products have

made their way into increasing number of top tier hospitals in countries such as US, UK, France, Spain, Australia, Brazil, Mexico, and Turkey. We are increasingly broadening our competitive edge with enhanced digital intelligence solutions. Considering the relatively low market share overseas, the PMLS segment has considerable potential for sustained and rapid growth in the international market over the long term.

The MIS segment grew by 8.8% in 2023, with high-end ultrasound models growing by more than 20%. Although regular procurement in China has resumed since March, the anti-corruption actions implemented from the end of July within the healthcare industry have caused significant tendering delays for ultrasound, adversely affecting our MIS business performance in the second half of 2023. Notably speaking, we have captured the current market opportunities to expand our market share by leveraging product competitiveness and high-standard compliance system. We surpassed the leading MNC brand and became the biggest supplier in the domestic ultrasound market for the first time. More importantly, at the end of 2023, we launched the first domestically-produced, premium high-end ultrasound system Resona A20 in China market, marking our ultrasound technology reaching to world-class level. However, MNC brands still dominate the domestic ultrasound market, holding nearly 60% market share. Moving forward, by focusing on premium high-end sector, it is believed that we could solidify our position as the ultrasound leader in China. In the international market, despite the continued impact of a tough macroeconomic environment on the demand for mid-to-low-end ultrasounds, we adjusted our marketing strategy in response. At the same time, we increased investments in the high-end overseas market, including being proactive in hosting international academic seminars and promoting academic communications between renowned hospitals both domestically and internationally. These initiatives have driven our growth in high-end ultrasound models by over 25% and accelerated penetration in high-end customers, which enabled our ultrasound business achieving top 3 globally for the first time.

The net profit attributable to shareholders in 2023 was RMB 11.58 billion, with a year-over-year increase of 20.6%. Net profit after deducting non-recurring gains and losses was RMB 11.43 billion, with a year-over-year increase of 20.0%. We also plan to pay a cash dividend of 15 yuan per 10 shares to all shareholders, totaling RMB 1.82 billion in dividends. Including the cash dividends already paid in the third quarter of last year, the total dividend for 2023 is expected to be about RMB 7.03 billion, representing an increase of 28.9% compared with that of 2022. Our dividend payout ratio has further improved to 60.7%.

Besides, the net operating cash flow in 2023 was RMB 11.06 billion, with a year-over-year decrease of 8.9%. The decline in net operating cash flow in 2023 was due to the excessive volume of urgent purchase orders resulting from ICU ward construction in the fourth quarter of 2022. Additionally, our production capacity constraints led to delayed deliveries, resulting in a substantial rise in advance payment for contract liability by the end of 2022, which inflated the level of net operating cash flow for 2022 in turn.

In the first quarter of 2024, our total revenue reached RMB 9.37 billion, with a year-over-year increase of 12.1%.

The urgent procurement demand caused by ICU ward construction in the first quarter of 2023 far exceeded other routine procurement demands. Considering the high base from 2023, the overall Chinese market saw single-digit growth in the first quarter of 2024. On the contrary, both IVD and MIS segments recovered and achieved high-speed growth which were suppressed in the first quarter last year. Meanwhile, international market saw the same growing trend with capacity mostly covering China market urgent demand in the first quarter of last year, which also held a low base. However, driven by continuous breakthroughs in high-end customers overseas, the overall international market grew by nearly 30% in the first quarter of 2024, among which emerging market exceeded 30%.

Looking ahead, we anticipate that the tendering activities of public hospitals in China will pick up gradually. Due to the low base comparing from the second half of 2023, it is expected that the revenue growth in the first and second halves of this year will be uneven. By accelerating breakthroughs in high-end customers at home and abroad, as well as increasing market share, and seizing opportunities in new healthcare infrastructure buildup projects and equipment renewal policy in China, we remain confident of achieving our annual growth targets.

The net profit attributable to shareholders in the first quarter of 2024 was RMB 3.16 billion, with a year-over-year increase of 22.9%. Net profit after deducting non-recurring gains and losses was RMB 3.04 billion, with a year-over-year increase of 20.1%.

Besides, the net operating cash flow in the first quarter of 2024 was RMB 2.86 billion, growing by 114.8%. The spike in net operating cash flow growth was due to the increased purchase of key components and raw materials in the first quarter of 2023 to fulfill a large volume of urgent purchase orders.

Last but not least, I'd like to share with you the updates on our sustainable development efforts:

Along with our annual report, we released Mindray's sustainability report 2023. This is the 6th sustainability report published by the company since listed, providing detailed information on Mindray's practices and achievements in ESG areas in 2023. We continue to enhance our sustainability management system, and vigorously integrate ESG principles into every aspect of our value chain. In 2023, Mindray improved its MSCI ESG rating to AA level, and was awarded the 2023 EcoVadis Silver Medal for corporate social responsibility and sustainable development efforts. In climate-related CDP ratings, the Company advanced to B-level in the "Management Phase".

Innovation is the primary driving force behind Mindray's development. Mindray

champions the concept of smart healthcare. By leveraging 5G and AI technologies, we have developed IT solutions and established remote service platforms, thereby providing quality medical resources at primary hospitals, and promoting accessible and affordable medical care. The Company is committed to promoting global exchange and cooperation. The Project 2025 vision and initiative, as launched by us in 2023, targets three pivotal areas: foundational training, cutting-edge technological exchanges, and collaborative research in the medical field. We collaborate with global experts and scholars to power the advancements of the global ultrasound industry.

Building upon our overseas expansion, we are working to build a global production and supply system. Additionally, through M&As, and business integration, we aim to provide customers with industry-leading products and solutions from raw materials to finished goods. Moreover, the sustainable procurement management system established in 2023 incorporates sustainability requirements into procurement standards. We also set up the Supplier Quality Academy to practice supplier quality management and empower our sustainable development capabilities.

We practice green and environmental concepts throughout our production and operations. We strengthen energy management, upgrade energy-saving and emission reduction technologies, and utilize clean energy. In 2023, carbon emission intensity decreased by 8.51% compared to 2022. The Company partners with the international charity organization Operation Smile to provide quality medical treatment for children with cleft lips and palates. We have also launched the the Baby Liver Charity Fund to sustain hope for children with liver diseases. Our rural revitalization efforts are manifested by constructing the Mindray Technology Industrial Park and a new campus for Dangshan High School. This dual-support model in both industry and education aims to foster long-term development and mutually beneficial cooperation with Dangshan.

Please refer to the *2023 Sustainability Report of Mindray* for detailed information.

【Q&A】

Q: How do you foresee the long-term development potential of Chinese medical device companies in both domestic and overseas markets?

A: In 2019, we predicted a "golden decade" for China's medical device industry, and recent years of industrial rapid development has gradually confirmed our judgment. However, the development of China's medical device industry is still far from reaching its ceiling, and there is still tremendous growth potential in the long term, behind which there are three main driving forces: medical demand, national policies, and the rising competitiveness of domestic products.

Firstly, from the perspective of medical demand, considering the lack of high-quality medical resources and uneven distribution nationwide, there is still a large amount of unsatisfied demand for diagnosis and treatment in China. Meanwhile, the aging population is continuing to accelerate, so addressing medical deficiencies is an urgent need.

Secondly, China attaches great importance to the medical device industry. The new healthcare infrastructure buildup projects in recent years have brought about a considerable industry expansion. Measures such as volume-based procurement, DRG, and medical anti-corruption campaign will drive the industry stepping into a healthier direction. Recently, Chinese government launched a large-scale equipment renewals policy, including medical equipment, which has provided momentum for the development of the industry.

Lastly, although MNCs still hold a considerable market share of high-end medical device in China, leading domestic brands have gradually acquired the technological capabilities to compete with them and may even take the lead in some specific areas, which is also crucial for the demand of cost control coming from hospitals and medical insurance. Therefore, we believe that Chinese medical device companies still have

abundant opportunities in the domestic market in the future, while industry consolidation will continue to accelerate.

Through over 20 years of development, Mindray has gained a foothold in the vast overseas market, but even so, our market share overseas is still far below our domestic level, indicating significant long-term growth potential in overseas markets. Despite the uncertain macro and geopolitical situations overseas, opportunities always exist. Especially in recent years, regarding multiple factors such as COVID, inflation, and currency depreciation, the demand of cost-effective solutions from international customers has been increasing, which undoubtedly create tremendous opportunities. To better meet customer needs and effectively respond to complicated environment, a comprehensive deployment for overseas localization is particularly crucial. However, localization can't be achieved overnight. It has taken Mindray more than 20 years, experiencing various challenges, to establish a global platform with over 3,000 overseas local employees until now. In the future, we will continue to optimize the construction of our overseas localization platform and accelerate the breakthrough of overseas high-end customer groups.

Q: Please introduce whether Mindray has already planned a clear long-term strategic goal and how to achieve this goal.

A: As an industry that almost represents a country's highest level of technological innovation and industrial manufacturing, medical device market has always been dominated by companies from Europe, USA, and Japan. It is gratifying that after years of persistent R&D and innovation, Mindray has gradually caught up with these international giants and will become the first Chinese company breaking into the TOP 20 global medical device companies by 2025. We firmly believe that with the continuous improvement of our innovation and operation capabilities, Mindray's future achievements will not be limited to TOP 20. We are able to become the global TOP 10

and grow up as a significant role that can lead medical industry development in various sub-sectors by technology upgrading and innovation in the future. To achieve this long-term goal, Mindray needs to focus on two strategic directions:

(1) Comprehensive transformation from the equipment supplier towards Intelli-Digital Solution provider: Currently, economic development and aging populations are continuously generating medical demands. Although most of the countries has increased medical investment, lack of high-quality medical resources also with uneven distribution nationwide still are the urgent issues that haven't been addressed yet. We believe that Intelli-Digital Solution is one of the powerful means to help solve these global problems, in which "digital" and "intelligent" respectively represent the integration of IT and AI technologies based on existing medical equipment hardware and software to improve the quality and efficiency of diagnosis and treatment. Mindray's comprehensive layout, technological convergence, broad installation, as well as the ecosystem of "M-Connect, Mindray InnoLab, and the MiCo+" and the application of AI that have been vigorously promoted in recent years, together construct the advantages that help us transform towards an Intelli-Digital Solution provider. In the future, our competitiveness will no longer be limited to single parameter or lower price competition, but helping hospitals improve their medical service levels while enhancing efficiency and controlling costs, which will be expected to significantly increase our market share as well as build deeper relationship with customers.

(2) Continuously expanding recurring business: From the perspective of market space, industry growth and the current market share, IVD segment will undoubtedly lead our long-term growth of three major segments. It will continue to increase the proportion of reagent revenue by penetrating in more large-volume based customers both home and abroad. To achieve this goal, we keep heavily investing towards IVD in R&D, sales and marketing, overseas production, and M&A. Our competitiveness of IVD products, especially CLIA, will reach the world-class level in the next two years, at the same time, gradually exploring new areas such as molecular diagnosis and clinical

mass spectrometry to ensure the long-term rapid growth of IVD business. In addition, we are also vigorously cultivating emerging businesses in consumables such as minimally invasive surgery and cardiovascular. Expanding to consumable business will undoubtedly bring us new and vast global addressable market, and these recurring businesses will help us maintain a long-term trend of sustainable development in the future.

Q: The National Development and Reform Commission has proposed promoting equipment renewals in seven major areas, including healthcare. How does Mindray assess the impact of this policy on the industry and on yourself?

A: On March 13th, the State Council issued a notice on the issuance of the "Action Plan to Promote Large-scale Equipment Renewals and Trade-ins of Consumer Goods," which mentioned strengthening the construction of a high-quality and efficient healthcare service system, promoting the upgrading of equipment and informative facilities in medical and healthcare institutions, and encouraging medical institutions with matured conditions to accelerate the renewal and renovation of medical equipment such as medical imaging, radiotherapy, tele-diagnostics and tele-treatment, and surgical robots. Meanwhile, promoting the transformation and upgrade of hospital wards, making up for the deficiencies in their environment and facilities. After this notice was released, local governments gradually started conducting surveys and collecting demands on equipment renewal projects in the healthcare field. With the stimulation of equipment renewal policy, the procurement demand for medical equipment is expected to be released. Currently, the demand collection for medical equipment renewals in each province have been basically completed. Bidding and procurement are expected to be launched after the supporting funds are in place, which is expected to positively impact our performance in the second half of the year. However, it is difficult to make quantitative assessments of the impact and the implementation timeline currently. We will closely monitor the progress of the equipment renewal projects.

It is worth mentioning that apart from accelerating the renewal of medical equipment, the policy has made it clear that it is necessary to promote the upgrading of informative facilities in medical institutions, and encourage public hospitals to accelerate the application of intelligent wearable devices, and AI-enabled diagnosis and treatment systems. Meanwhile, in the context of promoting DRGs payments and emphasizing the high-quality development of public hospitals, the pain points and core demands of hospital construction are how to improve diagnosis and treatment capabilities and operational efficiency, which will definitely enable Mindray becoming highly competitive in the industry. Through our comprehensive product portfolio and the combination of "Device+IT+AI," we have become a supplier of more efficient, intelligent, and cost-effective solutions for each medical institution.

For example, the fatality rate of the low-risk patient group is an important safety indicator for hospitals and is also a national examination index for appraisal of national tertiary public hospitals. In the past, the fatality rate of the low-risk patient group was mainly reduced through the CCRRT mechanism (i.e., Critical Care Rapid Response Team), but because of the low specificity, imprecise alarms, and improper alarm distribution from MEWS (i.e., the Modified Early Warning Score), as well as limited by the judgment of nurses in general departments, in fact, the CCRRT mechanism did not operate smoothly. Through the medical equipment portfolio, the intelligent multi-parameter algorithms, and the M-Connect IT Solution provided by Mindray, fatal and multi-parameter early warning is defined as a must-respond alarm. At the same time, if the patient does not improve after first-responding treatment, the alarm will be upgraded, achieving the highly efficient hierarchical alarm notification, enhancing the synergy between nurses of general wards and ICU, and making the CCRRT mechanism operate more smoothly, thereby reducing the fatality rate of low-risk patient group.

Q: According to some news, EU will initiate an investigation into Chinese medical device companies, which mentions using the International Procurement

Instrument (IPI) for Chinese medical device companies participating in EU procurement. Will this have any impact on Mindray's business in Europe? Please share your outlook for international business.

A: As far as we know, the IPI affects goods and services with a bidding amount of over EUR 5 million, while the value of individual bidding contracts that Mindray currently participated in are far below EUR 5 million in EU. Therefore, the use of IPI will not have any impact on Mindray's participation in EU procurement. Mindray has always been actively practicing free trade, strictly abiding by the laws, regulations, and regulatory requirements of various countries around the world, participating in market competition with high-standard compliance. After over twenty years of hard work, we have deployed a team of more than 500 people in the European market covering marketing, service, IT, human resources, finance, and other functions. The M&A of Hytest and DiaSys Diagnostic have brought in R&D and production teams of over 400 people. From a macro perspective, the European medical device market is gradually bouncing back from the haze caused by epidemics and geopolitical factors in recent years. However, the pursuit of more valuable medical demands from customers remains unchanged, which is highly compatible with the value provided by Mindray's Intelli-Digital Solutions. As the technical competitiveness of increasing products reaching world-class level, we will continue to increase investment in the European market. The future growth of our business in Europe is expected to accelerate, with countries such as France, UK, and Spain gradually entering the fast lane of development.

Looking ahead, the uncertain international environment may be a trend we need to face in the long run, which shows both challenges and opportunities for a globalized company. However, Mindray has the confidence and ability to excel in international business. Firstly, improving medical quality and efficiency as well as controlling costs are what most governments and healthcare institutions aspire to achieve. Mindray is gradually taking the lead in meeting clinical needs through multidimensional technological innovation, while the quality and cost advantages brought by China's

strong engineering capabilities will persist in the long term. Secondly, after more than twenty years of overseas development, Mindray has cultivated a relatively mature system of organizational capabilities, and this was formed based on a large amount of experience and lessons learned with first mover advantage compared with many peers. But we should also be clearly aware that there is still a lot of room for improvement in our overseas organizational capabilities to better meet customer needs. It is gratifying that, through the combination of internal and external approaches, we expect at least 10 overseas localization platforms to be constructed by the end of this year, which are of great significance in accelerating our breakthrough in overseas public hospitals and medium-to-large testing volume customers.

Q: In recent years, Mindray has made several mergers and acquisitions. Please share the update on the integration progress of these mergers and acquisitions.

A: Since 2021, we have completed three significant mergers and acquisitions, and each deal represents a different direction:

(1) In the field of IVD, self-development and self-manufacturing of raw materials form the foundation of reagent innovation, which are also essential for ensuring products quality. In 2021, we acquired HyTest, a globally recognized supplier of IVD antigens and antibodies. This acquisition has enabled us possess the ability of developing CLIA raw materials independently. Currently, the integration between Mindray and HyTest's R&D teams has progressed smoothly. Mindray's IVD reagent R&D team and HyTest's raw material R&D team have started working together effectively and actively on the R&D of new reagent projects. In November 2023, by leveraging HyTest's technical advantages in IVD raw materials, we launched three cardiac marker products with performance reaching industry-leading level. Going forward, we will increase the investment in R&D and operations of HyTest, continuously expanding the scale of its R&D team and facilities, and enhancing its innovation capability and manufacturing

capacity. We believe that the future development of core raw materials will provide a substantial uplift to the reagent performance of our CLIA business, striving to comprehensively enhance the competitiveness of CLIA product to reach the world-class level over the next two years.

(2) The missing piece of the supply chain platform abroad has long hampered our overseas expansion of the IVD segment, especially in penetrating medium-to-large testing volume customers. To solve the above problems, we began to build supply chain platforms abroad long ago. In November 2023, we have completed the acquisition of 75% equity of DiaSys. Currently, the integration between Mindray and DiaSys progressed smoothly. The three localized manufacture and operating platforms of DiaSys based in Europe, Asia-Pacific, and Latin America have been incorporated into our global supply and delivery plan, while the development of DiaSys's IVD reagent and quality calibration control R&D teams have been included in our IVD segment in the mid- and long-term strategic planning. Mindray's R&D, supply chain, and operation teams can now efficiently and collaboratively work with DiaSys's team to carry out work on the global supply chain and product improvement after integration. In the future, we will fully leverage DiaSys's supply chain and operating platforms in Europe, Asia-Pacific, and Latin America to accelerate international deployment of our IVD business.

(3) While Mindray primarily focuses on medical equipment and IVD, our presence in the high-value consumables sector is very limited. In the future, under the trend of the aging population and the background of economic development and improvement in clinical medical standards, the clinical usage of consumable products is bound to experience long-term rapid growth. Therefore, gradually entering the high-value consumables sector is crucial for Mindray's long-term development. In January of this year, we announced the acquisition of controlling rights of APT Medical. Currently, the shares of APT Medical involved in the deal have been transferred and registered under the name of Mindray. Through this transaction, Mindray will gradually enter cardiovascular area, expand our addressable market, and nurture a new high growing

point. At the same time, we will play the role of an industrial investment integrator bringing improvements in product R&D, innovation, and global marketing capabilities to both parties, and driving the development of electrophysiology and related consumable businesses. In the short term, by leveraging advantages in the R&D system and organizational capabilities, we will assist APT Medical in comprehensively improving the core competitiveness of the three-dimensional electrophysiology system in product completeness, clinical performance, quality, and reliability, accelerate the clinical application of the three-dimensional electrophysiology system of APT Medical in atrial fibrillation, and better meet the clinical needs of hospitals. In the medium to long term, Mindray will continue to support APT Medical to expand and enhance its presence in the cardiovascular field and will jointly formulate integration plans in business development strategies, R&D, and marketing systems based on the independent development of APT Medical, enabling APT Medical to leap from a domestic leader to an international leader in the future.

Q: Compared to Mindray's last five-year plan, M&As have notably accelerated during these five years. What are the reasons for active M&As? Are any other M&As planned in the future?

A: M&A has always been one of Mindray's growth foundations. Since embarking on the global M&A journey in 2008, Mindray has significantly enhanced our core technologies, marketing platform, supply chain platform, and new business expansion through multiple domestic and overseas mergers and acquisitions. As a result, Mindray has continuously built and solidified our global R&D, marketing, and supply chain platforms while accumulating rich experiences in mergers and acquisitions. It leads our domestic counterparts in terms of M&A efficiency, number of targets, and especially the depth of integration, gaining industry M&A integration experience and capabilities surpassing competitors. However, since we listed on the domestic capital market, factors including geopolitics, COVID-19, and the valuation of targets have all constrained our

ability to freely carry out M&As. Despite these challenges, we have still notably accelerated our M&As in recent years, thanks to some improvements in the external environment and our acute insight in identifying M&A opportunities.

Mindray's mergers and acquisitions do not solely aim to expand our revenue or increase profits. Instead, we mainly focus on strengthening our main business, exploring new business areas, and expanding our presence in overseas markets. Through mergers and acquisitions, we rapidly integrate cutting-edge technologies across the entire global industry chain, thereby enhancing the comprehensive competitiveness of our existing businesses in high-end markets and accelerating the growth of emerging businesses. In the future, we will leverage our platform strengths, adhering to the dual strategies of internal R&D innovation and external M&A integration, and will continue to actively yet progressively explore opportunities for external investment and M&As that align with our strategic development plan, accelerate the mastery of core technologies, ensure the stability of supply chain, and enhance the overall competitiveness.

Q: The Company's latest annual report repeatedly mentions "Intelli-Digital Solution". Could you explain what exactly the "Intelli-Digital Solution" is? What values has the solution brought to the customers and Mindray?

A: Currently, economic development and aging populations are continuously generating vigorous medical demand. Although many countries are increasing medical investment, they have not effectively addressed issues such as the lack of medical resources and uneven distribution. Additionally, the increasing cost pressures from investments are intensifying. As a result, the healthcare industry is eagerly awaiting new technical means and more valuable solutions to address these urgent issues. From our point of view, the "Digital" and "Intelligent" aspects of the Intelli-Digital solution represent respectively the fusion of IT technology and hardware and the fusion between AI and software. We hope that by using IT to empower hardware, healthcare big data

can be collected and transmitted in real-time, and by using AI to empower software, healthcare big data can be processed and integrated, thereby equipping medical institutions to address challenges in clinical practices, improve diagnostic and treatment efficiency, and achieve expense control and cost reduction.

In recent years, we have used our extensive business network, leading market position, and growing installation volume to develop long-term, differentiated complete solutions. We have preliminarily established the "Device+IT+AI" smart ecosystem through integration with AI. By innovatively integrating the intelligent ecosystem with devices and combining intelligent large models, we offer digital intelligent solutions for medical institutions. Meanwhile, our marketing model has shifted from product marketing to solution marketing. This shift is expected to enhance customer stickiness and lead to a broader installation of multiple products in medical institutions, ultimately providing us with a unique competitive edge in the market.

For example, Mindray has developed an industry-leading, hospital-specific Intelligent Digital solution for Renji Hospital Affiliated to Shanghai Jiao Tong University School of Medicine, encompassing everything from operating rooms, critical care, and general wards to the smart hospital interacting center:

The interacting center is not only equipped with digitalized operating rooms and an intelligent IoT platform for life support devices; it also integrates with platforms such as Online Hospital and a hospital operational data platform. This integration enables the hospital to perform remote instructions for surgeries, monitor vital signs in real-time for patients under emergency anesthesia, in critical care, and in general wards, and access operational data via both online and offline modes. Additionally, the center offers virtual scenarios of conference rooms, operating rooms, and intensive care units. Collectively, these capabilities technically support Renji Hospital in participating in the national Class III public hospital performance assessment and promoting high-quality development.

The intensive care unit is equipped with a comprehensive suite of devices designed

for ICU use, including medical supply units, patient monitors, ventilators, infusion pumps, ultrasounds and so on. Healthcare providers can not only integrate all bedside devices through monitors but also transmit all patients' vital signs data to the central station and remotely access patient data and alarms. Furthermore, the central station is designed to upload this data through a data gateway to the critical care information system, facilitating easy retrieval and subsequent use of the data. This design is entirely patient-centric, offering services that integrate healthcare providers, medical devices, systems, and other resources. It aims to eliminate information isolation among devices, support telehealth initiatives, and enhance the efficiency of diagnosis and treatment.

As for the digitalized operating rooms. These rooms are equipped with the most advanced 4K optical fiber streaming technology architecture. This technology ensures that video signals from the operating rooms can be transmitted in high definition, real-time, and without loss to any visualization terminal within the network. Consequently, different scenarios—including operating rooms, demonstration rooms, seminar rooms, conference rooms, offices, and the interacting center—can synchronously view the same image quality. Additionally, surgery images from endoscopy, surgical field, patient monitoring, and panoramic cameras can be transmitted in real-time from various locations. This capability greatly enhances the convenience for surgeons and other medical staff to share updates during surgeries.

Q: The National Healthcare Security Administration previously proposed that by the end of 2025, the DRG/DIP payment system should be implemented across all eligible medical institutions offering hospitalization services. Recently, feedback from several companies suggests that the pilot of the DRG payment system has adversely affected reagent consumption. What is Mindray's opinion on the impact of this policy on both the industry and Mindray?

A: If we examine historical data, the growth rate of domestic healthcare spending

has always been faster than that of GDP, although its percentage of total GDP remains lower than that in developed countries. More importantly, the economy in China is expected to continue stable growth in the future. Amidst an increasingly severe aging population, the demand for healthcare in China will maintain positive momentum over the long term. However, the growing demand for healthcare is conflicted by our huge population base and limited financial capacity. Therefore, the National Healthcare Security Administration must strike a balance through expense adjustment and control policies such as volume-based procurement and the DRG/DIP payment system.

As a company dedicated to medical devices, our mission is to assist medical insurance providers, hospitals, and patients in addressing this conflict. We are convinced that one key to resolving this issue is to enhance the early-stage, accurate, and efficient diagnostic and treatment capabilities of hospitals. Only by doing so can we better meet healthcare demands while effectively controlling excess healthcare spending due to redundant and excessive diagnosis and treatment. This is the context in which Mindray's Intelli-Digital solutions were developed. The adoption of AI for blood cell image analysis cell morphology analyzer, ultrasound's smart plane recognition, high-sensitivity cardiac troponin tests, and intelligent breathing algorithms have formed the foundation for innovative technology that enables hospitals to improve their diagnostic and treatment capabilities. Smart alarm solutions, combined intravenous-inhalation anesthesia, fusion solutions for ultrasound endoscopic minimally invasive surgery, and the Laboratory Automation System have all become technologies that merge innovation with higher clinical value for hospitals. In addition to these technologies, we have developed an intelligent ecosystem that is open and scalable, allowing data to truly flow. Through deeper data mining and large model analysis, we provide hospitals with guidance based on experience, effectively improving the accuracy and efficiency of diagnosis and treatment.

Take high-sensitivity cardiac troponin as an example. As a core biomarker for acute coronary syndrome (ACS), we meticulously hone our products' analytical performance.

Mindray collaborates with leading medical institutions worldwide to continuously undertake in-depth research, focusing on optimizing marker applications in the ACS field. We have also refined research on the distribution of marker concentration among specific populations and diseases, set reference ranges applicable to all age groups, and enhanced our study of the 0-2 hours rapid triage process. These efforts align with the fundamental clinical needs during diagnosis and treatment, ensuring safety by eliminating risks and precisely allocating medical resources where they are most crucial. To assist hospitals in identifying patients with acute myocardial infarction more accurately, Mindray's high-sensitivity cardiac troponin tests have elevated the sensitivity and interference immunity of diagnoses to a new level.

Q: Over the past years, the IVD segment has experienced relatively rapid progress in volume-based procurement. What are the latest updates on the progress of these VBPs? What impacts have they had on the company? Are more volume-based procurements expected to be implemented in the IVD segment this year?

A: Current IVD volume-based procurements mainly involve the volume-based procurement of CLIA reagents led by Anhui Province and biochemical reagents led by Jiangxi Province.

In 2021, Anhui Province initiated the CLIA reagent volume-based procurement within the province. In 2022, our CLIA reagent sales in Anhui Province grew by over 85%, and the market share surged to over 20%. This growth helped us achieve our target of becoming the No.1 provider in Anhui Province and enabled us to penetrate 35 previously untapped Class III hospitals. In 2023, we achieved comprehensive breakthroughs in Anhui Province through the Intelli-Digital solutions designed for laboratory use, successfully expanding our coverage of Class III hospitals while continuing to increase reagent output. As a result, our CLIA sales in Anhui Province

recorded a high-speed growth of nearly 40%, further solidifying our No.1 position in the CLIA market in Anhui Province. More importantly, there was rapid growth in core packages and panels related to volume-based procurement. Specifically, cardiac markers and inflammation panel increased grew by 64%, thyroid function panel grew by 42%, infectious diseases panel increased grew by 34%, and tumor markers panel grew by 32%. This growth further confirms the quality assurance capability of Mindray's CLIA products among high-end hospital groups. Last year, Anhui Province spearheaded a volume-based procurement alliance that included 25 provinces for CLIA reagents. With the gradual rollout and implementation of this procurement this year, coupled with the expected launch of nearly 20 more competitive new tests this year, we are confident that our CLIA business will continue to see high-speed and strong annual growth and keep penetrating in high-end hospitals in the domestic market.

In June 2023, Jiangxi Province issued a notice on the implementation of the bid-winning results of the alliance volume-based procurement of liver function biochemical reagents, marking the official implementation of liver function tests volume-based procurement of 23 provinces. In the provinces that have implemented volume-based procurement, our biochemical product sales have experienced rapid growth. Specifically, tests related to volume-based procurement have seen a yoy revenue growth exceeding 20%, significantly outperforming the average growth in the biochemical sector. With the advancement of volume-based procurement, Mindray's biochemical products have earned increased recognition and trust from customers, which has, in turn, accelerated our penetration into Class III hospitals, underlining the comprehensive advantages of our products. In the provinces of the volume-based procurement alliance, more than 330 new-generation BS-2800M analyzers were installed, representing a year-on-year increase of 72%, of which nearly 200 of these units were installed in top tier hospitals, accounting for 57%. Additionally, Jiangxi Province also released the volume-based procurement for renal function and myocardial enzyme reagents and began its initial implementation last year. It is expected that this initiative will be further executed this year. This year, Jiangxi Province hosted a meeting focused on the volume-based

procurement of biochemical reagents. During the meeting, there was a proposal to expand volume-based procurement to include more than 70 additional tests. Including the previous two rounds of volume-based procurement, the scope of the volume-based procurement led by Jiangxi Province will cover most of the biochemical reagent market. Despite Mindray being a top player in the domestic biochemical market for years, our market share has plateaued at just over 10%. Moving forward, with the implementation of volume-based procurement, we expect the pace of industry concentration to greatly accelerate.

Q: Considering Mindray reported only a 12% yoy growth in the first quarter, please explain the main reasons for this financial performance. Will the company adjust its growth target for 2024?

A: The performance of each segment of the company in the first quarter largely met our expectations. The relatively low revenue growth rate was primarily influenced by the base effect. Since 2020, quarterly order volumes have been unevenly distributed due to significant disruptions in procurement demand caused by the pandemic. Last year, intense market demand fluctuations further exacerbated this uneven distribution. In the first half of last year, revenues accounted for 53% of the annual total, whereas the second half saw merely 47%. Typically, the revenue proportion of the first half is slightly lower than that of the second half.

From the external environment, since the beginning of this year, the crackdown on healthcare corruption in China has become normalized. It is expected that medical equipment renewal policy will start contributing from the second half of the year. Meanwhile, there is still significant room for improvement in market share in the international market, particularly due to the soaring growth momentum in developing countries.

Internally speaking, this year presents opportunities for increased introduction of

blockbuster products, including ultrasonic scalpel and endoscopic staplers used in minimally invasive surgery. Additionally, around 20 new CLIA reagents are expected to be launched and greatly boost reagent output. The new installation of MT-8000, a TLA that is fully self-developed and self-manufactured, is expected to surpass historical accumulative installations. Regarding the premium high-end ultrasound system Resona A20 (China), while increasing sales volumes, it is set to accelerate the ultrasound business's penetration into more and more global high-end hospitals. Therefore, considering all these factors, we are confident in achieving our annual growth target, with the growth rate expected to accelerate in the second half.