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## Shanghai MicroPort MedBot (Group) Co., Ltd.

上海微创医疗机器人(集团)股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2252)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2021, together with comparative audited figures for the year ended 31 December 2020. The results have been reviewed by the Audit Committee.

In this announcement, “we”, “us”, and “our” refer to the Company and where the context otherwise requires, the Group. Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any tables, charts or elsewhere between totals and sums of amounts listed therein are due to rounding.

#### FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue	2,150	—
Gross profit	919	—
Loss before taxation	(584,507)	(209,290)
Loss for the year	(584,507)	(209,290)
Loss attributable to equity shareholders of the Company	(582,921)	(208,874)
Loss per share — Basic and diluted (in RMB)	(0.63)	(0.27)

For the year ended 31 December 2021, the Group recorded a revenue of RMB2.2 million. The Group's revenue was mainly derived from the promotion and sales of DFVision® in hospitals since its approval by the National Medical Products Administration (“NMPA”) in June 2021.

The Group recorded a net loss of RMB584.5 million for the year ended 31 December, 2021 as compared to the net loss of RMB209.3 million for the year ended 31 December, 2020, which was primarily due to (1) increased investments in the research and development, clinical trials and registration of our products in pipeline (2) investment in commercialization of our surgical robot products, (3) equity-settled share-based awards granted to certain employees, and (4) Listing expenses.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
<b>Revenue</b>	4	<b>2,150</b>	—
Cost of sales		<u>(1,231)</u>	<u>—</u>
<b>Gross profit</b>		<b>919</b>	—
Other net income	5	<b>24,675</b>	9,777
Selling and marketing expenses		<b>(79,188)</b>	(2,693)
Administrative expenses		<b>(107,477)</b>	(26,884)
Research and development costs		<b>(392,649)</b>	(135,378)
Net gain/(loss) on financial instruments carried at fair value through profit or loss (FVPL)		<b>45,523</b>	(3,250)
Other operating expenses	6(c)	<u><b>(43,498)</b></u>	<u>—</u>
<b>Loss from operations</b>		<b>(551,695)</b>	(158,428)
Finance costs	6(a)	<b>(5,435)</b>	(49,187)
Share of losses of equity-accounted investees		<u><b>(27,377)</b></u>	<u>(1,675)</u>
<b>Loss before taxation</b>	6	<b>(584,507)</b>	(209,290)
Income tax	7(a)	<u>—</u>	<u>—</u>
<b>Loss for the year</b>		<u><b>(584,507)</b></u>	<u>(209,290)</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>(582,921)</b>	(208,874)
Non-controlling interests		<u><b>(1,586)</b></u>	<u>(416)</u>
<b>Loss for the year</b>		<u><b>(584,507)</b></u>	<u>(209,290)</u>
<b>Loss per share</b>	8		
Basic and diluted (RMB)		<u><b>(0.63)</b></u>	<u>(0.27)</u>

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
<b>Loss for the year</b>	<b>(584,507)</b>	<b>(209,290)</b>
<b>Other comprehensive income for the year, net of nil tax</b>		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign subsidiaries, net of nil tax	<u>(3,953)</u>	<u>(5,256)</u>
<b>Other comprehensive income for the year</b>	<b>(3,953)</b>	<b>(5,256)</b>
<b>Total comprehensive income for the year</b>	<b><u>(588,460)</u></b>	<b><u>(214,546)</u></b>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>(586,874)</b>	<b>(214,130)</b>
Non-controlling interests	<b><u>(1,586)</u></b>	<b><u>(416)</u></b>
<b>Total comprehensive income for the year</b>	<b><u>(588,460)</u></b>	<b><u>(214,546)</u></b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	<i>31 December</i> <i>2021</i> RMB'000	<i>31 December</i> <i>2020</i> RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		361,000	38,710
Intangible assets		3,074	565
Goodwill		1,482	1,482
Equity-accounted investees		123,537	85,430
Financial assets measured at FVPL		136,586	38,366
Derivative financial instruments		—	12,676
Other non-current assets		71,979	12,075
		<u>697,658</u>	<u>189,304</u>
<b>Current assets</b>			
Derivative financial assets		8,958	—
Inventories		109,881	—
Trade and other receivables	9	24,955	16,742
Pledged deposits		9,607	982
Cash and cash equivalents		1,940,825	1,497,326
		<u>2,094,226</u>	<u>1,515,050</u>
<b>Current liabilities</b>			
Trade and other payables	10	181,510	221,620
Provisions		96	—
Lease liabilities		52,863	7,288
		<u>234,469</u>	<u>228,908</u>
<b>Net current assets</b>		<u>1,859,757</u>	<u>1,286,142</u>
<b>Total assets less current liabilities</b>		<b>2,557,415</b>	<b>1,475,446</b>
<b>Non-current liabilities</b>			
Contract liabilities		102	—
Provisions		397	—
Lease liabilities		151,813	11,593
Deferred income		14,951	22,401
		<u>167,263</u>	<u>33,994</u>
<b>NET ASSETS</b>		<u>2,390,152</u>	<u>1,441,452</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	<i>Note</i>	<i>31 December</i> <i>2021</i> RMB'000	<i>31 December</i> <i>2020</i> RMB'000
<b>CAPITAL AND RESERVES</b>			
Share capital	12	<b>958,594</b>	900,000
Reserves		<b>1,434,548</b>	542,856
<b>Total equity attributable to equity shareholders of the Company</b>		<b>2,393,142</b>	1,442,856
<b>Non-controlling interests</b>		<b>(2,990)</b>	(1,404)
<b>TOTAL EQUITY</b>		<b>2,390,152</b>	1,441,452

## Notes

(Expressed in Renminbi unless otherwise indicated)

### 1. Statement of compliance

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

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

### 2. Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in equity-accounted investees.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value:

- investments in equity securities; and
- derivative financial instruments.

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

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

### 3. Changes in accounting policies

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

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

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

#### 4. Revenue and segment reporting

##### (a) Revenue

The Group derives revenue principally from the sales of medical devices through appointed distributors.

Disaggregation of revenue

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

	2021 RMB'000	2020 RMB'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Sales of medical devices — point in time	1,780	—
Others — over time	370	—
	<u>2,150</u>	<u>—</u>

The Group obtained the NMPA approval of DFVision 3D Electronic Laparoscope (“DFVision”) in June 2021 and commenced the sales of DFVision in November 2021. The revenue from the sales of medical devices arose from three customers with each transaction exceeding 10% of the Group’s revenue.

##### (b) Segment reporting

###### (i) Segment information

For the purpose of resource allocation and performance assessment, the Group’s chief executive officer, being the chief operating decision maker, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment and no further analysis of this single segment is presented.

###### (ii) Geographical information

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

	Revenues from external customers		Specified non-current assets	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
The PRC (place of domicile)	2,150	—	412,952	52,832
United States	—	—	4,042	—
France	—	—	72,099	85,430
	—	—	76,141	85,430
	2,150	—	489,093	138,262

## 5. Other net income

	2021 RMB'000	2020 RMB'000
Interest income on financial assets measured at amortised cost	22,073	8,088
Government grants (Note)	11,710	2,290
Net foreign exchange loss	(9,114)	(676)
Others	6	75
	24,675	9,777

Note: Majority of the government grants are subsidies received from the government for encouragement of research and development projects.

## 6. Loss before taxation

Loss before taxation is arrived at after charging:

### (a) Finance costs

	2021 RMB'000	2020 RMB'000
Interest on interest-bearing borrowings and loans from related parties	—	32
Interest on lease liabilities	5,293	469
Interest on financial instruments with preferred rights (note 11)	—	48,628
Total interest expense on financial liabilities not at fair value through profit or loss	5,293	49,129
Others	142	58
	5,435	49,187



(b) *Staff costs*

	2021 RMB'000	2020 RMB'000
Contributions to defined contribution retirement plans	17,439	377
Equity-settled share-based payment expenses	91,199	15,782
Salaries, wages and other benefits	40,526	60,693
	<u>285,794</u>	<u>76,852</u>

Defined contribution retirement plans

As stipulated by the labour regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at approximately 13% to 16% of the eligible employees' salaries for the year ended 31 December 2021. The Group's contributions made to the plans are non-refundable and cannot be used to reduce the future or existing level of contribution of the Group should any forfeiture be resulted from the plans.

(c) *Other operating costs*

	2021 RMB'000	2020 RMB'000
Listing expenses	40,526	—
Legal and professional fee	2,972	—
	<u>43,498</u>	<u>—</u>

(d) *Other items*

	2021 RMB'000	2020 RMB'000
Amortisation of intangible assets <sup>#*</sup>	474	229
Depreciation charge <sup>#*</sup>		
— owned property, plant and equipment	7,148	1,664
— right-of-use assets	27,751	2,564
	<u>34,899</u>	<u>4,228</u>
Research and development costs <sup>#</sup>	392,649	135,378
Auditors' remuneration		
— audit services	5,423	730
— non-audit services	311	—
	<u>5,734</u>	<u>730</u>
Cost of inventories*	21,987	—

# Research and development costs include RMB200,164,000 (2020: RMB63,163,000) relating to staff costs and depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

\* Cost of inventories includes RMB7,053,000 (2020: nil) relating to staff costs and depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

## 7. Income tax in the consolidated statements of profit or loss

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

	2021 RMB'000	2020 RMB'000
<b>Current tax — PRC Corporate Income Tax (“CIT”)</b>		
Provision for the year	—	—
<b>Current tax — Overseas</b>		
Provision for the year	—	—

Pursuant to the CIT Law of the PRC, the Company and its PRC subsidiaries are liable to PRC CIT at a rate of 25%.

According to the new tax incentives policies promulgated by the State Tax Bureau of the PRC in March 2021, effective from 1 January 2021, an additional 100% of qualified research and development expenses incurred is allowed to be deducted from the taxable income.

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

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

	2021 RMB'000	2020 RMB'000
Loss before taxation	<u>(584,507)</u>	<u>(209,290)</u>
Notional tax on loss before taxation, calculated at the rates applicable to loss in the countries concerned	(146,127)	(52,323)
Effect of non-deductible expenses	21,569	19,127
Effect of additional deduction on research and development costs	(71,404)	(18,461)
Effect of deductible temporary differences not recognised	5,887	1,999
Effect of tax losses not recognised	<u>190,075</u>	<u>49,658</u>
Actual tax expenses	<u>—</u>	<u>—</u>

## 8. Loss per share

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB582,921,000 (2020: loss of RMB202,898,000) and the weighted average number of ordinary shares of 919,849,000 shares (2020: 755,626,000 shares) in issue during the year, calculated as follows:

#### (i) Loss for the year attributable to equity shareholders of the Company

	<i>2021</i>	<i>2020</i>
	RMB'000	RMB'000
Loss for the year attributable to all equity shareholders of the Company	<b>(582,921)</b>	(208,874)
Allocation of loss for the year attributable to equity shareholders subject to preferred rights of the Company	—	5,976
	<hr/>	<hr/>
Loss for the year attributable to equity shareholders of the Company for the purpose of basic loss per share	<b>(582,921)</b>	(202,898)
	<hr/> <hr/>	<hr/> <hr/>

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

	<i>2021</i>	<i>2020</i>
	'000	'000
Issued shares at the beginning of the year for the purposes of basic loss per share	<b>900,000</b>	695,834
Effect of capital contributions by investors	<b>13,199</b>	67,018
Effect of shares issued upon the completion of initial public offering	<b>5,951</b>	—
Effect of shares issued upon exercise of the over-allotment option	<b>699</b>	—
Effect of capital contributions by investors with preferred rights	—	16,735
Effect of financial instruments with preferred rights	—	(23,961)
	<hr/>	<hr/>
Weighted average number of shares at the end of the year for the purpose of basic loss per share	<b>919,849</b>	755,626
	<hr/> <hr/>	<hr/> <hr/>

### (b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended 31 December 2021, the Company had share options which are potential ordinary shares. For the year ended 31 December 2020, the Company had share options and financial instruments with preferred rights which are potential ordinary shares. As the Group incurred losses for the years ended 31 December 2021 and 31 December 2020, the above potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended 31 December 2021 and 2020 are the same as basic loss per share of the respective years.

**9. Trade and other receivables**

	<i>2021</i> RMB'000	<i>2020</i> RMB'000
Trade debtors, net of loss allowance	<b>87</b>	—
Value-added tax recoverable	<b>6,110</b>	—
Other debtors due from		
— third parties	<b>73</b>	—
— related parties	<b>1,775</b>	11,155
Prepayments (Note)	<b>16,910</b>	5,587
	<u><b>24,955</b></u>	<u>16,742</u>

Note: As at 31 December 2021, the prepayments represent the advance payment for purchasing of services and raw materials.

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

As at 31 December 2021, the ageing of trade debtors is within 1 month, based on the invoice date.

Trade debtors are due within 30 days from the date of billing.

**10. Trade and other payables**

	<i>2021</i> RMB'000	<i>2020</i> RMB'000
Trade payables due to		
— third party suppliers	<b>78,493</b>	19,984
— related parties	<b>5,108</b>	8,361
Total trade payables	<u><b>83,601</b></u>	<u>28,345</u>
Accrued payroll	<b>39,412</b>	13,924
Amounts due to related parties		
— acquisition of equity-accounted investee	—	108,857
— acquisition of other financial assets	—	38,366
— loans and interests	<b>356</b>	356
— others	<b>7,594</b>	20,069
Other payables and accrued charges	<u><b>50,547</b></u>	<u>11,703</u>
Financial liabilities measured at amortised cost	<u><b>181,510</b></u>	<u>221,620</u>

All trade and other payables (including amounts due to related parties) are expected to be settled or recognised as income within one year or are repayable on demand.

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

	2021 RMB'000	2020 RMB'000
Within 1 month	80,320	27,683
Over 1 month but within 3 months	420	410
Over 3 months but within 6 months	520	103
Over 6 months but within 1 year	2,212	149
Over 1 year	129	—
	<u>83,601</u>	<u>28,345</u>

## 11. Financial instruments with preferred rights

In 2020, the Company entered into investment agreements (“The Investment Agreements”) with several investors (“The Investors”), pursuant to which, (i) The Investors injected capital of RMB1,508,520,000 in the Company; (ii) Shanghai Latent AI Technology Co., Ltd. (“Shanghai Latent”, the immediate controlling party of the Company) transferred the Company’s paid-in capital of RMB3,023,438 to The Investors at a consideration of RMB1,500,000,000; and (iii) Shanghai Changlong Lifescience Technology Co., Ltd. (“Shanghai Changlong”, the existing shareholder of the Company) transferred the Company’s paid-in capital of RMB1,007,813 to The Investors at a consideration of RMB500,000,000.

In accordance with the Investment Agreements, The Investors have been granted certain preferred rights upon the above subscription to the paid-in capital including the redemption rights, anti-dilution rights and liquidation preferences. Significant terms of the preferred rights that impacted the accounting treatment of the Company are outlined below:

### *Redemption rights*

The Investors have a right to require the Company to redeem their investments if (i) a qualified public offering of the Company does not occur before 31 December 2025; and (ii) during the period from the issuance date to before the qualified IPO, the Company has committed a major criminal violation.

The redemption amount is the sum amount of: (i) original investment principal plus an annual simple rate of 10% of the original investment principal for a period of time commencing from the investment payment date to the settlement date; and (ii) any accrued and unpaid dividends if any.

### *Presentation and classification*

The redemption obligations give rise to financial liabilities that are initially measured at present value of the redemption amount and subsequently measured at amortised cost. Interests from the financial instruments are included in the finance cost.

In November 2020, pursuant to the supplemental agreements signed between the Company and The Investors, the redemption rights were terminated. Accordingly, the financial liabilities were derecognised upon the termination of the terms and recorded in equity.

The movements of the financial liabilities attributable to financial instruments with preferred rights of the Group are as follows:

	<i>Financial instruments with preferred rights</i> RMB'000
At 1 January 2020	—
Recognition of financial instruments with preferred rights	3,508,520
Interest charges (note 6(a))	48,628
Termination of financial instruments with preferred rights	(3,557,148)
	<hr/>
At 31 December 2020, 1 January 2021 and 31 December 2021	<hr/> <hr/>

## 12. Capital, reserves and dividends

### a) Dividends

The directors of the Company did not propose the payment of any dividend during the year ended 31 December 2021 (2020: nil).

### b) Share capital and share premium

Details of the movement of the issued and fully paid share capital of the Company are as follows:

	<i>Note</i>	Ordinary share	
		Number of shares '000	Amount RMB'000
<b>Ordinary shares, issued and fully paid:</b>			
Balance at 1 January 2020		—	—
Share issued upon conversion into a joint stock company	(i)	900,000	900,000
		<hr/>	<hr/>
Balance at 31 December 2020 and 1 January 2021		900,000	900,000
Capital contributions by investors	(ii)	16,964	16,964
Share issued upon the completion of initial public offering, net of transaction costs	(iii)	36,200	36,200
Share issued upon exercise of the over-allotment option, net of transaction costs	(iv)	5,430	5,430
		<hr/>	<hr/>
Balance at 31 December 2021		958,594	958,594
		<hr/> <hr/>	<hr/> <hr/>

- (i) In December 2020, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company as of the conversion base date, amounting to RMB1,518,752,000 were converted into 900,000,000 ordinary shares at RMB1.00 each. The excess of net assets converted over nominal value of the ordinary shares, of RMB618,752,000 was credited to the Company's share premium.
- (ii) On 22 March 2021, the Company entered into the capital allotment agreement with Shanghai Qingzhen Enterprise Management Consultation Center (LLP) ("Shanghai Qingzhen"), pursuant to which, Shanghai Qingzhen subscribed for 16,964,000 ordinary shares of the Company at a consideration of RMB28,650,000. The excess of the consideration over the nominal value of the ordinary shares of RMB11,686,000 was credited to the Company's share premium. The consideration was fully paid in April 2021.
- (iii) On 2 November 2021, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing"). The Company issued 36,200,000 ordinary shares at the price of HK\$43.2 per share and received the net proceeds of HK\$1,513 million (equivalent to RMB1,236,729,000), after deducting all capitalised listing expenses. Out of the net proceeds from the Listing, RMB36,200,000 and RMB1,196,257,000 were credited to the Company's share capital and share premium account, respectively.
- (iv) On 12 November 2021, the over-allotment options in connection with the Listing were exercised by the underwriters of the Company, pursuant to which, an aggregate of 5,430,000 additional ordinary shares of the Company were issued at HK\$43.2 per share and the Company received the net proceeds of HK\$227 million (equivalent to RMB185,494,000), after deducting all capitalised listing expenses. Out of the net proceeds from the exercise of the over-allotment options, RMB5,430,000 and RMB179,424,000 were credited to the Company's share capital and share premium account, respectively.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Industry Overview

As one of the most important innovation breakthroughs in the field of high-end medical devices in recent years, the surgical robot has high clinical value, which can effectively improve the accuracy and stability of surgeries, shorten the postoperative recovery cycle of patients and reduce the occurrence of complications; also effectively shorten the learning curve of surgeons and reduce the radiation exposure of operators. The surgical robot market presents a rapid growth trend with the continuous development of the global surgical robot industry. According to Frost & Sullivan, the global surgical robot market has increased from US\$3 billion in 2015 to US\$8.3 billion in 2020, and was expected to reach US\$33.6 billion in 2026.

The surgical robot market in China is still in the early stage of development with extremely low market penetration. In 2020, the market size of the surgical robot market in China was only US\$400 million. However, in view of the large patient population and the strong demand for surgical robots in China, China's surgical robot market size is expected to reach US\$3.8 billion in 2026 which represents approximately 11% of the global market, rising from approximately 5% in 2020, according to Frost & Sullivan.

During the Reporting Period, the pandemic situation was stable and under control in China, with the demand from the healthcare industry recovering gradually. The number of surgical operations carried out in the hospital has steadily rebounded, along with growing popularity of robot-assisted surgeries. In respect of policy, the Chinese government successively issued a number of supportive industrial policies aiming at promoting the rapid development of surgical robot and other high-end medical equipment.

On 21 December 2021, ten departments, including the Ministry of Industry and Information Technology and the National Health Commission of the People's Republic of China jointly issued the "14<sup>th</sup>-Five-Year Plan" for the Medical Device Industry", focusing on seven key fields, including diagnostic and testing device, monitoring and life support device and active implant intervention device, and proposing that by 2025, significant progress shall be made on upgrading the industry foundation, and modernizing the production chain, the mainstream medical device will be basically effectively supplied, the performance and quality of high-end medical device products will be significantly improved, etc. Furthermore, goals are emphasized on the application of several high-end medical device products, including laparoscopic surgical robots.

In addition, the gradual inclusion of robot-assisted surgery in medical insurance reimbursement will also become an important driver for the increase of penetration rate of surgical robots in China. In April 2021, Shanghai Municipal Medical Insurance Bureau issued the *Notice on Matters about the Incorporation of Some New Medical Service Items into the Payment Scope of the Basic Medical Insurance of Shanghai*, incorporating four laparoscopic robotic surgery methods (i.e. radical prostatectomy, partial nephrectomy, total hysterectomy and radical resection for rectal cancer) are now eligible for 100% medical insurance reimbursement. In August 2021, Beijing Medical Insurance Bureau issued the *Notice on Regulating and Adjusting the Price of Physical Therapy and Other Medical Services* to include robot-assisted orthopedic surgery in the payment catalogue of Class A Medical Insurance in Beijing.



## Company's Business Progress

Established in 2015, with years of R&D innovation and industrial accumulation, the Group is the only surgical robot company in the world with a product portfolio covering the five major and fast growing surgical specialties of laparoscopic, orthopedic, panvascular, natural orifice and percutaneous surgical procedures. Our product portfolio includes two products approved by the NMPA and eight product candidates at various stages of development.

With the vision of “Build a globalized medical robots total solution innovation platform”, we have set up overseas research and development centers in the United States and Singapore to take advantage of the cutting-edge innovative ideas and resources in the field of surgical robots from all over the world. The Group has submitted application to U.S. Food and Drug Administration (“FDA”) for our self-developed product Honghu (鴻鵠<sup>®</sup>) Orthopedic Surgical Robot, and is expected to become the first Chinese domestic surgical robot approved by the FDA. In addition, we have in-depth cooperation with a number of leading surgical robot innovative companies overseas and have established joint ventures to achieve technological breakthroughs and industrialization.

On 2 November 2021, the Company was listed on the Main Board of the Stock Exchange (Stock Code: 02252. HK) successfully, with 41.63 million H Shares issued worldwide (after exercising the Over-allotment Option). The Group received a gross proceed of approximately HK\$1,798 million (after exercising the Over-allotment Option) which provides financial support for the sustainable expansion and deployment, as well as the acceleration of R&D and industrialization process of the Group in the five major and fast growing surgical specialties.

During the Reporting Period, the Group focused on the establishment of surgical robot technology innovation platform and industrial operation system, continued to strengthen internal management and external market expansion, accelerated the deployment of surgical robots in multiple surgical specialties. We have achieved satisfactory progress in product research and development, clinical trials and commercialization. In 2021, the Group recorded revenue for the first time at RMB2.2 million, mainly from the promotion and sales of DFVision<sup>®</sup> (蜻蜓眼<sup>®</sup>) 3D Electronic Laparoscope, one of our flagship products, after obtaining the approval.

## Our Research and Development and Product Pipeline

After years of industrial accumulation, we have 10 products at the fast promotion stage of industrialization projects, covering five major and fast growing surgical specialties.

As of the date of this announcement, the Company has three flagship products, Toumai<sup>®</sup> Laparoscopic Surgical Robot (“**Toumai**”), DFVision<sup>®</sup> 3D Electronic Laparoscope (“**DFVision**”) and Honghu Orthopedic Surgical Robot (“**Honghu**”), which have entered the special approval procedure for innovative medical devices of the NMPA (“**Green Path**”). Among these, the DFVision and Toumai were approved by the NMPA in June 2021 and January 2022, respectively.



Furthermore, in December 2021, Toumai<sup>®</sup> Single-arm Laparoscopic Surgical Robot completed the first human trial of single-port laparoscopic robot cholecystectomy in China. Compared with the traditional porous surgery, the single-arm laparoscopic surgery has the clinical value of smaller wound, less pain and improved postoperative aesthetics, marking another breakthrough in the development of minimally-invasive surgery.

### **DFVision<sup>®</sup> 3D Electronic Laparoscope**

DFVision is a 3D electronic laparoscope independently developed by the Group, which can be widely used in examining abdominal, thoracic and pelvic organs, among others. Through the application of high-resolution imaging objective lens and electronic lens structure, it presents full HD two-way images, provides the operator with the 3D sense of surgical field of vision and natural depth of field, and is significantly helpful for the operator to conduct accurate orientation operation under laparoscopy.

DFVision is the first domestic 3D electronic laparoscope that entered the “Green Path” in China, and obtained the NMPA approval in June 2021. It has become one of the first batch of commercial 3D electronic laparoscopes developed by Chinese enterprises, breaking through the monopoly of imported laparoscopic brands in China’s 3D laparoscopic market.

The Group has performed the commercial promotion of DFFVision in China since November 2021. As the first commercial product of the Group, DFFVision already contributed sales revenue in 2021.

### **Honghu Orthopedic Surgical Robot**

Honghu is a self-developed orthopedic surgical robot designed for joint replacement surgery. Honghu is also the only Chinese-developed joint replacement surgical robot with a self-developed robotic arm. Its preoperative planning system can establish a 3D model of the knee joint based on the preoperative CT scanning data of the patient, and generate a personalized prosthesis implantation scheme according to the physiological and anatomical characteristics of the patient. The self-developed highly dexterous and lightweight robotic arm is used during the operation, and the human-machine cooperate to complete the accurate osteotomy. The postoperative lower limb alignment and soft tissue process balance are better than the traditional operation, improving the accuracy and efficiency of the operation.

In July 2021, the Group completed the registrational clinical trial of Honghu in Total Knee Arthroplasty (TKA), submitted registration application to the NMPA afterward, which is expected to obtain the registration approval of the NMPA in 2022. Meanwhile, the Group actively expands overseas markets. Honghu is the first product to apply for overseas listing in the global strategy of the Group. It submitted a 510K Application to the FDA in December 2021.

### **Trans-bronchial Surgical Robot**

The trans-bronchial surgical robot independently developed by the Group is dedicated to improving the ability to diagnose lung cancer at an early stage. This product can help doctors to safely deliver a flexible endoscope to the lungs through the natural airway, and guide it to hard-to-reach lesion areas with the help of an image navigation system to accurately complete the diagnosis and treatment of peripheral pulmonary lesions.

We have completed the design and development of the trans-bronchial surgical robot and are now steadily progressing with clinical preparation and validation.

### **R-ONE<sup>®</sup> Vascular Interventional Surgical Robot (“R-ONE<sup>®</sup>”)**

The R-ONE<sup>®</sup> introduced by Shanghai Cathbot, a joint venture established in China by the Group and Robocath S.A.S of France, is a vascular intervention navigation control system based on master-slave control technology, which is designed to assist cardiovascular interventional physicians in conducting percutaneous coronary intervention (“PCI”) surgeries to locate lesions precisely, optimize the delivery of balloons and stent catheters, thereby standardizing the surgical process, improving the surgical accuracy, and reducing surgical complications. Furthermore, surgeons can sit at the anti-radiation console to complete remote control, effectively reducing the exposure time under the radiation while accurately operating the operation.

In November 2021, R-ONE<sup>®</sup> has completed the first clinical enrollment for registration of the NMPA, which is also its first application in markets outside Europe. As of the date of this announcement, the clinical enrollment has progressed smoothly, and surgical operations have been carried out simultaneously in several regions including Northern, Northwestern and Southern China. With the continuing clinical development and subsequent launching of R-ONE<sup>®</sup>, it will fill the gap in the fields of domestic PCI surgical robots, making cardiovascular devices more intelligent and precise.

### **iSR’obot<sup>™</sup> Mona Lisa Robotic Transperineal Prostate Biopsy System (“Mona Lisa”)**

Introduced by Shanghai Intbot, a joint venture established in China by the Group and Singapore Biobot Surgical Pte. Ltd., Mona Lisa is an innovative robot product designed by the Company in the percutaneous surgical procedure, aiming at assisting doctors to complete prostate puncture tests surgery more precisely, accurately and quickly.

In November 2021, Mona Lisa completed the first enrollment operation of the registrational clinical trial, and it is also the first robotic assisted prostate puncture test clinical trial surgery in China, marking that the first MRI and ultrasound fusion puncture robot positioning system in China has officially entered the clinical trial diagnosis of prostate cancer. As of the date of this announcement, Mona Lisa’s enrollment of clinical trial was progressing smoothly and most of the enrollment procedures have been completed.

### **Cutting-edge technology**

With the continuous progress of technologies, such as big data, AI, human-computer interaction technology, 5G communication, etc., surgical robots will lead the intelligent transformation in the medical field continuously, making surgery more accurate, smarter, safer, more affordable and more minimally-invasive. During the Reporting Period, while deeply engaged in the R&D of five core underlying technologies of surgical robots, the Group persisted on an innovation-driven approach, committed to meeting the demand for robotic surgery.

In September 2021, equipped with our self-developed interconnection platform, Honghu successfully completed the first three-place 5G remote knee arthroplasty with a Chinese-developed orthopedic surgical robot. This helps bring quality medical resources to lower-tier cities, which is important for enhancing medical services in local and remote communities.

Fully-automated unmanned surgery is the development direction of the core technology of surgical robots. Leveraging surgical robotics and AI technology, the Group worked independently to develop the Madam Curie™ multi-departmental, fully-automated surgical platform (“**Madam Curie™**”). In December 2021, the animal experiment of interventional cryoablation of benign prostatic hyperplasia was successfully tried for the first time. Building on the success of this trial, the Group will continue the exploration in the research and the application extension of Madam Curie™ in laparoscopic, orthopedic, panvascular, natural orifice and percutaneous surgical procedures, promoting the robotic technologies for fully-automated surgeries to a mature level.

## **Research and Development**

We have fully mastered the five core underlying technologies of surgical robots ( i.e. robot ontology, control algorithms, electrical engineering, image-based navigation and precision imaging). Through years of solid accumulation in the five technical fields, the Group has been able to establish an innovative surgical robot platform and maintain the ability to develop new products continuously.

At present, the Group has two China R&D centers respectively in Shanghai and Shenzhen. Meanwhile, as part of the globalization strategy, the Group also has an overseas R&D center in Singapore and plans to establish an R&D center in Boston, aiming at breaking through the core technology of minimally-invasive surgical robots, providing the whole chain of scientific and technological innovation services of minimally-invasive surgical robots, and preparing for the R&D, upgrade and iteration of the products in the future. As of 31 December 2021, the Group has a total of 317 R&D personnel, of which over 60% hold master’s degrees or above in related fields.

## **Capability of Commercialization**

The Group has established a well-trained and fully responsible consultant marketing team to provide hospitals with comprehensive services, such as training, surgery support, maintenance and device adjustment and so on.

For surgeon training, the Group has contributed to the popularization and penetration of comprehensive high-quality medical resources through various clinical education, training and services. During the Reporting Period, the Group has established more than 10 clinical application and training centers, further improved the recognition of Toumai, Honghu and other products of the Group among the surgeons, and made full preparations for the subsequent large-scale commercialization.

In December 2021, MedBot® Toumai® Mobile Demonstration & Training Center has officially set sail to promote the surgical robot technology of “Made in China” to all over the country, providing a platform for more healthcare professionals to access and experience surgical robots without having to travel long distances, which would help alleviate current shortage of domestic surgical robot training resources, and accelerate the development of affordable robotic surgeries.



## **Manufacturing and Supply Chain**

We currently have two manufacturing facilities in China, located in Shanghai and Suzhou. During the Reporting Period, the Group has established a wholly-owned subsidiary, Shanghai MicroPort Shuzhi Technology Co., Ltd. (上海微創樞知科技有限公司), and completed the construction of multiple component production lines to realize system integration and hierarchical assembly and testing of core components. During the Reporting Period, the Group established a precision processing subsidiary Shanghai Weizhuo Technology Co., Ltd. (上海微琢科技有限公司), to accelerate the prototype of core parts and the products iteration. We have also completed the construction of a 500 m<sup>2</sup> class 100,000 clean workshop to achieve the production capacity of our own inactive instruments and make full capacity preparations for mass production and large-scale sales after products launch in succession.

We plan to build one more surgical robot production facility in Shanghai to support the production of Toumai, R-ONE<sup>®</sup> and percutaneous surgical robots by the end of 2022.

## **Human Resources and Personnel Training**

After nearly eight years of accumulation, we have grown into the largest surgical robot industrialization team in China, covering the industrial operation ability of full cycle of surgical robot development covering R&D, clinical trial and registration, supply chain management and commercialization and marketing. As of 31 December 2021, the Group had 898 employees, mainly based in China, Singapore, United States etc.

As a unique internal talent growth platform of the Group, “Stella School (恒星學堂)” practices the law of MicroPort talents continuously, accurately fits the business and solves the pain points and difficulties of learning. At present, it has formed a diversified curriculum system of basic knowledge, management knowledge, professional knowledge and project experience category and focuses on practical courses, delivered 24 professional courses in 2021. Besides, the Group a management pyramid model to guide the behaviours of the management and implement management practice to further position and develop talents.

## **Intellectual Property**

As of 31 December 2021, we have filed 503 patents worldwide, of which 159 patents have been granted, including 129 Chinese patents and 30 overseas patents. The remaining 344 patents are still under application, covering cutting-edge areas such as clinical applications, automated surgery and AI technology. In 2021, the Group was granted 71 new patents, including 24 overseas patents for inventions, completing the overseas deployment of core technologies. According to the branding, marketing and compliance protection strategy, we have completed the layout of domestic and foreign trademarks, and applied for 67 trademarks in 2021, having established the trademark system of launched products and corporate brands.

## **Outlook**

With the growing recognition of the advantages of surgical robots by the public, the continuous improvement of global medical infrastructure, the active guidance and support of the Chinese Government for innovative medical devices, and the increasing investment in the field of surgical robots on the capital market, we expect the market of surgical robots to grow sustainably. Facing the fast-growing demand for surgical robots, we will adhere to the management credo of “Eyes For Greatness, Hands On Details” and firmly implement a positive and efficient business strategy, including but not limited to the following:

### ***1. Continue to expand product portfolio to build a multi-specialty surgical platform***

We will continue fulfilling our commitment to meeting the frontier demand for minimally-invasive surgery. By integrating the cutting-edge research and robot ontology, control algorithms, electrical engineering, image-based navigation and precision imaging, we provide comprehensive intelligent surgical solutions to prolong and reshape the lives of patients. Based on the five major and fast growing surgical specialties, we will optimize and upgrade existing products continuously through independent development and external cooperation, actively promoting the development of innovative products, expanding the application of surgical robots in more clinical fields, and expanding the product pipeline to new surgical specialties.

### ***2. Accelerate the commercialization, and improve the market penetration***

With the continuous surgical robot products launch, we will establish more training and education centers for surgical robots, strengthen communication with doctors and patients, improve clinical application experience, standardize robot operation processes and standards, to accelerate the popularization of surgical robots, empower the total solution of high-quality medical robots to lower-tier medical institutions all over China, and realize the vision of “To make surgeries easy anywhere”.

### ***3. Continue to Promote globalization strategy***

We will build a globalized medical robots total solution innovation platform and integrate potential resources to improve the commercialization and supply chain capacity of the Group overseas, paving the way for the launch of our surgical robot products in overseas markets in the future. We plan to recruit talents in R&D, manufacturing, supply chain and marketing all over the world to cooperate with the implementation of the globalization strategy. We also plan to cooperate with the top hospitals and well-known research institutions all over the world to enhance our soft power in the industry.

# FINANCIAL REVIEW

## Overview

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

## Revenue

The Group commenced to record revenue for the year ended 31 December 2021 in the amount of RMB 2.2 million, which was generated principally from the sales of medical devices.

## Selling and Marketing Expenses

Selling and marketing expenses increased by 2,840.5% from RMB2.7 million for the year ended 31 December 2020 to RMB79.2 million for the year ended 31 December 2021. The increase was primarily attributable to the commercialization progress of our products which consisted of: (i) the increase of staff costs, including salaries, bonus and welfare as well as the share-based payments, for the commercial team; and (ii) the increased costs for training surgeons.

## Administrative Expenses

Administrative expenses increased by 299.8% from RMB26.9 million for the year ended 31 December 2020 to RMB107.5 million for the year ended 31 December 2021. The increase was primarily in line with the business advancement which mainly consist of (i) staff costs, including salaries, bonus and welfare and share-based payments, for management and administrative employees; (ii) office rental or use expenses; and (iii) consulting and service fee.

## Research and Development Costs

Research and development costs increased by 190.0% from RMB135.4 million for the year ended 31 December 2020 to RMB392.6 million for the year ended 31 December 2021. The increase was primarily due to (i) an increase in the number of research and development employees; and (ii) an increase in costs of materials and consumables, as a result of the advancement of registration and clinical trials for Toumai and Honghu and the progression of the development of our other pipeline products.

## Other Operating Expenses

Other operating expenses was RMB43.5 million for the year ended 31 December 2021 compared to zero for the year ended 31 December 2020. The increase was mainly attributable to listing expenses.



## **Other Net Income**

For the year ended 31 December 2021, the Group recorded RMB24.7 million of other net income, compared to RMB9.8 million for the year ended 31 December 2020, which consisted of RMB22.1 million of interest income on financial assets measured at amortised cost, RMB11.7 million of government grants (primarily including government subsidies to support our research and development activities on surgical robots and government funds for intellectual property development and protection), and RMB9.1 million of net foreign exchange loss.

## **Net Gain/(loss) on Financial Instruments Carried at FVPL**

The net gain/(loss) on financial instruments carried at FVPL of the Group increased from the loss of RMB3.3 million in 2020 to the gain of RMB45.5 million in 2021. The increase was primarily due to the fair value change from preferred shares of NDR of approximately RMB51.0 million.

## **Finance Costs**

The finance costs of the Group decreased from RMB49.2 million for the year ended 31 December 2020 to RMB5.4 million for the year ended 31 December 2021, primarily because the Group recorded interest expenses on financial instruments with preferred rights of RMB48.6 million in 2020, which primarily relates to our redemption obligations under the equity investment from certain independent investors.

## **Share of Losses of Equity-Accounted Investees**

The share of losses of equity-accounted investees increased by 1,534.5% from RMB1.7 million for the year ended 31 December 2020 to RMB27.4 million for the year ended 31 December 2021. The Group had four equity-accounted investees which are all unlisted corporate entities in 2021 compared to only one equity-accounted investee in 2020. The share of losses of equity-accounted investees in 2021 was mainly attributable to Robocath and Shanghai Cathbot.

## **Non-HKFRS Measures**

To supplement our unaudited consolidated statement of profit or loss and other comprehensive income which is presented in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”), we also use adjusted net loss as a non-HKFRS measure, which is not required by, or presented in accordance with, HKFRS. We believe that the presentation of non-HKFRS measure when shown in conjunction with the corresponding HKFRS measures provides useful information to investors and management in facilitating a comparison of our operating performance from period to period by eliminating potential impacts of certain items that do not affect our ongoing operating performance. Such non-HKFRS measure allows investors to consider metrics used by our management in evaluating our performance. However, the use of the non-HKFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for or superior to analysis of, our results of operations or financial condition as reported under HKFRS. In addition, the non-HKFRS financial measure may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

For illustrative purpose only, the following table shows our adjusted net loss and its reconciliation to loss for the periods indicated:

	<b>Year ended 31 December 2021 RMB'000</b>	Year ended 31 December 2020 RMB'000
Loss for the year	(584,507)	(209,290)
Add:		
Share — based payment expenses <sup>(1)</sup>	91,199	15,782
Listing expenses <sup>(2)</sup>	40,526	—
	<u>(452,782)</u>	<u>(193,508)</u>

Notes:

(1) Share-based payment expenses are regarded as non-cash items, arising from granting shares or share options to certain employees of the Group, the amount of which may not solely correlate with the underlying performance of our business operations, and is also affected by non-operating performance related factors that are not closely or directly related to our business activities.

(2) Listing expenses are one-off expenses in relation to the Listing.

## **Inventories**

The inventories consist of raw materials, work in progress and low value consumables. We recorded inventories of RMB109.9 million as of 31 December 2021. As of 31 December 2020, our expenses for raw materials, work in progress and low value consumables were classified under research and development expenses, as these expenses were mainly related to the research and development of surgical robots and related accessories. Due to the progress of our research and development, it has become probable for us to commence mass production. As a result, certain raw materials, work in progress and low value consumables were classified under inventories as of 31 December 2021, as these were associated with the production of surgical robots and related accessories. As we have not initiated mass production yet, the utilization rate of inventories could be relatively slow. The utilization rate is expected to improve along with our product commercialization and commercial production.

In addition, we are of the view that our inventories are mostly moving items that are suitable for sale. We also regularly monitor inventory level for slow moving and obsolete items.

## **Lease Liabilities**

As of 31 December 2021, we recorded lease liabilities of RMB204.7 million, which were primarily related to the properties we leased for our office premises, manufacturing and R&D.

## **Capital Expenditure**

The capital expenditure in 2021 represented the payments of intangible assets, property, plant and equipment and investments. For the year ended 31 December 2021, the capital expenditure amounted to RMB396.6 million as compared to that of RMB15.0 million for the year ended 31 December 2020. The increase of our capital expenditure in 2021 was primarily due to the settlement of our investments as well as the purchase of equipment for supply chain capacity and capability enhancement.

## **Contingent Liabilities**

As of 31 December 2021, we did not have any contingent liabilities.

## **Employees and remuneration policies**

As of 31 December 2021, the Group had 898 employees. During the Reporting Period, the staff cost recognised as expenses of the Group amounted to RMB285.8 million (31 December 2020: RMB76.9 million). The increase in staff costs was mainly due to the increase in the number of employees from 2020 to 2021.

The Group enters into individual employment contracts with its employees to cover matters such as wages, salaries, benefits and terms for termination. The Group generally formulates its employees' remuneration package to include a salary, bonus and various allowances. In general, the Group determines employee salaries based on each employee's qualification, position and seniority. The Group has designed a periodic review system to assess the performance of its employees, which forms the basis of its determination on salary raise, bonus and promotion.

The Group only operates defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held in independently administrated funds managed by the relevant governments.

The Board will review and determine the remuneration and compensation packages of the Directors and senior management and will receive recommendations from the remuneration and appraisal committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group.

# LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL MANAGEMENT

## Cash Position

The cash and cash equivalents of the Group increased from RMB1,497.3 million as of 31 December 2020 to RMB1,940.8 million as of 31 December 2021, primarily due to the net proceeds in the amount of approximately RMB1,375.4 million received from the Listing in November 2021.

## Capital Management

The Group's objectives in the aspect of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for Shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher Shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

## Exposure to Foreign Exchange Fluctuation

The Group has transactional currency exposures arising from transactions by the group entities in currencies other than their respective functional currencies. It is exposed to currency risk primarily from (i) purchases which give rise to payables that are denominated in a foreign currency and (ii) financing activities that are in Hong Kong dollars. Currently, it does not have a foreign currency hedging policy. However, the management would monitor the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As at 31 December 2021, the Group had cash and bank balances denominated in United States dollars and Hong Kong dollars of RMB6.5 million and RMB191.1 million, respectively, all of which are subject to fluctuations in exchange rates.

## Borrowings and Gearing Ratio

As the Group did not have any borrowings as at 31 December 2021 and 31 December 2020, the net gearing ratio (as calculated by total interest-bearing bank borrowings as at the end of respective periods divided by total equity as at the same date) was not applicable as at 31 December 2021 and 31 December 2020.

## **Net Current Assets**

The Group's net current assets as of 31 December 2021 were RMB1,859.8 million, as compared to RMB1,286.1 million as of 31 December 2020. Such increase was mainly attributable to the net proceeds from the Listing.

## **Charge on Assets**

As of 31 December 2021, there was no charge on assets of the Group.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS AND USE OF NET PROCEEDS**

Net proceeds from the Listing (including the full exercise of the Over-allotment Option), after deducting the underwriting commission and other estimated expenses in connection with the Listing which the Company received amounted to approximately HK\$1,682.2 million (equivalent to approximately RMB1,375.4 million).

The Group intends to utilise the net proceeds raised from the Listing according to the plans set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. All the net proceeds from the Listing were remitted to the PRC and completed the foreign exchange settlement procedures in January 2022. As of 31 December 2021, the Company has utilised the net proceeds from the Listing for the following purposes and has not incurred any major expenditures.

The following table sets forth details of the net proceeds as at 31 December 2021:

	Planned use of net proceeds as stated in the Prospectus and taking into account the net proceeds received from the full exercise of the Over-allotment Option		Actual use of net proceeds for the period from the Listing Date to 31 December 2021	Unutilised net proceeds as at 31 December 2021	Expected timeline of the intended use of proceeds
	HK\$'million	Approximate percentage	HK\$'million	HK\$'million	
<b>For Toumai</b>	588.91	35.0	0.64	588.27	by the first half of 2023
— <i>ongoing R&amp;D activities of Toumai</i>	336.52	20.0	0.64	335.88	by the first half of 2023
• <i>for further refinement</i>	33.652	2.0	0.64	33.012	by the first half of 2023
• <i>for application expansion to gynecologic, thoracic and general surgeries</i>	100.956	6.0	—	100.956	by the first half of 2023
• <i>for product refinement per clinical feedback and product upgrade toward the next generation of Toumai</i>	201.912	12	—	201.912	by the first half of 2023
— <i>the commercialization of Toumai</i>	252.39	15	—	252.39	by the first half of 2023

	Planned use of net proceeds as stated in the Prospectus and taking into account the net proceeds received from the full exercise of the Over-allotment Option		Actual use of net proceeds for the period from the Listing Date to 31 December 2021	Unutilised net proceeds as at 31 December 2021	Expected timeline of the intended use of proceeds
	HK\$'million	Approximate percentage	HK\$'million	HK\$'million	
<b>For orthopedic surgical robots</b>	353.346	21	—	353.346	by the first half of 2023
— <i>ongoing R&amp;D of Honghu</i>	168.26	10	—	168.26	by the first half of 2023
• <i>for application expansion to other joint replacement procedures</i>	92.543	5.5	—	92.543	by the first half of 2023
• <i>for continuous refinements and upgrades</i>	75.717	4.5	—	75.717	by the first half of 2023
— <i>commercialization of Honghu</i>	107.6864	6.4	—	107.6864	by the first half of 2023
— <i>research and development of other orthopedic surgical robots</i>	77.3996	4.6	—	77.3996	by the first half of 2023
<b>For the Group's other product candidates</b>	319.694	19.0	0.28	319.414	by the first half of 2023
— <i>(i) the development of our other pipeline products in other surgical specialties, including our trans-bronchial surgical robot and TAVR surgical robot and (ii) the development of new robotic technologies and products to replenish our pipeline</i>	235.564	14.0	—	235.564	by the first half of 2023



	<b>Planned use of net proceeds as stated in the Prospectus and taking into account the net proceeds received from the full exercise of the Over-allotment Option</b>		<b>Actual use of net proceeds for the period from the Listing Date to 31 December 2021</b>	<b>Unutilised net proceeds as at 31 December 2021</b>	<b>Expected timeline of the intended use of proceeds</b>
	<i>HK\$'million</i>	<i>Approximate percentage</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	
<i>— the development and commercialization of the surgical robots under our collaboration with international partners, including R-ONE<sup>®</sup> with Robocath, ANT with NDR and Mona Lisa with Biobot</i>	84.13	5.0	0.28	83.85	by the first half of 2023
<b>Enhance our manufacturing capacities and supply chain management capabilities</b>	84.13	5.0	—	84.13	by the first half of 2023
<b>Expand our product portfolio with innovative robotic technologies and products</b>	168.26	10.0	—	168.26	by the first half of 2023
<b>Working capital and general corporate purposes</b>	168.26	10.0	—	168.26	by the first half of 2023

The Directors were not aware of any material change to the planned use of proceeds as at 31 December 2021. The unutilised net proceeds and its following intended timeframe for utilisation will be applied in the manner consistent with that mentioned in the Prospectus. Further details of the breakdown and description of the use of proceeds are set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

Save as disclosed in this announcement, the Group did not have any other immediate plans for material investments and capital assets as at 31 December 2021.



## **SCOPE OF WORK OF KPMG**

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

## **CORPORATE GOVERNANCE PRACTICES**

The Company aims to achieve high standards of corporate governance which are crucial to the development and safeguard the interests of the Shareholders. To accomplish this, the Company has adopted the CG Code and the associated Listing Rules after the Listing.

The Board reviewed the Company's corporate governance practices and is satisfied that the Company has complied with all applicable code provisions as set out in the CG Code during the period from the Listing Date and up to 31 December 2021.

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

## **AUDIT COMMITTEE**

The Audit Committee consists of three independent non-executive Directors, namely Ms. Lee Kit Ying (chairman), Mr. Sun Xin and Dr. Li Minghua. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Company and overseeing the audit process.

The Audit Committee has reviewed together with the management of the Company the accounting principles and policies adopted by the Company and the annual results and the audited consolidated financial statements for the year ended 31 December 2021.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as the guidelines for the Directors' and Supervisors' dealings in the securities of the Company since the Listing. Following specific enquiries to each of the Directors and Supervisors, all the Directors and Supervisors have confirmed their compliance with the required standards set out in the Model Code since the Listing Date and up to 31 December 2021.

The Company has also established written guidelines (the “**Employees Written Guidelines**”) no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of inside information of the Company. No incident of non-compliance with the Employees Written Guidelines by the employees was noted by the Company since the Listing Date and up to 31 December 2021.

## **COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS**

During the Reporting Period and up to the date of this announcement, the Group had complied with the applicable laws, regulations and regulatory requirements of the places where the Group operates in all material respects.

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

Save for the Company's initial public offering as described in the Prospectus and the additional 5,430,000 H Shares allotted and issued on 17 November 2021 as a result of the full exercise of the Over-allotment Option on 12 November 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities since the Listing Date up to 31 December 2021.

## **SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

During the Reporting Period, the Group had undergone acquisitions and disposals of subsidiaries for the purpose of the reorganisation in preparation for the Listing. Please refer to the Prospectus for further details.

Save as disclosed in the Prospectus, the Company has no other significant investments or material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

## **SUBSEQUENT EVENT**

On 15 March 2022, the Group exercised Tranche 2 Warrants to purchase 40,000 shares of Robocath, the Group's equity accounted investee, at a consideration of EUR10,000,000 (equivalent to RMB70,210,000). Upon the completion of the exercise, the Group's equity interest in Robocath has increased to approximately 24%.

Save as disclosed and as at the date of this announcement, the Group did not have any other significant event subsequent to 31 December 2021.

## **PUBLIC FLOAT**

From the information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public at all times since the Listing Date up to the date of this announcement as required under the Listing Rules.

## **ANNUAL GENERAL MEETING**

The Company will further determine the date, time and venue of the 2021 AGM. Details of the 2021 AGM, the book closure period for the 2021 AGM together with a notice convening the 2021 AGM will be published and despatched in the manner as required by the Listing Rules and the Articles of Association as soon as possible.

## **FINAL DIVIDEND**

The Directors do not recommend a final dividend for the Reporting Period.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.medbotsurgical.com>). The 2021 annual report of the Company will be despatched to Shareholders in due course and will also be available at the websites above at the same time.

## **APPRECIATION**

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

## **DEFINITIONS**

In this announcement, the following expressions shall have the meaning set out below unless the context requires otherwise:

“2021 AGM”	the annual general meeting of the Company for 2021 to be convened and held in such manner to be determined by the Company
“Articles of Association”	the articles of association of the Company from time to time
“Audit Committee”	the audited committee of the Company

“Board”	the board of Directors
“CG Code”	the corporate governance code contained in Appendix 14 to Listing Rules
“Company” or “we” or “us” or “our”	Shanghai Microport Medbot (Group) Co., Ltd, a company incorporated in the People’s Republic of China, the H Shares of which are listed on the main board of the Stock Exchange (Stock Code: 2252)
“Controlling Shareholder”	has the meaning as ascribed thereto in the Listing Rules
“Core Product” or “Toumai”	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for the purposes of this announcement, our Core Product refers to , Toumai® (圖邁®) Laparoscopic Surgical Robot
“Director(s)”	director(s) of the Company
“Domestic Shares”	ordinary Shares in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid for in RMB
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“H Share(s)”	the overseas listed foreign share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the main board of the Stock Exchange and such Domestic Shares converted into H Shares upon the Domestic Shares been approved for full circulation under the full circulation scheme
“Listing”	the listing of the H Shares on the Main Board of the Stock Exchange
“Listing Date”	2 November 2021, the date on which dealings in the H Shares on the Main Board first commence
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MicroPort”	MicroPort Scientific Corporation (微創醫療科學有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 14 July 2006 whose shares are listed on the Main Board of the Stock Exchange (stock code: 853)
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules

“NDR”	NDR Medical Technology Private Limited, a company incorporated in Singapore with limited liability on October 20, 2014.
“Over-allotment Option”	the option granted by the Company to allot and issue up to 5,430,000 additional H Shares in connection with the global offering of the Company as disclosed in the Prospectus
“PRC”	the People’s Republic of China, for the purpose of this announcement, shall not include Hong Kong, Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus of the Company dated 21 October 2021
“Reporting Period”	for the year ended 31 December 2021
“Robocath”	Robocath S.A.S, a company incorporated in France with limited liability on 9 October 2009
“Shanghai Cathbot”	Cathbot (Shanghai) Robot Co., Ltd. (知脈(上海)機器人有限公司), a company established in the PRC with limited liability on March 19, 2021 which is owned as to 51% by our Company and 49% by Robocath
“Shanghai Intbot”	Shanghai Intbot Robotics Co., Ltd. (上海介航機器人有限公司), a company established in the PRC with limited liability on March 12, 2021 which is owned as to 40% by our Company, 30% by Biobot and 30% by Shanghai Lingmin Enterprise Consultation Center LLP (上海聆敏企業管理諮詢中心 (有限合夥))
“Shanghai Targbot”	Shanghai Targbot Medtech Co., Ltd. (上海術航機器人有限公司), a company established in the PRC with limited liability on February 4, 2021 which is owned as to 41% by our Company, 39% by NDR and 20% by Shanghai Youlong Enterprise Consultation Center LLP (上海佑隆企業管理諮詢中心 (有限合夥))
“Share(s)”	ordinary share(s) of the Company, comprising Domestic Shares and H Shares
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“%”	per cent

By order of the Board  
**Shanghai MicroPort MedBot (Group) Co., Ltd.**  
**Mr. Sun Hongbin**  
*Chairman*

Shanghai, China, 29 March 2022

*As at the date of this announcement, the executive Director is Dr. He Chao, the non-executive Directors are Mr. Sun Hongbin, Mr. Sun Xin and Mr. Chen Chen, and the independent non-executive Directors are Ms. Lee Kit Ying, Dr. Li Minghua and Mr. Yao Haisong.*