MEDBOT™
微创机器人

Shanghai MicroPort MedBot (Group) Co., Ltd.
上海微创医疗机器人(集团)股份有限公司

2021
Annual Report

Stock Code: 2252
(a joint stock company incorporated in People's Republic of China with limited liability)

MEDBOT™
微创机器人

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CORPORATE INFORMATION

DIRECTORS AND SUPERVISORS

Executive Director

Dr. He Chao

Non-Executive Directors

Mr. Sun Hongbin *(chairperson of the Board)*
Mr. Sun Xin
Mr. Chen Chen

Independent Non-Executive Directors

Ms. Lee Kit Ying
Dr. Li Minghua
Mr. Yao Haisong

Supervisors

Mr. Zhang Jie
Ms. Zhang Lihong
Mr. Yuan Shuai

COMPANY SECRETARY

Ms. Hui Yin Shan

AUTHORIZED REPRESENTATIVES

Mr. Sun Hongbin
Ms. Hui Yin Shan

AUDIT COMMITTEE

Ms. Lee Kit Ying *(chairperson)*
Dr. Li Minghua
Mr. Sun Xin

REMUNERATION AND APPRAISAL COMMITTEE

Dr. Li Minghua *(chairperson)*
Mr. Yao Haisong
Mr. Sun Hongbin

NOMINATION COMMITTEE

Mr. Yao Haisong *(chairperson)*
Ms. Lee Kit Ying
Dr. He Chao

STRATEGY AND DEVELOPMENT COMMITTEE

Mr. Sun Hongbin *(chairperson)*
Dr. He Chao
Dr. Li Minghua

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HEADQUARTERS IN THE PRC

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AUDITORS

KPMG
Certified Public Accountants

LEGAL ADVISERS

Sidley Austin

H SHARE REGISTRAR

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China Construction Bank, Shanghai Zhangjiang Branch
Shanghai Pudong Development Bank, Zhangjiang Innovation Branch

COMPLIANCE ADVISER

Somerlry Capital Limited
20/F China Building
29 Queen's Road Central Central
Hong Kong

FINANCIAL HIGHLIGHTS

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	For the year ended December 31		
	2021	2020	2019
	RMB'000	RMB'000	RMB'000
Revenue	**2,150**	—	—
Gross profit	**919**	—	—
Loss before taxation	**(584,507)**	(209,290)	(69,801)
Loss for the year	**(584,507)**	(209,290)	(69,801)
Loss attributable to equity shareholders of the Company	**(582,921)**	(208,874)	(69,801)
Loss per share — Basic and diluted (in RMB)	**(0.63)**	(0.27)	(0.11)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	For the year ended December 31		
	2021	2020	2019
	RMB'000	RMB'000	RMB'000
Non-current assets	**697,658**	189,304	22,108
Current assets	**2,094,226**	1,515,050	56,327
Total assets	**2,791,884**	1,704,354	78,435
Non-current liabilities	**167,263**	33,994	10,725
Current liabilities	**234,469**	228,908	41,299
Total liabilities	**401,732**	262,902	52,024
Total equity	**2,390,152**	1,441,452	26,411

Note: The H shares of our company were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 2 November 2021.

COMPANY PROFILE

Shanghai MicroPort Medbot (Group) Co., Ltd. (the "**Company**" together with its subsidiaries, collectively the "**Group**" or "**we**") is a leading first-tier surgical robot company. The Company is committed to meeting the cutting-edge development demand for minimally invasive surgery. By cutting-edge research and industrial integration in the fields of robotics, intelligent control, sensing and information 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. After years of research and development (the "**R&D**"), innovation and armed with industry experience accumulated for years, the Group has been developed into a collectivized operating group of companies mastering foundation technologies of the full cycle of surgical robot development. We are equipped with multi discipline knowledge covering optics, mechanic, electric, control, software, calculation and imaging, enabling us to develop a series of platforms for further exploration. Consequently, the Group is able to build a comprehensive technical and innovative platform for surgical robots and a sound industrial operation system, covering segments like R&D, clinical trials, registration and supply chain management.

The Group is the only global surgical robot company with a product portfolio covering the five major and fast-growing surgical specialties of laparoscopic, orthopedic, panvascular, natural orifice and percutaneous surgical procedures. As of today, our product portfolio includes two approved products and eight product candidates at various stages of clinical trials and registration. Toumai® (圖邁®) Laparoscopic Surgical Robot ("**Toumai**"), DFVision® (蜻蜓眼®) 3D Electronic Laparoscope ("**DFVision**") and Honghu (鴻鵠®) Orthopedic Surgical Robot ("**Honghu**"), flagship products of the Company, entered the special approval procedure for innovative medical devices of the National Medical Products Administration ("**NMPA**") ("**Green Path**"). As of the date of this report, Toumai and DFVision have been approved by the NMPA, while Honghu is under the stage of application registration.

OUR MISSION

Reshape and prolong life through a robotic intelligent surgical total solution.

OUR BELIEF

Make surgery easier, safer, and less invasive

OUR VISION

Build a globalized medical robots total solution innovation platform.

CHAIRMAN'S STATEMENT

Chairman
Mr. Sun Hongbin

In 2021, notwithstanding all the risk and challenges, including the complicated and ever-changing international environment and the continuous spread of COVID-19, we worked hand in hand to focus on the cutting-edge robotic surgery technology innovation, and to implement a highly efficient operating strategy.

As the only global surgical robot company covering the five major and fast-growing surgical specialties, namely laparoscope, orthopaedic, panvascular, natural orifice and percutaneous surgical procedures, as of the today, the Group's mission is to reshape and prolong life through a robotic intelligent surgical total solution, as well as build an underlying technology system that cover the whole chain of surgical robot industry. During the year ended 31 December 2021 (the "**Reporting Period**"), we have solved various bottlenecks of the industry, thereby realizing a series of "No. 1" and "Only One" breakthroughs and the first moves in the field of surgical robots, and continue to provide patients and physicians in China and overseas countries with an affordable and accessible total solution of intelligent robotic surgery.

2021 is a meaningful year in the development history of the Group. With the trust and support from the investment industry and our working partners, we gained an access to the capital market. The Company was successfully listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), providing a source of solid drive for the continuous input in R&D and innovative breakthrough of the Group as well as the fulfilment of the vision of "Build a globalized medical robots total solution innovation platform.

2021 is also a harvesting year for the Group. We worked diligently and cultivated fruitful results, making great achievements at various stages of our products.

Toumai, being a core product, completed the registrational clinical trial for application in urologic surgery in May 2021. In January 2022, Toumai was approved for launch by the NMPA, becoming the first and only four-arm laparoscopic surgical robot developed by a Chinese enterprise and approved for launch, turning to a new page for the development of the Chinese domestic surgical robot industry as well as the clinical application of robotic surgery in China. At the same time, the patient enrollment of the multi-discipline and multi-center registrational clinical trial of Toumai was successfully completed in January 2022. During the registrational clinical trials, Toumai has helped clinical experts in completing various "the first" surgeries assisted by domestic surgical robots, which include the first laparoscopic radical prostatectomy assisted by domestic surgical robots, the first partial nephrectomy assisted by domestic surgical robots, the first single-port surgery assisted by domestic robots. Besides, Toumai has become the second Laparoscopic surgical robot in the world and the first in China with a full coverage of clinical application of complex surgical procedures in abdominal, thoracic and pelvic cavities, which proves that Chinese-developed laparoscopic surgical robots can be widely used for the clinical application in multi-discipline and complex surgeries.

During the Reporting Period, the DFVision independently developed by the Group was granted for launch by the NMPA, making it the first commercialized Chinese-developed 3D electronic laparoscope which substantially changes the existing domestic 3D laparoscope market that has been dominated by imported products for long.

Honghu, independently developed by the Group, is the only Chinese-developed joint replacement surgical robot with a self-developed robotic arm as of today. Honghu completed the registrational clinical trial for total knee arthroplasty ("**TKA**") application in July 2021, and the registration application was also submitted with the NMPA in the same month. Meanwhile, the Group made every endeavor to explore the overseas market for Honghu, which is potentially the first China-made surgical robot approved by The United States Food and Drug Administration (the "**FDA**").

We also have a number of products at different stages of clinical application. Our self-developed Trans-bronchial surgical robot has recently completed the first human clinical trial surgery, becoming the first domestic Trans-bronchial surgical robot commencing clinical trials. The R-ONE® Vascular Interventional Surgical Robot ("**R-ONE®**") introduced by Shanghai Cathbot, a joint venture established in China by the Group and Robocath S.A.S, is currently at the stage of the NMPA registration clinical trial, which will fill the gap in the field of domestic percutaneous coronary intervention ("**PCI**") surgical robots after its launch in China.

During the Reporting Period, the iSR'obot™ Mona Lisa Robotic Transperineal Prostate Biopsy System ("**Mona Lisa**") introduced by Shanghai Intbot, a joint venture established in China by the Group and Biobot Surgical Pte. Ltd., completed the first clinical trial of domestic robotic prostate biopsy system, marking the first MRI and ultrasound fusion puncture robot positioning system in China has officially entered into the clinical trial diagnosis of prostate cancer.

During the Reporting Period, we adhered to innovation-driven development, and strived to satisfy the needs for cutting-edge development of minimally invasive surgery, and made breakthroughs in remote surgery, automatic surgery and other technical fields. In September 2021, equipped with our self-developed interconnection platform, Honghu successfully completed the first three-place 5G remote knee arthroplasty assisted with a Chinese-developed orthopedic surgical robot. In December, the Group's self-developed Madam Curie™ multi-departmental, fully-automated surgical platform ("**Madam Curie™**") made its first trial of interventional cryoablation of benign prostatic hyperplasia on animal, which achieved successful results.

In respect of commercialization, the promotion of DFVision, our first commercialized product of the Group, started in the fourth quarter of 2021 and contributed to the revenue of the Group. We have actively established a well-trained and committed consultant-style marketing team with more than 100 staff to provide hospitals with comprehensive and one-stop services, including training for physicians, surgery preparation, clinical support and equipment maintenance. During the Reporting Period, we continued to improve the establishment and layout of the training network for physicians. We also established over 10 clinical application and training centres in various regions, including northeast China, northern China, central China and southern China, thus building a solid foundation for the upcoming large scale commercial promotion of our products.

Besides, 2021 is also a year of a new start. Despite a huge community of surgical patients and demand for surgery, the market of surgical robots in China is still at the early stage featuring rapid development, low penetration rate and vast room for further exploration, with enormous potential for future development. As one of the first batch of companies in the medical device industry in exploring surgical robot technology in China, we have been navigating through different challenges for eight years, and achieved various innovative breakthroughs through exploration. With the industry experience accumulated over the years, we will forge ahead on the road of China's surgical robot development. We truly believe that approvals for launch of products are only the first step in building a platform of group operation and globalization. We are sure that we will be exposed to a variety of opportunities and challenges in the future. Nevertheless, we will be committed to the belief of "Explore unknown, Shaping the era of super intelligent surgery", and will also follow our original intention by making every effort for striving ahead, exploring and innovating continuously, advancing to a higher level of cutting-edge technology, enhancing the consolidation of industry, advancing the cooperation with physicians and accelerating the iteration of products, thereby making our belief of "Make surgery easier, safer, and less invasive" come true.

In pursuit of excellent quality in details, our directors, members of the senior management and all our staff are committed to the principles of integrity, diligence and accountability. I, on behalf of all members of the Company, hereby express my sincere gratitude to shareholders, suppliers, distributors, physicians, business teams and working partners for their relentless support over the years.

Mr. Sun Hongbin
Chairman

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 robots 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 "14th-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 FDA for our self-developed product Honghu, 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 "**Listing Date**"), the Company was listed (the "**Listing**") 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 proceeds 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® 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 report, the Company has three flagship products, Toumai, DFVision and Honghu, which have entered the Green Path of the NMPA. Among these, DFVision and Toumai were approved by the NMPA in June 2021 and January 2022, respectively.

The following table summarizes our product portfolio as of the date of this report.

	Surgical Specialty	Product	Indicated Application	NMPA Classification	Development stage: Design Development	Design Validation	Registrational Clinical Trial	Registration Application
Self Development	**Laparoscopic Surgery**	Toumai®(圖邁®) Laparoscopic Surgical Robot ("*Toumai*")▲	**Urologic surgery**	III (Green Path)				
			Gynecologic surgery					
			Thoracic surgery					
			General surgery					
		Toumai® (圖邁®) Single-arm Laparoscopic Surgical Robot ("*Toumai*®Single-arm")	Urlolgic surgery, gynecologic surgery and general surgery	III				
		DFVision®(蜻蜓眼®) 3D Electronic Laparoscope ("*DFVision*")▲	**Laparoscopic surgeries for abdominal, thoracic and pelvic organs**	III (Green Path)				
	Orthopedic Surgery	Honghu (鴻鵠®) Orthopedic Surgical Robot ("*Honghu*")	Total knee arthroplasty	III (FDA)				
				III (Green Path)				
			Total knee arthroplasty and total hip arthroplasty					
		Spine Surgical Robot	Spine surgery	III				
	Natural Orifice Surgery	Trans-bronchial Surgical Robot	Trans-bronchial diagnosis & treatment	III				
	Panvascular Surgery	TAVR Surgical Robot	Heart valve replacement surgery	III				
International Collaboration		*R-ONE*®Vascular Interventional Surgical Robot ("*R-ONE*")	Coronary angioplasty	III				
	Percutaneous Surgery	Automated Needle Targeting Robotics System ("*ANT*")	Percutaneous lung biopsy	III				
			Percutaneous nephrolithotomy					
		iSR'obot™ Mona Lisa Robotic Transperineal Prostate Biopsy System ("*Mona Lisa*")	Transperineal prostate biopsy	III				

▲ Products Approved by the National Medical Products Administration

Products will be incorporated into Green Path

Toumai® Laparoscopic Surgical Robot — Our Core Product

Toumai, a core product of the Company, is a laparoscopic surgical robot designed and developed by the Group for a wide range of surgical procedures, which enables complex surgeries to adopt a minimally invasive approach. The agility of robotic arms allows greater precision in operations, enhances the safety of surgery and reduces surgeon fatigue. Seated comfortably at the console, a surgeon views an immersive 3DHD image of the surgical field and manipulates the surgical instruments inside the patient's body by controlling the robotic arms. Toumai provides surgeons with a range of motions analogous to those of human wrists, while filtering out the tremors inherent in human hands.

The Group completed the registrational clinical trial of Toumai for urological surgery in May 2021 and obtained the registration certificate for launch of Toumai issued by the NMPA on 27 January 2022, becoming the first and only four-arm laparoscopic surgical robot developed by a Chinese enterprise and approved for launch as of the date of this report.

Meanwhile, the multidisciplinary, multicenter-registered clinical trials of Toumai were launched in October 2021 and completed in January 2022 successfully, covering many "First" or "Difficult" operations in the fields of general surgery, thoracic surgery and gynecologic surgery, including the first domestic four-arm surgical robot registered clinical total hysterectomy and adnexal resection, domestic four-arm surgery robot combined choledochoscopic cholecystectomy and common bile duct lithotomy, domestic four-arm surgery robot sleeve gastrectomy gastric reduction surgery, filling the gaps of the clinical application of domestic surgery robots in various fields. Toumai has also become the second laparoscopic surgical robot in the world and the first in China to fully cover the important and complex clinical applications in the fields of thoracic cavity, abdominal cavity and pelvic cavity. We will submit an NMPA registration application this year and it is expected to be approved in the first quarter of 2023.

Warning under Rule 18A.08(3) of the Listing Rules: Our core product Toumai may not ultimately be successfully marketed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

Toumai® Single-arm Laparoscopic Surgical Robot

Furthermore, in December 2021, Toumai® Single-arm Laparoscopic Surgical Robot ("**Toumai Single-arm**") 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® 3D Electronic Laparoscope — Our Flagship Product

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 DFVision in China since November 2021. As the first commercial product of the Group, DFVision already contributed sales revenue in 2021.

Honghu Orthopedic Surgical Robot — Our Flagship Product

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 TKA and submitted registration application to NMPA at the same month, and is expected to obtain the registration approval from 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.

Warning under Rule 18A.08(3) of the Listing Rules: Honghu may not ultimately be successfully marketed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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 and validation preparation.

R-ONE® Vascular Interventional Surgical Robot

The R-ONE® 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 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® 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 report, 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 launch of R-ONE®, it will fill the gap in the fields of domestic PCI surgical robots, making cardiovascular devices more intelligent and precise.

iSR'obot™ Mona Lisa Robotic Transperineal Prostate Biopsy System

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 report, 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. 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 established overseas R&D centers in Singapore and 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), mainly engaged in system integration and hierarchical assembly and testing of core components. During the Reporting Period, the Group established 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 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® 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, "Stellar Academy (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 has adopted 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 "Hands On Details With Heart, Eyes For Greatness With Conscience" 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 "Make surgery easier, safer, and less invasive".

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 report.

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 Medical Technology Private Limited ("**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 S.A.S and Cathbot (Shanghai) Robot Co., Ltd..

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:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Loss for the year	**(584,507)**	(209,290)
Add:		
Share — based payment expenses[1]	**91,199**	15,782
Listing expenses[2]	**40,526**	—
Adjusted net loss for the year	**(452,782)**	(193,508)

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 the directors of the Company (the "**Directors**") and senior management of the Company 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 ("**Prospectus**") of the Company dated 21 October 2021. 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*	
For Toumai	588.91	35.0	0.64	588.27	by the first half of 2023
— *ongoing R&D activities of Toumai*	336.52	20.0	0.64	335.88	by the first half of 2023
• *for further refinement*	33.652	2.0	0.64	33.012	by the first half of 2023
• *for application expansion to gynecologic, thoracic and general surgeries*	100.956	6.0	—	100.956	by the first half of 2023
• *for product refinement per clinical feedback and product upgrade toward the next generation of Toumai*	201.912	12	—	201.912	by the first half of 2023
— *the commercialization of Toumai*	252.39	15	—	252.39	by the first half of 2023
For orthopedic surgical robots	353.346	21	—	353.346	by the first half of 2023
— *ongoing R&D of Honghu*	168.26	10	—	168.26	by the first half of 2023
• *for application expansion to other joint replacement procedures*	92.543	5.5	—	92.543	by the first half of 2023
• *for continuous refinements and upgrades*	75.717	4.5	—	75.717	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*	
— *commercialization of Honghu*	107.6864	6.4	—	107.6864	by the first half of 2023
— *research and development of other orthopedic surgical robots*	77.3996	4.6	—	77.3996	by the first half of 2023
For the Group's other product candidates	319.694	19.0	0.28	319.414	by the first half of 2023
— *(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*	235.564	14.0	—	235.564	by the first half of 2023
— *the development and commercialization of the surgical robots under our collaboration with international partners, including R-ONE® with Robocath, ANT with NDR and Mona Lisa with Biobot*	84.13	5.0	0.28	83.85	by the first half of 2023
Enhance our manufacturing capacities and supply chain management capabilities	84.13	5.0	—	84.13	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*	
Expand our product portfolio with innovative robotic technologies and products	168.26	10.0	—	168.26	by the first half of 2023
Working capital and general corporate purposes	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 report, the Group did not have any other immediate plans for material investments and capital assets as at 31 December 2021.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Director

Dr. He Chao (何超), aged 37, was appointed as the Director on 18 October 2017 and re-designated as the executive Director on 10 June 2021. He is the president and is mainly responsible for overseeing the research and development and day-to-day management and strategic development of the Group. He is also a member of the nomination committee of the Company (the "**Nomination Committee**") and the strategy and development committee of the Company (the "**Strategy and Development Committee**").

Dr. He Chao has over 14 years of experience in the research and development of surgical robots. He joined the Group as the general manager of the Company in May 2015 and has been serving as the president since December 2020, primarily responsible for the business operations of the Company. Dr. He Chao also holds various directorships and management positions in the Group companies, including but not limited to the executive director of Suzhou MicroPort OrthoBot Co,. Ltd. (蘇州微創暢行機器人有限公司) (the "**OrthoBot Suzhou**") since July 2019 and the representative of the Beijing branch of the Company since November 2020.

Prior to joining the Group, from June 2013 to April 2014, Dr. He Chao served as the system engineer of Chinese Academy of Space Technology (中國空間技術研究院), a spacecraft designer and manufacturer, where he was mainly responsible for system engineering and project management. From April 2014 to May 2015, Dr. He Chao served as the senior director of Shanghai MicroPort Medical (Group) Co., Ltd. (上海微創醫療器械（集團）有限公司) (the "**Shanghai MicroPort**"), a medical device manufacturer and an indirect wholly owned subsidiary of MicroPort Scientific Corporation (微創醫療科學有限公司) (the "**MicroPort**"), where he was primarily responsible for R&D and project management of surgical robots.

Dr. He Chao serves as the Chinese representative in the technical committee for the preparation of international technical standards for surgical robots of International Electrotechnical Commission, a global organization which builds international standards and conformity assessment systems to ensure the safety, efficiency, reliability and interoperability of electrical, electronic and information technologies. He is also a member of the first expert panel of China's medical robot technical standardization unit and the director of Shanghai Engineering Research Center of Minimally Invasive Surgical Robots (上海微創手術機器人工程技術研究中心) sponsored by the Science and Technology Commission of Shanghai Municipality (上海市科學技術委員會).

Dr. He Chao graduated from the Hefei University of Technology in the PRC with a bachelor's degree in mechanical and electronics in July 2007 and graduated from Tianjin University in the PRC with a doctor's degree in mechanical engineering in January 2014. During his Ph.D. study at Tianjin University, Dr. He Chao spent the 2011–12 academic year at Johns Hopkins University in the United States as a visiting scholar.

Non-executive Directors

Mr. Sun Hongbin (孫洪斌), aged 47, was appointed as the Director on 3 April 2020 and re-designated as the non-executive Director on 10 June 2021. He is serving as the chairman of the Board and is primarily responsible for overseeing the management and operations of the Group. He is also the chairperson of the Strategy and Development Committee and a member of the remuneration and appraisal committee of the Company (the "**Remuneration and Appraisal Committee**").

Mr. Sun Hongbin has nearly 20 years of experience in the medical device industry. Mr. Sun Hongbin joined the MicroPort Group (defined as MicroPort and its subsidiaries) in September 2010 and has served in various positions in the MicroPort Group. Since September 2010, Mr. Sun Hongbin has been serving as the chief financial officer, a co-chairman of the Greater China Executive Committee and a member of the Intercontinental Cardiac Rhythm Management Committee of MicroPort. He has also been serving as the chief financial officer of Shanghai MicroPort, a subsidiary of MicroPort, since September 2010.

Mr. Sun Hongbin has served as an independent non-executive director of a number of listed companies, including New Century Healthcare Holding Co. Limited (新世紀醫療控股有限公司), a company principally engaged in provision of medical services in pediatrics and obstetrics and gynecology whose shares are listed on the Stock Exchange (stock code: 1518), since December 2016, CStone Pharmaceuticals (基石藥業), a biopharmaceutical company whose shares are listed on the Stock Exchange (stock code: 2616), since February 2019, and Mobvista Inc. (匯量科技有限公司), a technology platform providing mobile advertising and mobile analytics services whose shares are listed on the Stock Exchange (stock code: 1860), since July 2020. and Abbisko Cayman Limited (和譽開曼有限責任公司), a clinical-stage biopharmaceutical company whose shares are listed on the Stock Exchange (stock code: 2256), since September 2021.

Prior to joining the MicroPort Group, from 1998 to 2003, Mr. Sun Hongbin served as an assistant manager of the Shanghai Branch of KPMG Accounting firm (畢馬威會計師事務所上海辦事處), where he was primarily responsible for audit work. From 2004 to 2010, Mr. Sun Hongbin was the financial director and later the director and general manager of Otsuka (China) Investment Co., Ltd. (大冢（中國）投資有限公司), a company principally engaged in healthcare investment management services, where he was primarily responsible for its overall management.

Mr. Sun Hongbin graduated from the Shanghai Jiao Tong University in the PRC with a bachelor's degree in economics in 1998. Mr. Sun Hongbin is a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) and is also a Chartered Financial Analyst.

Mr. Sun Xin (孫欣), aged 41, was appointed as the Director on 17 September 2020 and was re-designated as the non-executive Director on 10 June 2021, where he is primarily responsible for overseeing the management and operations of the Group. He is also a member of the audit committee of the Company (the "**Audit Committee**").

Mr. Sun Xin is currently a managing director at Hillhouse investment Management and has been a member of the healthcare private equity team since 2017. He has more than 10 years of experience in financial service and healthcare industries. Prior to joining Hillhouse Capital Management, he was a vice president at Affinity Equity Partners, an Asia-focused private equity fund based in Hong Kong. Prior to that, he worked at the Investment Banking

Division of Goldman Sachs in New York, with a focus on healthcare M&A and financing. He started his career in pharmaceutical and biotech industry as a research scientist at Boehringer Ingelheim and Genentech, respectively. He has been serving as a non-executive director of Luye Pharma Group Limited (綠葉製藥集團有限公司) (stock code: 2186) since February 2021.

Mr. Sun Xin graduated from the Beijing University in the PRC with a bachelor's degree in science and successively obtained a master's degree in molecular genetics from Duke University in the United States and a master's degree in business administration (MBA) from Columbia University in the United States.

Mr. Chen Chen (陳琛), aged 38, was appointed as the Director on 17 September 2020 and was re-designated as the non-executive Director on 10 June 2021. He is primarily responsible for overseeing the management and operations of the Group.

Mr. Chen Chen has 10 years of experience in the business consulting and investment management industry. From July 2015 to December 2018, Mr. Chen Chen worked at Shanghai Panxin Equity Investment Management Limited (上海磐信股權投資管理有限公司) where he held various positions, including investment manager, senior investment manager and vice president. From January 2019 to September 2020, he served as a principal at Tianjin Panmao Enterprise Management Limited Liability Partnership (天津磐茂企業管理合夥企業（有限合夥）). Since September 2020, he has been serving as a principal at Beijing Panmao Investment Management Co., Ltd. (北京磐茂投資管理有限公司) (the "**CPE**"). Prior to joining the investment management industry, Mr. Chen Chen was a consultant at the Shanghai branch of Bain & Company from October 2009 to August 2013.

Mr. Chen Chen is currently also serving as a director of several other companies, including, a non-executive director of Acotec Scientific Holdings Limited, a non-executive director of Shanghai Hanyu Medical Technology Co., Ltd. (上海捍宇醫療科技股份有限公司) and a director of Spectrum Dynamics Medical Group Limited.

Mr. Chen Chen graduated from Shanghai Jiao Tong University in the PRC with a bachelor's degree in electronic engineering in July 2005. He received his first master's degree in industry economics from Shanghai Jiao Tong University in the PRC in March 2009, and his second master's degree in business administration from the University of Chicago in the United States in June 2015.

Independent non-executive Directors

Ms. Lee Kit Ying (李潔英), aged 74, was appointed as the independent non-executive Director on 30 June 2021. She is also the chairperson of the Audit Committee and a member of the Nomination Committee.

Ms. Lee Kit Ying has about 20 years of experience in the securities and derivatives industry holding various senior positions, including about 10 years in the Compliance, Operation and Administration Divisions of Hong Kong Futures Exchange Limited, five years in Traded Options Division in the Stock Exchange and three years in the Listing, Regulation and Risk Management Unit of Hong Kong Stock Exchange and Clearings Limited. In September 2005, she retired as the chief financial officer of the Hong Kong Exchanges and Clearing Limited Group.

Ms. Lee Kit Ying served as an independent non-executive director of China BlueChemical Limited (中海石油化學股份有限公司), a company principally engaged in processing natural gas for production of chemical fertilizers and other chemical products whose shares are listed on the Stock Exchange (stock code: 3983), from June 2012 to May 2021, and an independent non-executive director of Century Global Commodities Corporation, a company principally engaged in exploration and development of iron ore properties whose shares are listed on the Toronto Stock Exchange (stock code: CNT), from September 2014 to September 2021, respectively. Ms. Lee Kit Ying has been serving as an independent non-executive director of Gemilang International Limited (彭順國際有限公司), a company principally engaged in designing and manufacturing bus bodies and assemble buses whose shares are listed on the Stock Exchange (stock code: 6163), since October 2016.

Ms. Lee Kit Ying graduated from the London Metropolitan University (previously known as City of London Polytechnic) in the United Kingdom with a Bachelor of Arts in Accountancy in July 1979. She received her Master of Science in Financial Engineering from the City University of Hong Kong in November 1998. Ms. Lee Kit Ying has been an associate member of the Hong Kong Institute of Certified Public Accountants since March 1984 and a fellow of the Institute of Chartered Accountants in England and Wales since October 1999.

Dr. Li Minghua (李明華), aged 70, was appointed as an independent Director on 30 December 2020, and was redesignated as the independent non-executive Director on 10 June 2021. He is also the chairperson of the Remuneration and Appraisal Committee and a member of the Audit Committee and the Strategy and Development Committee.

Dr. Li Minghua joined the radiology department of Shanghai Sixth People's Hospital (上海市第六人民醫院放射科) in December 1992 as a vice-chief physician, and became a chief physician and professor in January 1997. From January 2000 to May 2018, he successively served as the chairman and doctoral supervisor of the department of diagnostic and neoro-interventional radiology of Shanghai Sixth People's Hospital (上海市第六人民醫院放射科及神經介入診治中心) and a director of the institute of medical imaging of Shanghai Jiao Tong University (上海交通大學醫學影像研究所). He served as the chief physician and professor of the Shanghai Sixth People's Hospital (上海市第六人民醫院) from May 2018 to February 2019 and has been serving as an emeritus professor since March 2019.

Dr. Li Minghua graduated from the Shanghai First Medical College in the PRC in September 1973. He received his master's degree in neuro-imaging/CT from Graduate School of the Shanghai Medical University in the PRC in October 1988, and his doctor's degree in neuro-imaging/MRI in the Lund University in Sweden in January 1993. From 1994 to 1995, Dr. Li Minghua pursued a post-doctoral program in the field of interventional neuroradiology as a visiting scholar in the University San Raffaele Milan in Italy.

Mr. Yao Haisong (姚海嵩), aged 48, was appointed as the independent Director on 30 December 2020, and was redesignated as the independent non-executive Director on 10 June 2021. He is also the chairperson of the Nomination Committee and a member of the Remuneration and Appraisal Committee.

From March 2002 to June 2004, Mr. Yao Haisong served as an assistant researcher, legal manager and secretary to the chairman of the board of directors of Shanghai Biochip Co., Ltd. (上海生物芯片有限公司), a biotech company, where he was primarily responsible for research and legal matters.

Mr. Yao Haisong has over 15 years of working experience in law firms. Since July 2004, Mr. Yao has been serving as a practicing lawyer, and he later served as a partner of Shanghai Huzhong Law Firm (上海市滬中律師事務所), where he was primarily responsible for providing legal advice. From July 2011 to February 2015, he served as a practising lawyer and patent attorney of the Beijing Yingke (Shanghai) Law Firm (北京盈科(上海)律師事務所). Since February 2015, Mr. Yao Haisong has been serving as a practising lawyer and partner of Shanghai Tianhua Law Firm (上海市天華律師事務所), where he was primarily responsible for providing business related legal advice.

Mr. Yao Haisong graduated from the Shanghai Second Medical University in the PRC with a bachelor's degree in clinical medicine in July 2000. He received a second bachelor's degree in jurisprudence from Shanghai University in the PRC in July 2002, and his master's degree in international business law from the National University of Singapore in Singapore in June 2008. Mr. Yao is currently serving as a member of China Research Hospital Association Clinical Data and Bio-bank a standing committee member (中國研究型醫院學會臨床數據與樣本資源庫專業委員會), a committee member of National Technical Committee on Bio-specimen of Standardization Administration of China (全國生物樣本標準化技術委員會) (SAC/TC559).

SUPERVISORS

In accordance with the Company Law of the PRC, all joint stock companies are required to establish a supervisory committee, responsible for supervising the board of directors and senior management on fulfilling their respective duties, financial performance, internal control management and risk management of the corporation. The supervisory committee (the "**Supervisory Committee**") the Company consists of three supervisors (the "**Supervisor**") comprising one staff representative Supervisor, and two Supervisors representing the Group.

Mr. Zhang Jie (張劼), aged 43, was appointed as the chairman of the board of Supervisors on 30 December 2020. He is primarily responsible for supervising and providing independent advice to the Board.

Mr. Zhang Jie joined the MicroPort Group in January 2007 and has successively served as an equipment engineer, research and development director, senior director and vice president of Shanghai MicroPort, where he has been primarily responsible for the research and development of medical devices. Mr. Zhang Jie also holds various directorships in a number of other members of the MicroPort Group.

Mr. Zhang Jie graduated from the Zhejiang University of Technology in the PRC with a bachelor's degree in communication principles in 2002. He received his master's degree in measuring and testing technologies and instruments from the University of Shanghai for Science and Technology in the PRC in March 2007.

Ms. Zhang Lihong (張麗紅), aged 45, was appointed as the Supervisor on 30 December 2020. She is primarily responsible for supervising and providing independent advice to the Board.

Ms. Zhang Lihong joined the MicroPort Group in June 2013 and has since successively served in various positions in Shanghai MicroPort, including as intellectual property manager, intellectual property director, senior intellectual property director and vice intellectual property president, where she has been primarily responsible for the management of intellectual property affairs. Ms. Zhang Lihong also holds directorships and management positions in a number of other members of the MicroPort Group.

Prior to joining the MicroPort Group, from 2003 to 2006, she worked at Shanghai Microelectronics Equipment Co., Ltd. (上海微電子裝備有限公司), a company principally engaged in development of semiconductor equipment and other intelligent equipment, where she was primarily responsible for intellectual property and standardization management. From 2006 to 2009, Ms. Zhang Lihong served as manager of Central Research Institute of Shanghai Radio and Television (Group) Co., Ltd. (上海廣電（集團）有限公司中央研究院), a company principally engaged in electronic device industry, where she was primarily responsible for intellectual property management. Ms. Zhang Lihong also served as a senior intellectual property manager of Shanghai Shipeng Laboratory Technology Development Co., Ltd. (上海世鵬實驗室科技發展有限公司), a company principally engaged in providing technical services to electronic equipment, from 2009 to 2011, and manager of the intellectual department and legal department of Shanghai United Imaging Healthcare Co., Ltd. (上海聯影醫療科技股份有限公司) a company principally engaged in medical device production, from 2011 to 2013, where she was primarily responsible for its intellectual property management.

Ms. Zhang Lihong has also been serving as a vice president of Shanghai Pudong New Area Intellectual Property Association (上海市浦東新區知識產權協會) and vice president of Intellectual Property Association of China (Shanghai) Pilot Free Trade Zone (中國（上海）自由貿易試驗區知識產權協會).

Ms. Zhang Lihong graduated from the Xian Technological University in the PRC with a bachelor's degree in detection technology and equipment in July 2000. She received her master's degree in measurement and control technology and equipment from Xian University of Technology in the PRC in 2004.

Mr. Yuan Shuai (袁帥), aged 33, was appointed as the staff representative Supervisor on 30 December 2020 and is primarily responsible for supervising and providing independent advice to the Board. Mr. Yuan Shuai joined the Group in May 2015 and successively served as R&D engineer and system engineer of the Company. He is currently serving as the advanced director and is primarily responsible for research and development of the products.

Prior to joining the Group, from 2013 to 2014, Mr. Yuan Shuai worked as a technician of China Aviation Lithium Battery Co., Ltd. (中航鋰電（洛陽）有限公司), a company principally engaged in Lithium battery R&D and manufacturing. From June 2014 to May 2018, he served as a research and development engineer of Shanghai MicroPort, where he was primarily responsible for research and development of surgical robots.

Mr. Yuan Shuai graduated from the Zhengzhou University in the PRC with a bachelor's degree in mechanical engineering and automation in 2013.

SENIOR MANAGEMENT

Mr. Liu Yu (劉雨), aged 52, joined the Group on 1 December 2020 as the chief commercial officer and vice president. Since March 2021, Mr. Liu Yu has been serving as the chief commercial officer and senior vice president of the Group, primarily responsible for sales and marketing, and clinical and medical affairs. He has also been serving as the executive director and manager of 1.1 Medical (Beijing) Health Technology Co., Ltd. (易達醫（北京）健康科技有限公司), since September 2020, where he is primarily responsible for its operations and management.

Mr. Liu Yu has over 29 years of experience in pharmaceuticals and medical devices. Mr. Liu Yu joined Beijing office of American Medtronic China Co., Ltd. (美國美敦力中國有限責任公司北京辦事處), a medical technology company, in November 2001. In April 2003, Mr. Liu Yu joined Chindex (Beijing) International Trade Co., Ltd. (美中互利北京國際貿易有限公司) ("**Chindex Beijing**"), a company principally engaged in provision of medical and health services and distribution of medical devices, as a north regional manager, where he was primarily responsible for product management. Mr. Liu Yu then worked as the sales manager of Beijing office of Germany BrainLAB Co., Ltd. (德國博醫來公司北京代表處), a company principally engaged in surgical software and hardware development, until October 2006 where he was primarily responsible for its marketing and sales. He also served as the chief representative of the Beijing branch of Canadian IMRIS Co., Ltd. (加拿大醫美瑞有限公司北京代表處), a company principally engaged in medical device management, where he was primarily responsible for overseeing its daily operation. From July 2008 to 2017, Mr. Liu Yu served as chief operating officer and senior vice president of Chindex Beijing and Chindex Medical Limited (美中互利醫療有限公司), a distribution partner for Intuitive Surgical's da Vinci Surgical Systems in China. From January 2017 to August 2019, Mr. Liu Yu successively served as a senior vice president and chief operation officer of the medical device department of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (上海復星醫藥(集團)股份有限公司), a pharmaceutical company whose shares are listed on the Stock Exchange (stock code: 2196), and a senior vice president and chief commercial officer of Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd. (直觀復星醫療器械技術(上海)有限公司), a company principally engaged in medical device industry, where Mr. Liu was primarily responsible for managing the sales and marketing of its da Vinci surgical robot. From September 2019 to June 2020, he served as the chief executive officer of Shanghai Ruidao Medical Technology Co., Ltd. (上海睿刀醫療科技有限公司), a company principally engaged in production of medical devices, where he was primarily responsible for its overall operations and management.

Mr. Liu Yu obtained a bachelor's degree in mechanical instruments engineering from the Tianjin University of Technology in the PRC in 1992 and a master's degree in economic management from Tsinghua University in the PRC.

Ms. Yu Haiying (于海英), aged 51, joined the Group on 12 October 2020 and was appointed as the vice president on 30 December 2020. Since March 2021, Ms. Yu Haiying has been serving as a senior vice president of the Group, primarily responsible for the whole lifecycle management of orthopedic robot product, including product definition, research and development, supply chain and production. She has also been serving as the general manager of OrthoBot Suzhou since October 2020, where she is primarily responsible for its management and operation.

Ms. Yu Haiying has 19 years of experience in healthcare industry and thorough understanding of product development, layout and operation. Prior to joining the Group, from April 1999 to October 2020, Ms. Yu Haiying successively served various positions with increasing responsibility at General Electric Company, a multinational conglomerate whose shares are listed on the New York Stock Exchange (stock code: GE), with her last position as Global MR 1.5T Segment GM for GE Healthcare. During the days in GE Healthcare, she served as the leader of multiple functions including business, research and development and service, among others.

Ms. Yu Haiying graduated from the Tianjin Textile Institute (now known as Tianjin Polytechnic University) in the PRC with a bachelor's degree in textile machinery in July 1993. She received her master's degree in business administration (MBA), a Beijing international MBA programme hosted by the China Center of Economic Research at Peking University, approved and conferred by Fordham University in the United States in February 2008.

Mr. Li Shuxiang (李叔祥), aged 40, joined the Group on 21 October 2019 as a quality director of the Company. Since March 2021, Mr. Li Shuxiang has been serving as a vice president of supply chain of the Company, primarily responsible for supply chain strategic planning, development and execution of the Group.

Prior to joining the Group, from August 2004 to July 2006, Mr. Li Shuxiang served as a R&D engineer of Nanjing Research Institute Simulation Technique (南京模擬技術研究所), an institution principally engaged in R&D and production training equipment for military and public security system, where he was primarily responsible for the technical mechanical design & product development. From 2006 to 2019, Mr. Li Shuxiang worked as a PE/PQ manager of GE Medical Systems (China) Company Limited (通用電氣醫療系統(中國)有限公司), a company principally engaged in research, development and production of medical devices, where he was primarily responsible for supervising the quality control and manufacturing process design and improvement.

Mr. Li Shuxiang graduated from Anhui Institution of Engineering and Technology (now known as Anhui Polytechnic University) in the PRC with a bachelor's degree in mechanical manufacturing process and equipment in June 2002. He received his master's degree in mechanical manufacturing and automation from Nanjing University of Science and Technology in the PRC in July 2004.

Ms. Fang Cong (房聰), aged 33, joined the Group in June 2021 and was appointed as the Board secretary on 28 September 2021. She is primarily responsible for the board matters of the Group.

Prior to joining the Group, from September 2013 to July 2017, Ms. Fang Cong served as an assistant manager at KPMG, where she was primarily responsible for providing tax advisory service. From July 2017 to March 2021, she served as a research analyst at Citigroup Global Markets Asia Limited., a diversified financial services company, where she was primarily responsible for providing equity research service.

Ms. Fang Cong graduated from Renmin University of China in the PRC with a bachelor's degree of economics in June 2012. She received her master's degree of finance from the University of Hong Kong in November 2013.

COMPANY SECRETARY

Ms. Hui Yin Shan (許燕珊), aged 52, was appointed as the company secretary on 10 June 2021.

Ms. Hui Yin Shan is a senior manager of corporate services of Tricor Services Limited, a global professional services provider specializing in integrated business corporate and investor services. She has over 18 years of experience in the corporate secretarial field. Since October 2020, Ms. Hui Yin Shan has been the company secretary of OneForce Holdings Limited (元力控股有限公司), an investment holding company whose shares are listed on the Stock Exchange (stock code: 1933), and the joint company secretary of Honliv Healthcare Management Group Company Limited (宏力醫療管理集團有限公司), a company operating private hospitals in the PRC whose shares are listed on the Stock Exchange (stock code: 9906).

Ms. Hui Yin Shan graduated from Hong Kong Polytechnic University in Hong Kong with a bachelor's degree in applied mathematics in November 1994. She received her master's degree in finance from Curtin University of Technology in Australia in December 2002. Ms. Hui Yin Shan obtained a bachelor's degree in law from University of London in the United Kingdom in August 2017. She is an associate member of the Hong Kong Chartered Governance Institute and the Chartered Governance Institute in the United Kingdom, respectively.

The board (the "**Board**") of directors (the "**Directors**") of Shanghai MicroPort MedBot (Group) Co., Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") presents this report to the shareholders of the Company (the "**Shareholders**") together with the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the research and development, manufacturing and sale of surgical robots, and the activities of its subsidiaries are set out in note 13 to the consolidated financial statements. There's no significant changes in the nature of Group's activities during the year.

The product portfolio of the Group as at the date of this report is set out in the section headed "Management Discussion and Analysis" on pages 9 to 27 of this report.

FINANCIAL STATEMENTS

The financial performance of the Group for the financial year ended 31 December 2021 and the state of the Group's affairs as at that date are set out in the consolidated financial statements on pages 118 to 200 of this annual report.

BUSINESS REVIEW

Overview

A review of the business of the Group during the year ended 31 December 2021, which includes an analysis of the Group's performance, is set out in the section headed "Management Discussion and Analysis" on pages 9 to 27 of this report. An analysis of the Group's performance indicators, is set out in the section headed "Financial Highlights" on page 4 of this report. The compliance with relevant laws and regulations which have significant impact on the Group is set out in this Report of the Directors. The reviews form part of this statement.

Research and Development Costs

The Group's research and development costs primarily consist of (i) staff costs for research and development employees, including salaries, bonus, welfare and share-based payments for these employees; (ii) cost of materials and consumables; (iii) contracting costs, including service fees in relation to intellectual property application and other development activities; and (iv) clinical trial expenses. 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. The following table provides information regarding the breakdown of the research and development costs of the Company for the years indicated:

	For the year ended December 31	
	2021	2020
	(RMB in thousands)	
Staff costs	**190,015**	61,135
Cost of materials and consumables	**110,923**	44,333
Contracting costs	**56,635**	10,742
Clinical trial expenses	**15,833**	13,301
Others[(1)]	**19,242**	5,867
Total	**392,649**	135,378

Note:

(1) Including depreciation and amortization and others.

Environmental Policies and Performance

Realizing the responsibility of protecting the environment, the Company is committed to achieving its success in business without the expense of environment, and is dedicated to maintaining an environmentally friendly and sustainable operation.

The Company integrates environmental considerations into its operational strategy, ensuring that required resources are allocated to support effective implementation of the environmental management system. The functional departments of the Company regularly review the relevant laws and regulations, making sure the environmental management systems are up-to-date and in compliance with the latest standards and requirements.

A comprehensive review of the Company's environmental policies and performance during the year of 2021 is provided in the "Environment, Social and Governance Report" from page 77 to page 112 of this annual report.

Compliance with Laws and Regulations

The Company recognizes the importance of compliance with legal and regulatory requirements, as well as the risk of non-compliance. The Company has allocated system and staff resources to ensure ongoing compliance with applicable laws, rules and regulations including but not limited to, those laws, rules and regulations promulgated by the NMPA, the Ministry of Commerce, State Administration for Market Regulation, the government of the Hong Kong Special Administrative Region, and such regulators' global counterparts in countries where the Group conducts business. The Group maintain cordial working relationships with regulators through effective communications. Throughout the year ended 31 December 2021, the Group have strived to conduct business in accordance with all applicable laws, rules and regulations in all material respects and there is no investigation, disciplinary proceeding or inquiry by, or order, decree, decision or judgment of any authority outstanding, or, to the best of the Company's knowledge, threatened or expected to be issued against any member of the Company or its respective assets or any person for whose acts or defaults it may be vicariously liable, and which is of a material nature.

PRINCIPAL RISKS AND UNCERTAINTIES

Risks Relating to the Development and Commercialization of Pipeline Products

The Group was a pre-revenue innovative medical device company before its products enter the commercialization stage. The Group's ability to generate revenue and become profitable in the future substantially depends on the successful development of, the ability to obtain the necessary regulatory approvals for, and the successful commercialization of its pipeline products. Clinical trial involves lengthy and expensive process with uncertain outcomes. A failure of one or more of the Group's clinical trials can occur at any stage of testing and clinical trials may experience significant setbacks even after earlier trials have shown promising results. In addition, there can be significant variability in safety and/or efficacy results between different trials of the same product candidate due to numerous factors, including changes in trial procedures set forth in protocols, differences in the size and type of the patient populations and the rate of dropout among clinical trial participants. The Group also has limited experience in commercializing its products. The Group's ability to successfully commercialize its pipeline products may involve more inherent risks, take longer, and cost more than it would if the Group was a company with more experience in launching and marketing products.

Risks Relating to Financial Position and Need for Additional Capital

As the Group was a pre-revenue innovative medical device company before its products enter the commercialization stage, investments in the development of innovative medical devices such as the Group's surgical robots are highly speculative. It entails substantial upfront capital expenditure and will continue to incur significant research and development and other expenses related to the Group's ongoing operations. The Group has incurred significant expenses related to the research and development of its pipeline products in the past. For the year ended 31 December 2021, The Group's research and development costs amounted to RMB392.6 million, which contributed significantly to our net losses of RMB584.5 million.

Risks Relating to Intellectual Property Rights

The Group seeks to protect the proprietary technologies that it consider commercially important by filing patent applications in the PRC and other jurisdictions. This process is expensive and time-consuming. For example, the Group may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. The Group cannot be certain that patents will be issued or granted with respect to its patent applications that are currently pending, or that issued or granted patents will not later be found to be invalid and/or unenforceable, be interpreted in a manner that does not adequately protect its products, or otherwise provide the Group with any competitive advantage. As a result, the Group may not be able to prevent competitors from developing and commercializing competitive products in all such fields and territories. Patents may be invalidated and patent applications may not be granted for a number of reasons, including known or unknown prior deficiencies in the patent application or the lack of novelty of the underlying invention or technology. The Group may also fail to identify patentable aspects of its R&D output in time to obtain patent protection. Moreover, the patent position of surgical robots companies is generally uncertain because it involves complex legal and factual considerations. Patent applications the Group had applied may not be granted in the end. As such, the Group does not know the degree of future protection that it will have on its proprietary technologies, if any, and a failure to obtain adequate intellectual property protection with respect to the Group's products could have a material adverse impact on its business.

RELATIONSHIPS WITH KEY STAKEHOLDERS

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

Employees

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

As at 31 December 2021, the Group had 898 employees (31 December 2020: 312 employees).

Customers

The Group's principal customers are distributors and hospitals throughout the world. The Group are gradually establishing its sales and marketing team. It is expected that the Group's marketing and promotion activities will primarily include hosting training sessions for surgeons, participating in medical conferences and assisting in hospital seminars.

The Group are gradually establishing relationships with many key opinion leaders in medical community, including physicians, researchers and hospital administrators. Through regular visits with specialists, attendance of conferences, holding physician education programs and other activities, the Group's brand recognition will be enhanced greatly.

Shareholders

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

FUTURE BUSINESS DEVELOPMENTS

The future business developments of the Company are set out in the section headed "Management Discussion and Analysis" on pages 9 to 27 of this report.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2021, purchases from the Group's largest supplier and the five largest suppliers in aggregate accounted for 5.3% and 19.6% respectively of the Group's total purchase for the year. Sales to the Group's largest customer and the five largest customers in aggregate accounted for 39.3% and 97.8% respectively of the Group's total revenue for the year.

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2021 are set out in note 27 to the consolidated financial statements.

DISTRIBUTABILITY OF RESERVES

As at 31 December 2021, the Company did not have distributable reserves. (2020: RMB0).

GROUP FINANCIAL SUMMARY

A summary of the Group's results and assets and liabilities for the past three financial years is set out in the section "Financial Highlights" of this annual report.

DIRECTORS AND SUPERVISORS

Directors and Supervisors during the year ended 31 December 2021 and up to the date of this report were:

Executive Director

Dr. He Chao

Non-Executive Directors

Mr. Sun Hongbin
Mr. Sun Xin
Mr. Chen Chen
Ms. Meng Shasha (resigned in June 2021)
Mr. Wang Lin (resigned in June 2021)

Independent Non-Executive Directors

Ms. Lee Kit Ying
Dr. Li Minghua
Mr. Yao Haisong
Mr. Yu Zengbiao (resigned in June 2021)

Supervisors

Mr. Zhang Jie
Ms. Zhang Lihong
Mr. Yuan Shuai

BOARD OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of the Directors, Supervisors and senior management of the Group are set out on pages 28 to 35 of this annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACT

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

COMPETING BUSINESS INTERESTS OF DIRECTORS AND SUPERVISORS

During the year ended 31 December 2021, none of the Directors or Supervisors were interested in any business apart from the Company's business, which competed or was likely to compete, either directly or indirectly, with the businesses of the Company and its subsidiaries pursuant to Rule 8.10 of the Listing Rules.

EMOLUMENT POLICY

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

The Company has adopted a share award scheme and a share option scheme as an incentive for Directors, Supervisors and eligible employees. Details of the schemes are set out in the sections headed "Share Award Scheme" and "Share Option Scheme" below.

REMUNERATION OF SENIOR MANAGEMENT

Pursuant to the then applicable code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors and Supervisors) whose particulars are contained in the section headed "Directors, Supervisors and Senior Management" in this annual report for the year ended 31 December 2021 by band is set out below:

Remuneration Band (RMB)	Number of individuals
Nil to 1,000,000	1
1,000,000 to 1,500,000	1
2,500,000 to 3,000,000	1
10,000,000 to 10,500,000	1

REMUNERATION OF DIRECTORS, SUPERVISORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

PENSION SCHEME

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

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

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

As at 31 December 2021, interests and short positions in the shares of the Company (the "**Shares**"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) held by the Directors, Supervisors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") as set out in Appendix 10 to the Listing Rules were as follows:

Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

Name	Class of Shares	No. of Shares	Notes	Capacity	Nature of interest	Approximate percentage of interest in the relevant class of Shares
Dr. He Chao	H Shares	621,906,912	1,2,3	Interest in a controlled corporation	Long position	65.33%
Mr. Yuan Shuai	H Shares	557,001,874	2,3,4	Interest in a controlled corporation	Long position	58.51%

Notes:

(1) Dr. He Chao was the general partner of Shanghai Qingmin Enterprise Management Consultation Center LLP (上海擎敏企業管理諮詢中心(有限合夥)) (the "**Shanghai Qingmin**"). By virtue of the SFO, Dr. He Chao was deemed to be interested in the Shares held by Shanghai Qingmin.

(2) Dr. He Chao held approximately 43.12% interest in Shanghai Qinghe Enterprise Management Consultation Center LLP (上海擎赫企業管理諮詢中心(有限合夥)) (the "**Shanghai Qinghe**") as its limited partner. Mr. Yuan Shuai was the general partner of Shanghai Qinghe. Shanghai Qinghe held 25,162,653 Shares as at 31 December 2021. By virtue of the SFO, each of Dr. He Chao and Mr. Yuan Shuai was deemed to be interested in the Shares held by Shanghai Qinghe.

(3) Dr. He Chao held approximately 54.05% interest in Shanghai Qingzhen Enterprise Management Consultation Center LLP (上海擎禎企業管理諮詢中心(有限合夥)) (the "**Shanghai Qingzhen**") as its limited partner. Mr. Yuan Shuai was the general partner of Shanghai Qingzhen. Shanghai Qingzhen held 16,963,831 Shares as at 31 December 2021. By virtue of the SFO, each of Dr. He Chao and Mr. Yuan Shuai was deemed to be interested in the Shares held by Shanghai Qingzhen.

(4) Mr. Yuan Shuai was the general partner of Shanghai Songqing Enterprise Consulting Center (LLP) (上海頌擎企業管理諮詢中心(有限合夥)) ("**Shanghai Songqing**"). Shanghai Songqing held approximately 36.66% interest in Shanghai Qingxing, which held 31,108,214 Shares. By virtue of the SFO, Mr. Yuan Shuai was deemed to be interested in the Shares held by Shanghai Qingxing.

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

Name	Name of associated corporation	No. of shares	Notes	Capacity	Nature of interest	Approximate percentage of interest in the associated corporation
Dr. He Chao	MicroPort Scientific Corporation (the "**MicroPort**")	160,757	1	Beneficial owner	Long position	0.01%
	Shanghai Targbot	5,000,000	2	Interest in controlled corporation	Long position	20.00%
Mr. Sun Hongbin	MicroPort	9,308,696	3	Beneficial owner	Long position	0.51%
	MicroPort CardioFlow Medtech Corporation ("**MicroPort CardioFlow**")	750,000	4	Beneficial owner	Long position	0.03%

Name	Name of associated corporation	No. of shares	Notes	Capacity	Nature of interest	Approximate percentage of interest in the associated corporation
Mr. Zhang Jie	MicroPort	297,804	5	Beneficial owner	Long position	0.02%
	MicroPort CardioFlow	200,000	6	Beneficial owner	Long position	0.01%
	MicroPort Vision Power MedTech Shanghai Co. Ltd. (微創視神醫療科技(上海)有限公司) ("**MicroPort Vision**")	14,000,000	7	Interest in controlled corporation	Long position	13.08%
Ms. Zhang Lihong	MicroPort	544,292	8	Beneficial owner	Long position	0.03%
	MicroPort CardioFlow	200,000	9	Beneficial owner	Long position	0.008%
Mr. Yuan Shuai	Shanghai Intbot	3,000,000	10	Interest in controlled corporation	Long position	30.00%

Notes:

(1) Dr. He Chao was interested in 160,757 underlying shares of MicroPort by virtue of the options granted to him under a share option scheme of MicroPort.

(2) Dr. He Chao held 50% of the interest in Shanghai Youlong Enterprise Management Consultation Center (Limited Partnership) (上海佑隆企業管理諮詢中心（有限合夥）) ("**Shanghai Youlong**") as its general partner. Shanghai Youlong held 20% of the equity interest in Shanghai Targbot, a company owned as to 41% by our Company and therefore an associated corporation of our Company under the SFO. By virtue of the SFO, Dr. He Chao was deemed to be interested in the interest in which Shanghai Youlong is interested.

(3) Mr. Sun Hongbin was interested in (i) 6,868,890 shares of MicroPort; and (ii) 2,439,806 underlying shares of MicroPort by virtue of the options granted to him under a share option scheme of MicriPort.

(4) Mr. Sun Hongbin was interested in 750,000 underlying shares of MicroPort CardioFlow by virtue of the options granted to him under a share option scheme of MicroPort CardioFlow.

(5) Mr. Zhang Jie was interested in (i) 26,465 shares of MicroPort; and (ii) 271,339 underlying shares of MicroPort by virtue of the options granted to him under a share option scheme of MicroPort.

(6) Mr. Zhang Jie was interested in 200,000 underlying shares of MicroPort CardioFlow by virtue of the options granted to him under a share option scheme of MicroPort CardioFlow.

(7) Mr. Zhang Jie was the general partner of Shanghai Maitian Enterprise Management Consultation Center (Limited Partnership) (上海邁恬企業管理諮詢中心（有限合夥）) ("**Shanghai Maitian**") and Shanghai Lantian Enterprise Management Consultation Center (Limited Partnership) (上海藍恬企業管理諮詢中心（有限合夥）) ("**Shanghai Lantian**"). Shanghai Maitian and Shanghai Lantian held in aggregate 13.1% interest in MicroPort Vision, an indirect non-wholly owned subsidiary of MicroPort and therefore an associated corporation of our Company under the SFO. By virtue of the SFO, Mr. Zhang Jie was deemed to be interested in the interest in which Shanghai Maitian and Shanghai Lantian is interested.

(8) Ms. Zhang Lihong was interested in (i) 83,122 shares of MicroPort; and (ii) 461,170 underlying shares of MicroPort by virtue of the options granted to her under the share option scheme of MicroPort.

(9) Ms. Zhang Lihong was interested in 200,000 underlying shares of MicroPort CardioFlow by virtue of the options granted to her under the share option scheme of MicroPort CardioFlow.

(10) Mr. Yuan Shuai held 50% of the interest in Shanghai Lingmin Enterprise Management Consultation Center (Limited Partnership) (上海羚敏企業管理諮詢中心（有限合夥）) ("**Shanghai Lingmin**") as its limited partner. Shanghai Lingmin held 30% of the equity interest in Shanghai Intbot, a company owned as to 40% by our Company and therefore an associated corporation of our Company under the SFO. By virtue of the SFO, Mr. Yuan Shuai was deemed to be interested in the interest in which Shanghai Lingmin is interested.

Save as disclosed above, as at 31 December 2021, none of the Directors, Supervisors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

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

Interests and Short Position in the Shares

Names of Shareholder	Class of Shares	No. of Shares	Note	Capacity	Nature of interest	Approximate percentage of interest in the relevant class of Shares	Approximate percentage of interest in the total issued Shares
Shanghai Latent	H Shares	500,731,007	1, 2	Beneficial owner Interest held jointly with another person	Long position	52.60%	52.24%

Names of Shareholder	Class of Shares	No. of Shares	Note	Capacity	Nature of interest	Approximate percentage of interest in the relevant class of Shares	Approximate percentage of interest in the total issued Shares
MicroPort Investment	H Shares	500,731,007	1	Interest in a controlled corporation	Long position	52.60%	52.24%
MicroPort	H Shares	500,731,007	1	Interest in a controlled corporation	Long position	52.60%	52.24%
Shanghai Qingzhen	H Shares	500,731,007	2	Beneficial owner Interest held jointly with another person	Long position	52.60%	52.24%
Shanghai Qingmin	H Shares	96,013,252		Beneficial owner	Long position	10.09%	10.02%
Ms. Ji Shufang	H Shares	621,906,912	3	Interest of spouse	Long position	65.33%	64.88%
Ms. Wu Kaili	H Shares	557,001,874	4	Interest of spouse	Long position	58.51%	58.11%
Zhuhai Gao Ling Chongheng Equity Investment LLP (珠海高瓴崇恒股權投資合夥企業(有限合夥)) ("**Gao Ling Chongheng**")	H Shares	71,972,764	5	Beneficial owner	Long position	7.56%	7.51%
Shenzhen Gao Ling Muqi Equity Investment Fund LLP (深圳高瓴慕祺股權投資基金合夥企業(有限合夥)) ("**Gao Ling Muqi**"))	H Shares	71,972,764	5	Interest in a controlled corporation	Long position	7.56%	7.51%
Xiamen Gao Ling Ruiqi Equity Investment Fund LLP (廈門高瓴瑞祺股權投資基金合夥企業(有限合夥)) ("**Gao Ling Ruiqi**")	H Shares	71,972,764	5	Interest in a controlled corporation	Long position	7.56%	7.51%
Shenzhen Gao Ling Tiancheng Phase III Investment Co., Ltd. (深圳高瓴天成三期投資有限公司) ("**Shenzhen Gao Ling**")	H Shares	73,772,755	5, 6	Interest in a controlled corporation	Long position	7.75%	7.70%

Notes:

(1) Shanghai Latent is wholly owned by MicroPort Investment, which in turn is wholly owned by MicroPort. By virtue of the SFO, MicroPort and MicroPort Investment are deemed to be interested in the Shares held by Shanghai Latent.

(2) Shanghai Latent and Shanghai Qingzhen are parties acting-in-concert pursuant to a concert party agreement. Shanghai Qingzhen holds 16,963,831 Shares and Shanghai Latent holds 483,767,176 Shares as at 31 December 2021.

(3) Ms. Ji Shufang is the spouse of Dr. He Chao. By virtue of the SFO, Ms. Ji Shufang is deemed to be interested in the Shares held by Dr. He Chao.

(4) Ms. Wu Kaili is the spouse of Mr. Yuan Shuai. By virtue of the SFO, Ms. Wu Kaili is deemed to be interested in the Shares held by Mr. Yuan Shuai.

(5) By virtue of the SFO, Shenzhen Gao Ling (as general partner) and Gao Ling Muqi and Gao Ling Ruiqi (as relevant limited partners) are deemed to be interested in the Shares held by Gao Ling Chongheng. As such, by virtue of the SFO, each of Shenzhen Gao Ling, Gao Ling Muqi and Gao Ling Ruiqi is deemed to be interested in the Shares held by Gao Ling Chongheng.

(6) Shenzhen Gao Ling is also the general partner of Zhuhai Gao Ling Jiangheng Equity Investment LLP (珠海高瓴絳恒股權投資合夥企業(有限合夥)) ("**Gao Ling Jiangheng**"). Gao Ling Jiangheng held 1,799,991 Shares as at 31 December 2021. By virtue of the SFO, Shenzhen Gao Ling is deemed to be interested in the Shares held by Gao Ling Jiangheng.

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

MANAGEMENT CONTRACT

During the year ended 31 December 2021, no contract concerning the management and administration of all or any substantial part of the business of the Company was entered into or existed.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Continuing Connected Transactions", there were no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or Supervisors or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the financial year 2021 or at any time during the year ended 31 December 2021.

SIGNIFICANT CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save as disclosed in the section headed "Continuing Connected Transactions" and the related party transactions as disclosed in note 30 to the consolidated financial statement, no contract of significance was entered into between any member of the Group and a controlling shareholder of the Company or any of its subsidiaries or contract of significance for the provision of services to any member of the Group by a controlling shareholder or any of its subsidiaries subsisted as at the end of the financial year 2021 or during the year ended 31 December 2021.

PERMITTED INDEMNITY PROVISION

The Company has maintained Directors' liability insurance since the Listing Date and up to the date of this report, which provides appropriate cover for the Directors.

ARRANGEMENTS TO ENABLE DIRECTORS OR SUPERVISORS TO ACQUIRE SHARES AND DEBENTURES

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

CONTINUING CONNECTED TRANSACTIONS

(I) Master Products Procurement Agreement

On 15 October 2021, the Company entered into a master products procurement agreement (the "**Master Products Procurement Agreement**") with MicroPort, pursuant to which the Group agreed to procure from or procure through the MicroPort and its subsidiaries (collectively, "**MicroPort Group**") and its joint ventures and associates certain materials and products mainly for use in our R&D, production and operation (the "**Products**"). The Master Products Procurement Agreement has a term commencing from the Listing Date until 31 December 2023.

The maximum transaction amounts for the procurement of the Products for each of the three years ending 31 December 2023 will not exceed RMB10.8 million, RMB9.5 million and RMB8.1 million, respectively. For the year ended 31 December 2021, the actual transaction amount under the Master Products Procurement Agreement was approximately RMB8.6 million.

MicroPort is one of the Company's controlling shareholders and therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Products Procurement Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules. Since one or more of the applicable percentage ratios under the Listing Rules in respect of the annual caps under the Master Products Procurement Agreement is expected to be more than 5% on an annual basis, the transactions under the Master Products Procurement Agreement constitute continuing connected transactions for the Company which are subject to the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. For further details, please refer to the Prospectus.

(II) Master Services Procurement Agreement

On 15 October 2021, the Company entered into a master services procurement agreement (the "**Master Services Procurement Agreement**") with MicroPort, pursuant to which the Microport Group and its joint ventures and associates shall provide the Group certain services, including but not limited to cleaning and packaging services, sterilization services, product testing services, animal test services and administrative support services (the "**Services**"). The Master Services Procurement Agreement has a term commencing from the Listing Date until 31 December 2023.

The maximum transaction amounts in relation to the procurement of the Services for each of the three years ending 31 December 2023 will not exceed RMB11.1 million, RMB27.2 million and RMB24.9 million, respectively. For the year ended 31 December 2021, the actual transaction amount under the Master Services Procurement Agreement was approximately RMB6.8 million.

MicroPort is one of the Company's controlling shareholders and therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Services Procurement Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules. Since one or more of the applicable percentage ratios under the Listing Rules in respect of the annual caps under the Master Services Procurement Agreement is expected to be more than 5% on an annual basis, the transactions under the Master Services Procurement Agreement constitute continuing connected transactions for the Company which are subject to the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. For further details, please refer to the Prospectus.

(III) Catering Services Framework Agreement

On 24 January 2022, the Company and MicroPort Sinica Co., Ltd. (微創投資控股有限公司) (the "**MicroPort Sinica**", together with its subsidiaries, associates and joint ventures "**MicroPort Sinica Group**") entered into the catering services framework agreement (the "**Catering Services Framework Agreement**"), which sets out the principal terms for the provision of catering services and beverages by the MicroPort Sinica Group at its staff canteens and other internal dining areas to the Group. The Catering Services Framework Agreement has a term commencing from 24 January 2022 until 31 December 2024.

The maximum transaction amounts under Catering Services Framework Agreement for each of the three years ending 31 December 2024 will not exceed RMB7.6 million, RMB10.8 million and RMB13.5 million, respectively.

MicroPort Sinica is one of the controlling shareholders of the Company. Therefore, MicroPort Sinica is a connected person of the Company under the Listing Rules, and the transactions contemplated under the Catering Services Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As one of the applicable percentage ratios (other than the profits ratio) in respect of the highest amount of the annual caps under the Catering Services Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Catering Services Framework Agreement are subject to the reporting, annual review and announcement requirements but are exempt from circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. For further details, please refer to the announcement of the Company dated 24 January 2022.

(IV) Property Management Services Framework Agreement

On 24 January 2022, the Company and MicroPort Sinica entered into the property management services framework agreement (the "**Property Management Services Framework Agreement**"), which sets out the principal terms for the provision of property management services by the MicroPort Sinica Group at its staff canteens and other internal dining areas to the Group. The Property Management Services Framework Agreement has a term commencing from 24 January 2022 until 31 December 2024.

The maximum transaction amounts under Catering Services Framework Agreement for each of the three years ending 31 December 2024 will not exceed RMB5.3 million, RMB5.3 million and RMB5.3 million, respectively.

MicroPort Sinica is one of the controlling shareholders of the Company. Therefore, MicroPort Sinica is a connected person of the Company under the Listing Rules, and the transactions contemplated under Property Management Services Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As one of the applicable percentage ratios (other than the profits ratio) in respect of the highest amount of the annual caps under the Property Management Services Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under Property Management Services Framework Agreement are subject to the reporting, annual review and announcement requirements but are exempt from circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. For further details, please refer to the announcement of the Company dated 24 January 2022.

The independent non-executive Directors have reviewed the continuing connected transactions of the Company conducted since the Listing Date to 31 December 2021 and confirmed that the above mentioned transactions have been entered into:

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

The Company's auditor was engaged to report on the Group's continuing connected transactions conducted since the Listing Date to 31 December 2021 in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

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

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

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

Save as the aforesaid, there were no discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules since the Listing Date and up to 31 December 2021.

Save as aforesaid, none of the "Material Related Party Transactions" as disclosed in Note 30 to the consolidated financial statements for the year ended 31 December 2021 constituted discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules.

To the extent of the above "Material Related Party Transactions" constituted connected transactions or continuing connected transactions as defined in the Listing Rules, the company had complied with the relevant requirements under Chapter 14A of the Listing Rules since the Listing Date and up to 31 December 2021.

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.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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 significant acquisitions or disposal of subsidiaries, associates and joint ventures in 2021.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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 unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company since the Listing Date and up to 31 December 2021.

SHARE AWARD SCHEME

The Company has adopted an H share award scheme on its extraordinary general meeting held on 10 February 2022 (the "**Share Award Scheme**") as a means of recognising the contributions of certain eligible participants. The Share Award Scheme is not a share option scheme within the meaning of Chapter 17 of the Listing Rules and is a discretionary scheme of the Company. A summary of the Share Award Scheme was set out in the circular of the Company dated 19 January 2022.

Purpose and Objectives of the Share Award Scheme

The Share Award Scheme is a share award and trust scheme established by the Company to award certain selected participants and the objectives of the Share Award Scheme are: (i) to recognize the contributions by certain eligible participants and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

Participants of the Share Award Scheme

The Board may, from time to time, at its absolute discretion select any eligible participant for participation in the Share Award Scheme as a selected participant and determine the H Shares to be awarded for them (the "**Awarded Shares**"). Participation in the Share Award Scheme is limited to selected participants only. The Board is entitled to impose any conditions (including a period of continued service within the Group), as it deems appropriate in its absolute discretion with respect to the entitlement of the selected participant to the H Shares to be awarded.

An "eligible participant" means any individual, being an employee, a director, a consultant or an advisor of any member of the Group who the Board considers, in its sole discretion, to have contributed to the Group.

Duration

Subject to any early termination or extension as may be determined by the Board according to the Share Award Scheme, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on its adoption date.

Scheme Limits

The Board shall not make any further award of H Shares which will result in the number of H Shares awarded by the Board under the Share Award Scheme exceeding 10% of the issued H Shares from time to time, represented 9.93% of the issued share capital of the Company as at the date of this report.

The maximum number of H Shares which may be awarded to a selected participant under the Share Award Scheme shall not exceed 1% of the issued H Shares from time to time, save and except approved by the Shareholders in a general meeting.

Operation

The Board may, from time to time, at its absolute discretion select any eligible participant for participation in the Share Award Scheme as a selected participant and determine the H Shares to be awarded to them. The Board is entitled to impose any conditions (including a period of continued service within the Group), as it deems appropriate in its absolute discretion with respect to the entitlement of the selected participant(s) to the Awarded Shares. The Board shall determine the number of H Shares to be purchased or subscribed as Shares for the awards, and pay the relevant amount from the Company's resources to the trustee to be held on trust for the purchase or subscription of the H Shares. When the selected participant(s) have satisfied all vesting conditions specified by the Board at the time of making the award and become entitled to the H Shares forming the subject of the award, the trustee shall transfer the relevant Awarded Shares to the selected participant(s) or his nominee(s) or as requested by the selected participant(s) or his nominee(s) to sell the relevant Awarded Shares on the market and transfer the proceeds to him in lieu of transfer of the Awarded Shares to, and registration of, the relevant selected participant(s) or his nominee as the holder thereof.

As the Share Award Scheme was adopted on 10 February 2022, no Award Shares have been granted during the year ended 31 December 2021. As at the date of this report, the remaining life of the Share Award Scheme is approximately nine years and 10 months.

SHARE OPTION SCHEMES

In order to provide incentives or reward to certain eligible persons for their contribution to, and continuing efforts to promote the interests of, the Group and for such other purposes as the Board may approve from time to time, the Company had adopted a share option scheme on 18 March 2022 (the "**Share Option Scheme**") in accordance with Chapter 17 of the Listing Rules.

Eligible persons include (a) any employee (whether full-time or part-time) of the Group; (b) any director (including executive, non-executive and independent non-executive directors) of the Group; (c) any director (including executive, non-executive and independent non-executive directors) or employee (whether full-time or part-time) of the MicroPort Group and associated companies of the Company who, in the sole and absolute direction of the Board, has contributed or will contribute to the development of the Group; and (d) any advisors, consultants, distributors, contractors, contract manufacturers, agents, customers, business partners, joint venture business partners, service providers on a continuing and recurring basis in its ordinary and usual course of business of the Group who, in the sole and absolute direction of the Board, has contributed or will contribute to the development of the Group. The basis of eligibility of any of the above classes of eligible persons to the grant of any options shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group.

Pursuant to the Share Option Scheme, the aggregate number of H shares of the Company (the "**H Shares**") which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options schemes of the Company (the "**Other Schemes**") must not in aggregate exceed 10% of the total number of H Shares in issue as at the date of adoption of the Share Option Scheme (being 95,199,428 H Shares, represents 10% of total number of H Shares and 9.93% of the issued share capital of the Company as at the date of this report) or the Other Schemes (as the case may be). The maximum aggregate number of H Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and the Other Schemes, must not, in aggregate, exceed 30% of the total number of H Shares in issue from time to time. No options may be granted under the Share Option Scheme and the Other Schemes if this will result in such limit being exceeded.

No options shall be granted to any eligible person (the "**Relevant Eligible Person**") if, at the relevant time of grant, the H Shares subscribed and to be subscribed upon exercise of all options (granted and proposed to be granted, whether exercised, cancelled or outstanding) to the Relevant Eligible Person in the 12-month period up to and including the date of such grant would exceed 1% of the total number of H Shares in issue at such time unless: (a) such grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules in force from time to time, by ordinary resolutions of the shareholders of the MicroPort and by special resolutions of the Shareholders (if applicable) in their respective general meeting, at which the Relevant Eligible Person and his close associates (or his associates if the Relevant Eligible Person is a connected person (as defined under the Listing Rules) of MicroPort) abstained from voting; (b) a circular regarding the grant has been despatched to the shareholders of the MicroPort and the Shareholders (if applicable) in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules in force from time to time. In accordance with the current Listing Rules, the circular must disclose the identity of the participant, the number and terms of the options to be granted (and options previously granted to such participant) and other information required to comply with the relevant provisions of Chapter 17 of the Listing Rules in force from time to time; and (c) the number and terms (including the exercise price) of such options are fixed before the general meeting of MicroPort and the Company (if applicable) at which the same are approved.

The exercise period of the options granted under the Share Option Scheme will be determined and notified by the Board, but shall expire in any event not later than the last day of the 10-year period after the date of grant of the Option. The Share Option Scheme does not specify any minimum holding period but the Board has the authority to determine for which a share option must be held before it can be exercised. The Board shall specify in an offer letter a date by which the grantee must accept such offer, being a date no later than 28 days after the date on which the option is offered or the date on which the conditions for the offer are satisfied, whichever is earlier.

Subject to any adjustments made pursuant to the terms of the Share Option Scheme, the exercise price shall be a price determined by the Board in its sole and absolute discretion and notified to an eligible person, but in any event must be at least the highest of: (a) the official closing price of the H Shares as stated in the daily quotations sheet of the Stock Exchange on the relevant offer date; (b) the average of the official closing price of the H Shares as stated in the daily quotations sheet of the Stock Exchange for the 5 business days immediately preceding the relevant offer date; and (c) the nominal value of an H Share.

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of its adoption, being 18 March 2022. The Share Option Scheme may be terminated at any time by way of an ordinary resolution of the Shareholders pursuant to the Articles of Association or a resolution by the Board. After expiry or termination of the Share Option Scheme, no further options will be offered, but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and options granted prior to such expiry or termination shall continue to be valid and exercisable in accordance with the Share Option Scheme. As at the date of this report, the remaining life of the Share Option Scheme is approximately nine years and 11 months.

As the Share Option Scheme was adopted in 2022, no option had been granted or agreed to be granted under the Share Option Scheme as at 31 December 2021.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the year ended 31 December 2021.

PUBLIC FLOAT

From 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 report as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company (the "**Articles of Association**") or the relevant laws of the PRC that would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

DONATION

During the year ended 31 December 2021, the Group made no donations.

ANNUAL GENERAL MEETING

The Company will further determine the date, time and place of the 2021 annual general meeting (the "**2021 AGM**"). The details of the 2021 AGM, the period of closure of the register of members during the 2021 AGM and the notice of convening the 2021 AGM will be published and despatched in the manner prescribed 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 year ended 31 December 2021.

TAX RELIEF AND EXEMPTION (H SHAREHOLDERS)

According to the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementation rules, dividends paid to individuals by PRC companies are generally subject to an individual income tax levied at a flat rate of 20%. For an individual who has no domicile in the PRC and is not resident in the territory of the PRC or who has no domicile in the PRC and has been resident in the territory of the PRC for less than 183 days cumulatively within a tax year, his/her receipt of dividends from a PRC company is normally subject to a PRC withholding tax of 20% unless specifically exempted or reduced by an applicable tax treaty and other tax laws and regulations.

Pursuant to the Notice of the State Administration of Taxation on Issues Concerning Withholding the Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to Holders of H Shares who are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)), a PRC resident enterprise, when distributing dividends for 2008 and for the years afterwards to holders of H Shares who are overseas non-resident enterprises, shall withhold the enterprise income tax at a flat rate of 10%.

The Company did not have any distributable profit in 2021. The Company did not pay any dividend. Accordingly, the shareholders of the Company (including the holders of H Shares) are not subject to income tax.

CORPORATE GOVERNANCE

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

SUBSEQUENT EVENTS

Particulars of important events affecting the Company that have occurred since the end of the Reporting Period are disclosed in note 32 to the consolidated financial statement.

AUDITOR

KPMG has acted as auditor of the Company for the financial year ended 31 December 2021. KPMG shall retire at the forthcoming AGM and, being eligible, will offer themselves for re-appointment. A resolution may be proposed at the forthcoming AGM to re-appoint KPMG as auditor of the Company.

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

Shanghai, the PRC
29 March 2022

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the financial year ended 31 December 2021.

The Company is committed to maintaining high standards of corporate governance and practices to protect the interests of the Shareholders. The Board believes that good corporate governance is essential to the success of the Company and the enhancement of shareholders' value. The Company adopts the principles set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules (the "**CG Code**") and embedding best governance practices throughout the organization.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to achieving high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the principles and code provisions of the CG Code as the basis of the Company's corporate governance practices, and the CG Code has been applicable to the Company with effect from the Listing Date.

From the Listing Date to the date of this report, so far as the Directors are aware, the Company has complied with all the then applicable code provisions set out in the CG Code. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

THE BOARD/BOARD OF DIRECTORS

Roles and Responsibilities

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

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

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

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

Board Composition

The Board structure is governed by the Articles of Association. The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group.

As at 31 December 2021, the Board comprises seven members, consisting of one executive Director, three non-executive Directors and three independent non-executive Directors.

The list of all Directors, which also specifies the posts, e.g. chairman of the Board, and chairman and members of committees, held by each Director is set out under "Corporate Information" on page 2 of this annual report. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules. The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

The Board comprises the following Directors as of 31 December 2021:

Executive Director
Dr. He Chao *(President)*

Non-executive Directors
Mr. Sun Hongbin *(Chairperson)*
Mr. Sun Xin
Mr. Chen Chen

Independent non-executive Directors
Ms. Lee Kit Ying
Dr. Li Minghua
Mr. Yao Haisong

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

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

The roles of chairman and chief executive officer have been performed separately by Mr. Sun Hongbing and Dr. He Chao.

Independence of Non-Executive Directors

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

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

Appointment and Re-Election of Directors

The then applicable Code Provision A.4.1 of the CG Code stipulates that non-executive Directors shall be appointed for a specific term, subject to re-election, whereas the then applicable Code Provision A.4.2 states that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

In accordance with the Articles of Association, all Directors shall be elected at the general meetings for a term of three years, and are eligible to offer himself or herself for re-election and re-appointment upon the expiration of his or her term of office.

The Company has entered a letter of appointment with all non-executive Directors including the independent non-executive Directors for a term of three years.

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

Induction and Continuing Development of Directors

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

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

During the year of 2021, a training session regarding the Listing Rules and directors' responsibilities and obligations was conducted for all the Directors.

BOARD MEETINGS

Functions

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

Board Practices and Conduct of Meetings

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

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

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

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

The Board secretary and the company secretary are responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comments within a reasonable time after each meeting and final versions are open for Directors' inspection.

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

Directors' Attendance Records

During the financial year ended 31 December 2021, eight Board meetings were held for, among other things, appointing non-executive Directors and establishing four committees, considering and approving listing on the Main Board of the Stock Exchange, adopting of the new Articles of Association; an annual general meeting was held on 30 June 2021 for, among others, reviewing financial statements, approving election of non-executive directors and appointment of auditors. In addition, two extraordinary general meeting were held on 22 March 2021 and 12 May 2021 respectively for, among others, approving the listing of the Company on the Stock Exchange.

The attendance records of each Director at the Board meetings, the annual general meeting and the extraordinary general meeting during the term of office as a Director during the year ended 31 December 2021 are set out below:

Name of Director	Attendance/ Number of Board meetings held during the term of office of the Director concerned	Attendance/ Number of annual general meeting held during the term of office of the Director concerned	Attendance/ Number of extraordinary general meeting held during the term of officer of the Director concerned
Executive Director			
Dr. He Chao	8/8	1/1	2/2
Non-executive Directors			
Mr. Sun Hongbin *(Chairman)*	8/8	1/1	2/2
Mr. Sun Xin	8/8	1/1	2/2
Mr. Chen Chen	8/8	1/1	2/2
Independent non-executive Directors			
Ms. Lee Kit Ying (Appointed on 30 June 2021)	4/4	—	—
Dr. Li Minghua	8/8	1/1	2/2
Mr. Yao Haisong	8/8	1/1	2/2

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

Compliance With the Model Code for Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' and Supervisors' securities transactions since the Listing Date.

Specific enquiry has been made with all the Directors and Supervisors, who have confirmed that they have complied with the Model Code for transactions in the Company's securities since the Listing Date and up to 31 December 2021.

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

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

DELEGATION BY THE BOARD

Board Committees

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

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

The Board has delegated a schedule of responsibilities to the chief executive officer and senior management of the Company. These responsibilities include implementing decisions of the Board, directing and coordinating day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board, formulating and monitoring the operating and production plans and budgets, and supervising and monitoring the control systems.

The Board has established four committees, namely, the Audit Committee, Remuneration and Appraisal Committee, Nomination Committee and Strategic and Development Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are available to shareholders upon request. The independent non-executive Directors are invited to serve on these four Board committees.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the then applicable Code Provision D.3.1 of the CG Code. Since the Listing Date, the Board has considered the corporate governance policies and practice and its relevant disclosures; the compliance of the Model Code and the Employees Written Guidelines; and policies and practices on compliance with legal and regulatory requirements as required under the applicable requirements of the Listing Rules.

Audit Committee

The Company has established the Audit Committee prior to the Listing and revised its written terms of reference in compliance with the CG Code in November 2021.

The Audit Committee comprises three members:

Ms. Lee Kit Ying *(Chairperson)*
Dr. Li Minghua
Mr. Sun Xin

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

The main duties of the Audit Committee include the following:

- review and supervise the financial reporting process and internal control system of the Group, risk management and internal audit;

- provide advice and comments to the Board in respect of financial, risk management and internal control matters; and

- perform other duties and responsibilities as may be assigned by the Board.

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

During the year ended 31 December 2021, the Audit Committee reviewed, inter alia, the financial reporting and compliance procedures, the Company's internal control and risk management systems and processes, and the re-appointment of the external auditors.

On 29 March 2022, the Audit Committee held a meeting to review (i) the Group's annual results, annual consolidated financial statements and annual reports for the year ended 31 December 2021, (ii) the Company's relationship with the external auditor, discussed with the Company's external auditor on the tasks performed by them including the nature and scope of their audit and reporting obligations, and reviewed the terms of engagement and their remuneration; (iii) the appropriateness and effectiveness of the risk management and internal control systems of the Group and make relevant recommendations to the Board; (iv) the effectiveness of the internal audit function of the Group.

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

Name of Members concerned	**Number of meeting(s) attended/held**
Ms. Lee Kit Ying (Appointed on 30 June 2021)	1/1*
Dr. Li Minghua	2/2
Mr. Sun Xin	2/2

* One meeting had been held since the appointment of Ms. Lee Kit Ying as the Director.

Remuneration and Appraisal Committee

The Company has established the Remuneration and Appraisal Committee prior to Listing and revised its written terms of reference in compliance with the CG Code in November 2021.

The Remuneration and Appraisal Committee comprises three members:

Dr. Li Minghua *(Chairperson)*
Mr. Yao Haisong
Mr. Sun Hongbin

Two of the members are independent non-executive Directors and one of the members is a non-executive Director.

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

The Company has adopted a share award scheme and a share option scheme as an incentive to Directors, Supervisors and eligible employees. Details of the scheme are set out in the section headed "Share Award Scheme" and "Share Option Scheme", respectively, in the Report of the Directors.

During the year ended 31 December 2021, the Remuneration and Appraisal Committee reviewed and made recommendations to the Board on the year end bonus of senior management and the related remuneration policy.

On 29 March 2022, the Remuneration and Appraisal Committee held a meeting to discuss and make recommendations to the Board on the Company's policy and structure for all senior management's remuneration.

The Remuneration and Appraisal Committee held three meetings during the year ended 31 December 2021. The attendance records of each member at the Remuneration and Appraisal Committee meetings during the year ended 31 December 2021 are set out below:

Name of Members concerned	Number of meeting(s) attended/held
Dr. Li Minghua	3/3
Mr. Yao Haisong	3/3
Mr. Sun Hongbin	3/3

Nomination Committee

The Company has established the Nomination Committee prior to the Listing and revised its written terms of reference in compliance with the CG Code in November 2021.

The Nomination Committee comprises three members:

Mr. Yao Haisong *(Chairperson)*
Ms. Lee Kit Ying
Dr. He Chao

Two of the members are independent non-executive Directors and one of the members is an executive Director.

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

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

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

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

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

During the year ended 31 December 2021, the Nomination Committee reviewed the current composition of the Board and discussed the Board structure to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

On 29 March 2022, the Nomination Committee held a meeting to (i) review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board; and (ii) assess the independence of independent non-executive Directors.

During the financial year ended 31 December 2021, Nomination Committee held two meetings. The attendance records of each member at the Nomination Committee meetings during the year ended 31 December 2021 are set out below:

Name of Members concerned	Number of meeting(s) attended/held
Mr. Yao Haisong	2/2
Ms. Lee Kit Ying (Appointed on 30 June 2021)	Not applicable*
Dr. He Chao	2/2

* No meeting was held during the tenure of Ms. Lee Kit Ying.

Strategic and Development Committee

The Company established the Strategic and Development Committee in November 2021 with written terms of reference.

The Strategic and Development Committee comprises three members:

Mr. Sun Hongbin *(Chairperson)*
Dr. He Chao
Dr. Li Minghua

One of the members is a non-executive Director, one of the members is an executive Directors and one of the members is an independent non-executive Director.

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

During the year ended 31 December 2021, Strategic and Development Committee has reviewed the Company's initial public offering of its H Shares and listing on the Stock Exchange.

During the year ended 31 December 2021, the Strategic and Development Committee held one meeting. The attendance records of each member at the Strategic and Development Committee meetings during the year ended 31 December 2021 are set out below:

Name of Members concerned	Number of meeting(s) attended/held
Mr. Sun Hongbin	1/1
Dr. He Chao	1/1
Dr. Li Minghua	1/1

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in supporting the attainment of the Company's strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to talent, skills, gender, age, cultural and educational background, ethnicity, professional experience, independence, knowledge and length of service. The Company will select potential Board candidates based on merit and his/her potential contribution to the Board while taking into consideration the own business model and specific needs from time to time. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

Board has a balanced mix of knowledge, skills and experience, including but without limitation to research and development of surgical robots, medical device, medical engineering, investment management, medicine, securities and derivatives, and legal industry. Members of the Board have obtained degrees in various majors including mechanical engineering, economics, mechanical and electronics, science, molecular genetics and microbiology, business administration, accountancy, financial engineering, medicine, diagnostic radiology, jurisprudence and international business law. The Company has three independent non-executive Directors from different industry backgrounds, including accounting, neuro-imaging and legal industry. Furthermore, The Directors are of a wide range of age, from 37 years old to 74 years old.

With regard to gender diversity on the Board, the Company recognizes the particular importance of gender diversity. The Board currently comprises one female Director and six male Directors. The Board has taken and will continue to take steps to promote and enhance gender diversity at all levels of the Company, including but without limitation at the Board and senior management levels. The board diversity policy provides that the Board should aim to increase the proportion of female members over time after Listing where possible when selecting and making recommendations on suitable candidates for Board appointments. The Company will also ensure that there is gender diversity when recruiting staff at mid to senior level so that it will have a pipeline of female senior management and potential successors to the Board going forward. It is the objective to maintain an appropriate balance of gender diversity with reference to the expectations of stakeholders and international and local recommended best practices.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Reporting in Respect of Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the financial year ended 31 December 2021.

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

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

Audit Committee

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

The manager of the Company's internal audit department attended the Audit Committee's meetings at the invitation of the committee.

The activities carried out by the Audit Committee during the year ended 31 December 2021 are set out in this Corporate Governance Report on pages 62 to 64 of this annual report.

Risk Management and Internal Controls

The Board acknowledges its responsibility for the risk management and internal control systems, reviewing their effectiveness at least once a year through Audit Committee. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. During the year of 2021, the Audit Committee has reviewed the Group's internal control and risk management systems and processes which covered the whole financial year.

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

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

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including sales, purchasing, financial reporting, expense, fixed assets, contract management, human resources, information technology and so on. The Company has established legal department and internal review department with policies in relation contract management and compliance management. The legal department is primarily responsible for the comprehensive and centralized management of contracts with the power to guide and supervise the drafting, execution, consummation and management of contracts.

Through interviews and questionnaires, the internal audit department of the Company conducted independent risk assessment regularly to identify risks that potentially impact the business of the Group and various aspects including strategic risks, financial risks, market risks, operation risks, legal risks and so on.

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

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

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

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

The Company has engaged Somerley Capital Limited as our compliance adviser to provide advice to the Company's Directors and senior management until the end of the first fiscal year after the Listing regarding matters relating to the Listing Rules.

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

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" on pages 113 to 117 in this annual report.

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

	Year ended 31 December 2021 RMB `000
Audit and related service:	**5,423**
Non-audit service:	**311**
Total:	**5,734**

During the year ended 31 December 2021, the non-audit services performed by KPMG are primarily in relation to internal control consulting related services.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 113 to 117.

COMPANY SECRETARY

Ms. Hui Yin Shan was appointed as the company secretary of the Company on 10 June 2021. Ms. Hui Yin Shan is a senior manager of corporate services of Tricor Service Limited, the external professional service provider, and engaged by the Company as its company secretary in compliance with the Listing Rules.

Ms. Hui Yin Shan had complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training during the year ended 31 December 2021. During the year ended 31 December 2021, the primary contact person is Ms. Fang Cong, the Board secretary of the Company. The biography of Ms. Hui is set out in the "Biographies of Directors, Supervisors and Senior Management" section on pages 28 and 35 of this report.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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

To promote effective communication, the Company maintains a website at www.medbotsurgical.com, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. Investors may write to the Company at its principal place of business in Hong Kong or China or via the Company's website for any enquiries. During the periods of annual results release, dual-languages conference calls and non-deal roadshows are held for ensuring effective and timely communication to shareholders and investors. Normally, the Company also accommodated shareholders' and investors' site visits by arranging meetings with the senior management.

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

SHAREHOLDER RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue to be considered at general meetings, including the election of individual Directors. All resolutions put forward at Shareholder meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Convening an Extraordinary General Meeting

Shareholders holding 10% or more of the Shares (individually or together with others) shall be entitled to request for an extraordinary general meeting or class meeting. The aforesaid shareholder(s) may sign one or more written requests of identical form and substance requesting the Board to convene an extraordinary general meeting or a class meeting and stating the subject of the meeting. Shares held by the above shareholders shall be calculated as of the date on which the written request is made by shareholder(s).

Putting Forward Proposals at Extraordinary General Meetings

When a general meeting is held by the Company, the Board, the board of supervisors of the Company or Shareholder(s) who individually or jointly holding at least 3% of the Shares shall have the right to submit new proposals to the Company.

Shareholder(s) who individually or together holding at least 3% of the Shares may propose an extempore proposal 10 days prior to the general meeting by submitting the same to the convener in writing. The convener shall issue a supplemental notice of general meeting within 2 days after receiving the proposed motion specifying the content of the extempore motion.

Except as provided in the preceding paragraph, the convener shall not amend the proposals specified in the notice of the general meeting nor add new proposals after the notice is dispatched.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company.

CONTACT DETAILS

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

For H Shareholders

Tel:	(852) 2980 1344
Fax:	(852) 2861 0285
Address:	Level 54 , Hopewell Centre, 183 Queen's Road East, Hong Kong

For Domestic Shareholders

Tel:	(86)(21) 3895 4600–6796
Fax:	(86)(21) 5080 1305
Address:	1601 Zhangdong Road China (Shanghai) Pilot Free Trade Zone Shanghai PRC

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address.

DIVIDEND POLICY

No dividend was paid or declared by our Company during the year ended 31 December 2021. There is no assurance that the Company will be able to declare or distribute any dividend. The Company has adopted a dividend policy on payment of dividends. When proposing dividend payment, various elements would be taken into consideration including but not limited to the Company's strategic development objectives, operation plan, profitability, cash flow and financing. The policy sets out the factors in consideration, procedures, methods and intervals of the payment of dividends with an objective to provide the Shareholders with continuing, stable and reasonable returns on investment while maintaining the Company's business operation and achieving its long-term development goal.

CONSTITUTIONAL DOCUMENTS

The Articles of Association were amended pursuant to a special resolution passed at the general meeting of the Company and took effect on the Listing Date, being the date on which dealing in H Shares on the Stock Exchange commenced.

The Articles of Association was approved for amendment by the Shareholders at the extraordinary general meetings of the Company held on 10 February 2022 and 17 March 2022, respectively. The changes were pursuant to the law and regulations of the PRC and the actual situation of the Company.

An up-to-date version of the Articles of Association is also available on the Company's website and the Stock Exchange's website.

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

Shanghai, China 29 March 2022

Work Report of the Supervisory Committee

During the Reporting Period, the Supervisory Committee has performed its duty earnestly and strictly in accordance with the Company Law of the PRC and other laws and regulations as well as the relevant provisions of the Articles of Association and the Rules of Procedure of the Supervisory Committee, understood and grasped the Company's operating decisions, investment plans, financial position and production operation, supervised the performance of duties by the Directors and senior management of the Company, safeguarded the legitimate rights and interests of the Company and all Shareholders, and played a positive role in regulating the operation of the Company.

Meetings of Supervisory Committee in 2021

During the Reporting Period, the Company held four meetings of the Supervisory Committee to consider equity incentives, overseas listing, financial matters, connected transactions, external investments and other major matters of the Company.

Opinion of the Supervisory Committee on Relevant Matters of the Company in 2021

Operation Compliance of the Company

The Company has performed necessary review procedures in accordance with laws and regulations when making decisions on significant matters. The Company has continuously improved and optimized and effectively implemented its internal control system. The Directors and senior management of the Company performed their duties diligently, they have implemented all resolutions passed at the general meetings and the Board meetings in a timely manner, and actively performed their duties in respect of our operation and management. The Directors and senior management of the Company were not aware of any breach of laws, regulations and the Articles of Association or any act that has impaired the interests of the Company during the performance of their duties.

Financial Position

The Company has a sound financial management system and standardized financial operation, and has not violated the laws, regulations and systems of China. During the Reporting Period, the financial report of the Company was prepared and reviewed procedures in compliance with the Company Law, the Articles of Association and other relevant provisions. The financial report truly reflected the operation and financial position of the Company in all material aspects, and there were no material omissions or false records.

Connected Transactions

The connected transactions of the Company are in line with the actual needs of the Company's production and operation. The framework agreements executed in respect of our connected transactions have been considered and reviewed in accordance with the law. The transaction price was fair and in compliance with the requirements of laws and regulations, and the interests of the Company's shareholders have not been impaired due to the connected transactions.

Implementation of Internal Control

Since its conversion into a joint stock limited company, the Company has established a relatively comprehensive corporate governance structure and formulated a relatively complete corporate governance and internal control system in accordance with the relevant requirements of the Company Law and other laws and regulations, which can be further improved according to the actual situation of the Company and regulatory requirements, and will be strictly implemented by us. Since the listing of the Company, the internal control system of the Company has been implementing soundly, and is complied with the requirements of relevant laws, regulations, stock exchanges and securities regulatory authorities on the management of the internal control system of listed companies. Our internal control system is effective in risk prevention and control in all aspects of the Company's daily operation and management.

The Supervisory Committee of the Company is satisfied with the operation and development of the Company and the work of the Directors and senior management in 2021, and has full confidence in the future development and prospects of the Company.

The Supervisory Committee of
Shanghai MicroPort MedBot (Group) Co., Ltd.

ABOUT THIS REPORT

This report is the first Environmental, Social and Governance ("**ESG**") Report (the "**Report**") issued by Shanghai MicroPort MedBot (Group) Co., Ltd. ("**MedBot**", "**we**" or the "**Company**"). This report focuses on the disclosure of the relevant information relating to the performance of Environmental, Social and Governance of the Company and its subsidiaries (together, the "**Group**" or "**Group**"). This report covers the financial year from 1 January 2021 to 31 December 2021 (the "**Reporting Period**"). Some information cases may be beyond the Reporting Period.

Basis of Preparation

This report is prepared in accordance with the requirements of the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange. The relevant procedures include identifying and ranking important stakeholders, identifying and ranking important ESG-related issues, determining the scope of the ESG report, collecting relevant materials and information, preparing the report based on the information and reviewing the information in the report.

The report is prepared in accordance with the following principles:

Materiality: We follow the ESG Reporting Guide and conduct materiality assessment to disclose the environmental, social and management issues that are relevant and have significant impacts on investors and other stakeholders.

Quantitative: We follow the ESG Reporting Guide and refer to applicable quantitative standards. Information on the standards, methodologies, assumptions and/or calculation tools used and source of conversion factors used in relation to emissions/energy consumption (where applicable) in this report should be disclosed.

Consistency: As it is the first time that the Company releases the ESG report to the public. It does not involve consistency principles and changes, if any, that may affect meaningful comparisons with previous disclosures or any other relevant factors that may affect meaningful comparisons have been illustrated in the corresponding locations.

Reporting Scope and Boundary

The policies and information provided in this report cover the Company and its subsidiaries and the reporting scope is consistent with the Annual Report. Historical information quoted in this report is the final statistical information. Unless otherwise specified, the financial information in this report is denominated in RMB. "MicroPort" refers to our parent company, MicroPort Scientific Corporation (853.HK)

Information Reliability Assurance

The information and cases in this report are mainly derived from the Group's statistical reports and relevant documents. The Board of the Company undertakes that there are no false records or misleading statements in this report and is responsible for the truthfulness, accuracy and completeness of its contents.

Report Confirmation and Approval

This report was approved by the Board on March 29, 2022 upon confirmation by the management.

BOARD STATEMENT

Sources of information used in this report include public information, relevant statistical reports and interviews within MedBot. The economic information involved in this report is consistent with the scope of information in the 2021 Annual Report of MedBot.

Responsibilities of the Board	• As the highest responsible organization for ESG management and public disclosure of MedBot, the Board of Directors has the ultimate responsibility for MedBot's ESG management policies, ESG strategies and ESG-related goals formulation, target progress review and ESG performance. The ESG Working Group takes the lead in formulating ESG-related objectives and management policies, coordinating the resources and implementation of ESG objectives, and reporting to the Board on a regular basis. Through regular meetings, the Board reviews and approves the Company's ESG objectives, supervises and reviews the Company's ESG-related policies, management, performance and target completion progress, and considers and approves the Company's public disclosure of ESG-related performance.
Daily Implementation	• MedBot has established an ESG working group consisting of various major functional departments. The heads of each major functional department are directly participating in daily ESG-related work and integrating ESG elements into daily operations.
Governance Risk	• The ESG Working Group is responsible for identifying, managing, monitoring and controlling various ESG risks, while providing risk analysis and decision support to the Board. The Board reviews and approves the risk assessment, the corresponding response measures and target setting; furthermore will continue to monitor the progress in achieving the objectives and review the progress.
Materiality Analysis	• MedBot maintains close communication with internal and external stakeholders, identifies and evaluates major ESG issues to formulate ESG strategies. We have discussed and approved the identified ESG issues, and will formulate ESG strategies, objectives and management policies based on the relevant issues, timely follow up the international ESG development trend and peer performance, and regularly review the progress of relevant work. For details of the result of the Materiality analysis in the 2021 ESG Report of Medbot, please see "1.3 Materiality Analysis" in this report.

1. Compliance and Governance

MedBot always adheres to the principle of compliant operation and regards compliance governance as the primary prerequisite for the healthy and long-term development of the enterprise. We adhere to the highest professional ethics and code of conduct, create maximum value for patients and continuously pursue the maximization of common value with all stakeholders. We maintain and continuously improve high-standard governance to achieve long-term growth and promote the sustainable development of the Company.

1.1 ESG Governance

MedBot firmly believes that a scientific and effective governance structure is the cornerstone of the Company's sustainable development and has established the Board as the highest responsible organization of the governance structure. The Board evaluates and defines ESG-related risks as well as ensures that the Company establishes corresponding risk management and internal control systems to effectively prevent and respond to risks. MedBot has established an ESG working group with direct participation from major functional departments. Each functional department assigns dedicated personnel to carry out various ESG management meanwhile reporting tasks and reports to the Board of Directors on a regular basis. The ESG working group serves as a specific implementation body for the implementation of the ESG strategy. Under the leadership and supervision of the Board of Directors, the ESG working group shall ensure that ESG issues are promoted in the daily work of various major functional departments.

1.2 Communication with Stakeholders

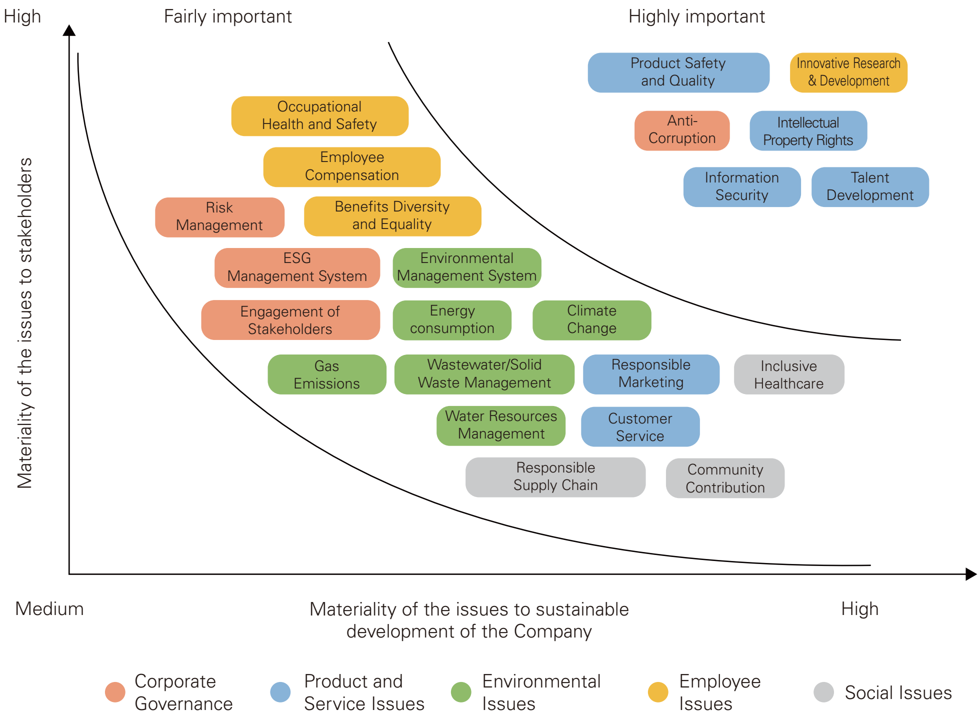
MedBot attaches great importance to the expectations and needs of internal and external stakeholders in the process of promoting the sustainable development of the Company. During the Reporting Period, we conducted frequent regular and irregular communication with government and regulatory authorities, shareholders and investors, customers, employees, suppliers, communities and media through online and offline meetings, interviews, opinion surveys and work visits. We regard the concerns and expectations of stakeholders as the future direction for the Company's ESG management and improvement, and will focus on responding to and disclosing the same in this report.

Category of Stakeholders	Stakeholders	Issues of Concern	Communication Channels
Government and Regulatory Authorities	National and local governments, market regulation, taxation, environmental protection, industry regulators, etc.	Risk management Environmental management system Anti-corruption Product safety and quality	Institutional visits Official correspondence Policy implementation Information disclosure
Shareholders and Investors	Investor of equity investment in the Company	Technology innovation Intellectual property Product safety and quality	Investor relations website[1] General Meetings of shareholders Online exchange meetings Strategy meeting Correspondence Conference calls Company research Roadshow
Customers	Global distributors, hospitals, physicians and surgeons	Information security Product safety and quality Customer service Responsible marketing	Distributor meetings Customer surveys Technical discussion meetings Customer service hotline Customer satisfaction surveys
Employees	Employees	Talent development Employee compensation and benefits Diversity and equality Occupational health and safety	Staff Management Committee Employee activities Employee surveys Staff training Internal publications
Suppliers	Raw material suppliers	Product safety and quality Responsible supply chain	Supplier assessment Supplier communication and training
Community and Media	Local communities, public, media, etc.	Community contribution Product safety and quality	Volunteering Community activities Media communication Interviews

1 ir.medbotsurgical.com

1.3 Materiality Analysis

In accordance with the Environmental, Social and Governance Reporting Guide of the Stock Exchange and taking into account the concerns of stakeholders and the current situation of the Company and the industry, we identified 23 ESG topics and categorized them into corporate governance, product and service issues, environmental issues, employee issues and social issues. Among them, we identified 6 highly important issues as an important basis and guidance for the sustainable development management and information disclosure of MedBot.



1.4 Risk Management

MedBot has established and improved the risk management system and internal control system to reasonably and effectively prevent and respond to the strategic risks, financial risks, market risks, operational risks and legal risks in the course of business of the Company, so as to reduce the impact of future uncertainties on the Company to achieve its business objectives.

Major countries and regions around the world have reached a consensus on tackling climate change. China has put climate change in a more prominent position in national governance. Externally, it is committed that China will increase its independent contribution of the country and adopt more powerful policies and measures, striving to reach the peak of carbon dioxide emissions by 2030 and achieve carbon neutrality by 2060. China is taking action to achieve this goal and has introduced a series of relevant policies and regulatory requirements. The Company has formulated the *Emergency Plan for Environmental Emergencies of Shanghai MicroPort MedBot (Group) Co., Ltd*, effectively reduce the occurrence of safety accidents caused by extreme bad weather. At the same time, in order to better respond to the risks and opportunities brought by climate change, according to the classification of climate change risks in the Task Force on Financial Disclosure Related to Climate Change (TCFD) guidelines, the Company comprehensively considers the policy and legal, technology, market, reputation risks in transformation risks and acute and chronic risks in physical risks, identifies risks and opportunities related to climate change and sorts out the potential impact on MedBot. The specific identification is as follows:

Risks and opportunities related to climate change identified by Medbot			Potential Impact
Risks	Transition Risks	Policy and Legal	Increased compliance costs in order to meet regulatory requirements;
		Technology	Increased operational costs by making more efforts on exploration and research into new technologies, and by remodeling the existing development and production facilities in order to meet the low-carbon requirement;
		Market	Increased production costs as a result of changes in raw material prices (e.g., energy, water) and emission requirements (e.g., waste disposal);
		Reputation	Resulting potential impact on the reputation in response to the stakeholders' expectations for proactive actions and improved transparency in information disclosure relating to climate initiatives;
	Physical Risks	Acute	Production capacity decline or interruption because the extreme climate events disrupt daily operations and supply chain;
		Chronic	Potential abnormal power supply caused by climate change-induced continuous hot weather;
Opportunities	Products & Services		Improve the execution and profitability of superior products and lower product costs;
	Resource Efficiency		Improve the efficiency of energy and water resources usage and reduce operational costs;
	Energy Source		Increase the use of low-emission/clean energy and mitigate the risk associated with higher energy prices in the future.

1.5 Business Ethics

The Group strictly abides by all applicable laws and regulations on the Anti-Unfair Competition Law of the People's Republic of China, the Criminal Law of the People's Republic of China, the Anti-Monopoly Law of the People's Republic of China, the Foreign Corrupt Practices Act of the United States in the places where it operates, strictly restricts all employees and external partners to ethical conduct standards and creates a legal and compliant corporate environment. At the same time, we have formulated the Employee Integrity Management System on the basis of various laws and regulations and set strict requirements for employees in terms of unfair competition, corruption and bribery as well as corporate integrity.

We adopt a zero-tolerance attitude towards bribery, extortion, fraud and money laundering, and set up integrity mailbox and integrity e-mailbox to supervise possible corruption. For complaints and reports of corruption, the Internal Audit Department, under the authority of the management of the Company, is responsible for auditing and inspection. The Internal Audit Department and the Legal and Compliance Department form an investigation team to put forward opinions on the results of auditing and inspection and report to the management of the Company for approval before implementation. We strictly protect the safety of whistleblowers. Complaints and whistleblowers will be protected by the Company when assisting in the investigation. The Company prohibits any retaliation against whistleblowers or hostility against employees involved in the investigation.

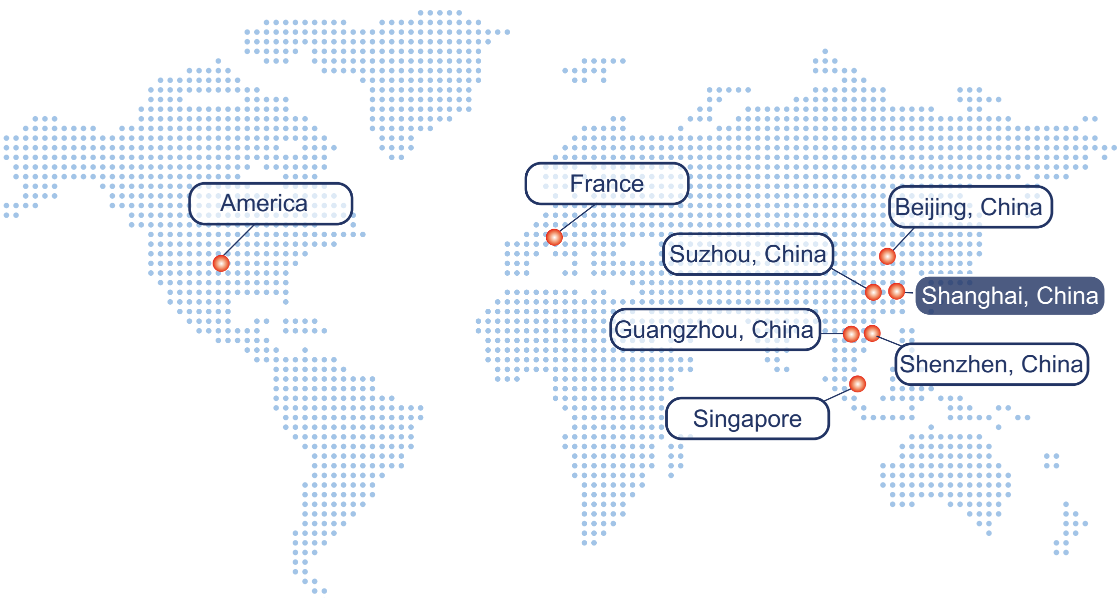
During the Reporting Period, the Company organized all employees, senior management and directors to participate in the Group's compliance trainings. Such trainings emphasized the requirements and procedures in relation to catering, gifts and patient education materials and supporting third-party meetings, clarified the compliance points of various activities and informed the trainees of the Company's whistle-blowing channels, acceptance procedures and investigation and handling procedures to improve employees' awareness of business ethics. During the Reporting Period, the Company did not have any corruption lawsuits.

2. Innovation-driven, Control and Management

2.1 Shaping the Era of Smart Surgery

2.1.1 Value Creation through Innovation

With the vision of building an innovative platform for comprehensive solutions of medical robots with global presence, MedBot is committed to meeting the cutting-edge development needs of minimally invasive surgery, using cutting-edge research and industrial integration in the fields of robotics, intelligent control, sensing and information as well as creatively providing a comprehensive solution of intelligent robot surgery that can prolong and reshape lives. We strive to explore and draw on international advanced R&D resources, actively build a global innovation R&D center, jointly promote independent R&D and external cooperation and provide full support for the exploration of the surgical process of minimally invasive robots for various diseases.



MedBot's Global Presence

The research and development of surgical robot products is inseparable from the support of underlying technology. MedBot has set up a research and development team consisting of scientists and engineers to continuously explore the research and development of underlying technology and provide professional support for product planning. While continuously improving our in-house research and development capabilities, we also collaborate with leading domestic and foreign hospitals, universities and research institutions and participate in national and provincial research projects to keep abreast of the latest clinical needs and academic development.

At present, the Company's products under R&D mainly include five major surgical specialties , namely laparoscope, orthopedics, panvascular, natural orifice and percutaneous puncture. The R&D of robot products in various fields focuses on more than 10 surgical applications. Three independently developed products, including Toumai® (圖邁®) Laparoscopic Surgical Robot, DFVision® (蜻蜓眼®) 3D Electronic Laparoscope and Honghu (鴻鵠®) Orthopedic Surgical Robot, have been included in the special approval procedures for outstanding innovative medical devices of the National Medical Products Administration ("NMPA")of China, or the Green Path, among them Toumai and DFVision have been approved by the NMPA.

Multi-dimensional expansion to break limitations — Toumai® (圖邁®) Laparoscopic Surgical Robot

Toumai is a laparoscopic surgical robot solely developed and designed by the Company. During the Reporting Period, Toumai has completed urological clinical trials and obtained approval for launching from the NMPA in January 2022, becoming the first and only Chinese-developed four-arm laparoscopic surgical robot that had been approved. Meanwhile, Toumai has completed the enrollment of the multi-disciplinary and multi-center clinical trials to expand indications to include gynecologic, thoracic and general surgery in January 2022, making it the world's second and China's first laparoscopic surgical robot, which covers important and complex clinical procedures, including the thoracic, abdominal and pelvic areas.

Successfully launched in 2021 — DFVision® (蜻蜓眼®) 3D Electronic Laparoscope

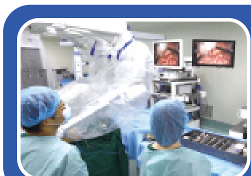
DFVision is a 3D electronic laparoscope robot solely developed by the Company. The product has obtained the registration certificate of medical device from the NMPA in June 2021, becoming one of the first batch of commercial 3D electronic laparoscopes developed by a domestic corporation.

Clinical application and accelerated development — Honghu (鴻鵠®) 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.as of the date of this report.

During the Reporting Period, Honghu completed the registrational clinical trial in TKA. Afterwards it is expected to obtain the approval of NMPA in 2022.

During the Reporting Period, the "Honghu Joint Replacement Surgical Robot" of Honghu series products won the 2021 A' Design Award Product Design Silver Award and the 16th "Silver Pigeon Award" Design Excellence Award in Shanghai.

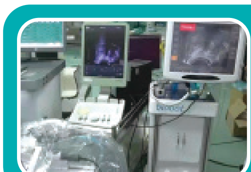


Toumai® Laparoscopic Surgical Robot

- Completed the animal testing for the first case of remote liver resection using 5G network

Honghu Orthopedic Surgical Robot

- Competed the first case of remote joint replacement by a Chinese-developed surgical robot using 5G network



Madam Curie™ Fully-Automated Unmanned Surgical Platform

- Was successfully used in the animal testing phase of interventional cryoablation for treating prostatic hyperplasia for the first time

2.1.2 Exploring R&D Potential

We are well aware that professional R&D talents are important to promote the development and transformation of various robot products of the Company, and they are also an important pioneer for the Company to explore new R&D fields in the future. In order to stimulate the innovation ability of talents and strengthen the research and development cooperation of the team, the Company has launched the "Stella Cloud Talent" selection program to grant honorary awards to outstanding talents with the main purpose of motivating talents.

2021 "Stella Cloud Talent" Selection

In the "Stella Cloud Talent" selection program in 2021, 42 employees of MedBot were nominated and awarded, of which 5 employees were awarded the title of "Main Sequence Talents" and 37 employees were awarded the title of "Protostar Talents".

2.1.3 Supporting Industry Development

MedBot has always been working with all walks of life in the industry on the way to develop products, maintaining close communication with each other as well as sharing and displaying the Company's R&D concepts and achievements through actively participating in various technical exchanges, professional conferences and other events. At the same time, we exchange and learn leading innovative technologies to establish two-way and multi-directional communications to help overall development of the industry.

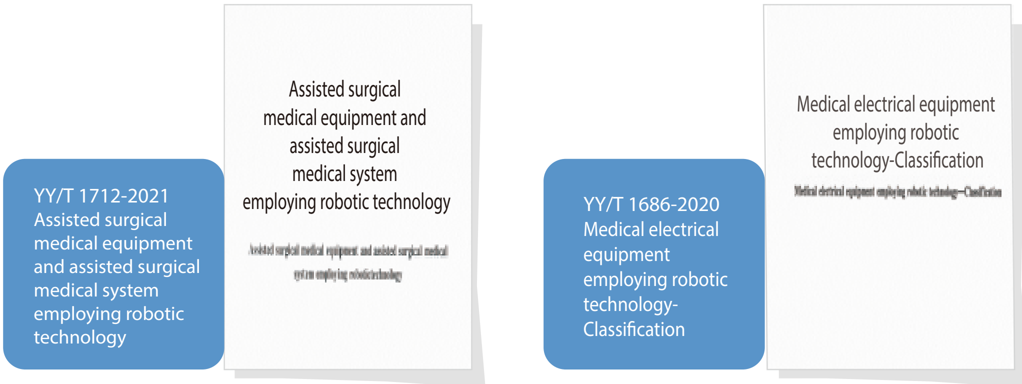
2021 World Robot Conference

The 2021 World Robot Conference was co-hosted by the Beijing Municipal People's Government, the Ministry of Industry and Information Technology and the China Association for Science and Technology. With the theme of "sharing new achievements and sharing new momentum", the conference consisted of three parts: forum, expo and robot competition. MedBot participated in the exhibition with the overall image of the comprehensive solution of smart surgery and actively communicated and discussed with experts in the robotics field at the conference, winning many praises. Mr. Liu Yu, the Chief Business Officer, delivered a speech on "Exploring Unknown and Shaping a New Era of Smart Robot Surgery" at the forum, which elaborated the mission of MedBot to shoulder the responsibility of pursuing excellence and craftsmanship as well as the determination to complete rapid iteration and update of products through innovation-driven technology development.

Shanghai Medical Association General Surgical Academic Annual Conference and the 12th World Robot Surgical Conference

Focusing on the theme of "future development direction of general surgery and application prospects of robot surgery", the conference gathered famous general surgery experts to demonstrate academic achievements, exchanged practical experience, focused on bottlenecks problems, integrate development ideas and jointly explored the future development direction of general surgery. MedBot's booth displayed the 4-arm laparoscopic surgical robot, Toumai® (圖邁®) Laparoscopic Surgical Robot, which was independently developed by MedBot and successfully launched, and the DFVision® (蜻蜓眼®) 3D Electronic Laparoscope. The booth attracted the eyes of many experts and our clear explanation of the products were well received.

The list of national industry standards drafted and implemented by MedBot is as follows:

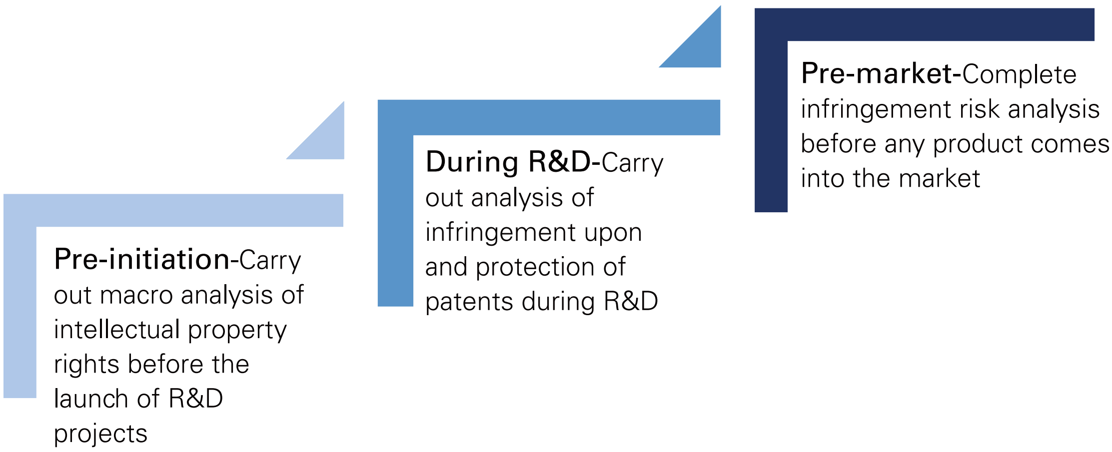


2.1.4 Protection of Intellectual Property Rights

MedBot believes that protecting intellectual property rights is an important way to maintain our research and development achievements. The Company strictly abides by laws and regulations like the Trademark Law of the People's Republic of China, the Patent Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China in the places where it operates, and has formulated the Regulations on the Management of Intellectual Property Rights, the Regulations on Trademark Management, the Regulations on the Management of Intellectual Property Rights Protection for Technological Innovation Achievements and the Regulations on the Management of Research and Development Logs as the Company's internal management documents to clearly regulate the work of confidentiality and rights protection.

For the protection of trade secrets, we have set up the classified management system of trade secrets based on the management principle of strict internal management and preventing the divulgence of trade secrets. We classified commercial information into 6 levels according to the high-to-low degree of confidentiality and set up targeted prevention measures for each level. In addition, all employees are required to sign the Confidentiality and Intellectual Property Ownership Agreement with the Company upon their employment. Through the agreement, employees' awareness of confidentiality is strengthened and the confidentiality obligations to be performed by employees are clarified. At the same time, it is clearly stated that all intellectual property outcomes they produce belong to the company.

In order to protect its own intellectual property rights and prevent infringement by others effectively, the Company has established a comprehensive and effective intellectual property analysis and evaluation system to ensure that the risks of listed products are under the control. At the same time, in accordance with IP-related Work Management Regulations, we carry out intellectual property analysis at each key node of R&D projects to identify potential infringement risks and strengthen the protection of our rights.



Key node protection

During the Reporting Period, we have no cases of any patents, trade secrets or trademarks infringement. As of the end of the Reporting Period, details of the trademark and patent applications are as follows:

2.2 Product Quality

2.2.1 Building a Quality Management System

MedBot believes that a mature quality management system is the key element to ensuring high quality. We take various internal quality documents as the working principle, standardize quality supervision, strengthen the quality management structure, optimize the quality management function and strictly control the quality of all links of the product life cycle. The Company has set up dedicated quality control teams. Each team is independently responsible for the quality supervision at each stage of the cycle to control the quality from different dimensions .

Dedicated Quality Management Team

Team	Responsibilities
QC Team	• Be responsible for quality control over the entire product lifecycle from raw materials to finished products
QV Team	• Be responsible for quality verification and validation at the stage of R&D and design • Responsible for verification of pre-market quality performance of the products, ensuring that the products measure up to marketable standards
SQE Team	• Be responsible for supplier quality management and all-around quality monitoring and management of the products supplied, ensuring that the quality of the purchased products is up to standard
QA Team	• Be responsible for quality assurance, quality evaluation and quality improvement throughout the product lifecycle
QMS Team	• Set up and maintain the quality management system at the Company based on the requirements of the newly enacted product and market regulations and standards

MedBot is committed to continuously improving its quality management capabilities, strengthening multi-dimensional quality control as well as identifying and improving weaknesses through benchmarking against international authoritative quality control standards. During the Reporting Period, MedBot was certified to the ISO 13485 Medical Device Quality Management System as an important certification for our quality management level.

2.2.2 Adverse Events and Product Recalls

MedBot attaches great importance to the management of adverse events . The Company has formulated relevant regulations on product warning in accordance with the laws and regulations of the places where it operates and has set up guidelines for the implementation of internal control procedures for the full-cycle management of adverse events, so as to help the Company maintain continuous control of quality after the launch of products. During the Reporting Period, we revised the definition of adverse events in accordance with the *Measures for the Administration of Medical Device Adverse Event Monitoring and Re-evaluation (Order of the State Administration for Market Regulation and the National Health Commission of the People's Republic of China No. 1*), and updated internal systems including the Feedback Control Procedures and the Complaint Control Procedures to further optimize and update the process of handling customer complaints and feedback, improve the efficiency of handling adverse events and shorten the response time. During the Reporting Period, No complaint events about product and service occurred in MedBot.

In addition, we have formulated the Product Recall Management System, which clearly defines the conditions for starting a recall and clarifies the recall work process. In order to ensure that a recall is efficient and rapid, we have set a time limit for implementing a recall to avoid large-scale impacts. During the Reporting Period, MedBot did not recall any products due to safety and health reasons.

2.2.3 Quality Culture Development

We believe that the building a corporate quality culture system can effectively enhance the quality of products and services- It is essential to develop quality culture by establishing correct quality concepts and strengthening employees' awareness of quality Through organizing quality training, quality month forums and other interesting activities, the Company promotes quality concepts, popularizes quality knowledge and improves employee participation.

First MedBot Quality Month Forum

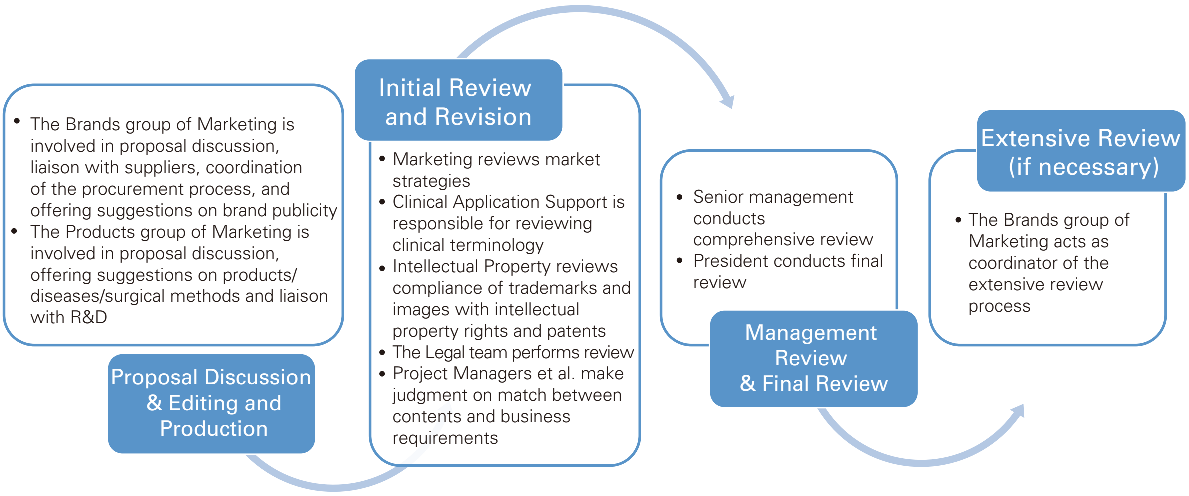
During the Reporting Period, MedBot held the first Quality Month Forum. The activities included knowledge lectures, on-site appraisal, interesting Q&A session and other activities. More than 10 experts from MicroPort and MedBot were invited to give lectures on special topics, which comprehensively sorted out and explained the quality management of various production process of MedBot to help employees fully understand the importance of quality management and learn scientific and effective quality management methods.

2.3 Compliant Marketing for Healthy Development

MedBot strictly abides by laws and regulations like the Advertising Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Consumer Rights and Interests in the places where it operates to ensure compliance and accuracy in product promotion. We also follow internal management rules such as the Management Process for External Information Release, the Management Policy for the Application of Social Media Accounts and the Hierarchical Control System and Assessment Standards and implement the Responsibility and Reporting Process for External Publicity and Promotion in the Company to clarify the definition, type, module and channel of external information release to standardize the external publicity and promotion behaviors of relevant departments in the ordinary course of business, reducing legal and compliance risks of the Company.

We divide external publicity content into three categories, namely press releases, promotional materials and brand promotion and separate sub-categories from broad category.

We have set up different review procedures for different types of information, divided review responsibilities and worked with each department to review information to ensure that publicity is reliable and accurate.



Picture: Process of External Publicity and Promotion Approval of MedBot

In order to create a cultural atmosphere of compliance publicity, improve employees' awareness of compliance publicity and strengthen the reviewability of relevant personnel, MedBot held several compliance marketing trainings during the Reporting Period.

Compliance Trainings
During the Reporting Period, the Company's legal team organized multiple trainings on advertising laws. Based on the actual development of medical device marketing, our legal team trained the business departments on how to understand the compliance issues of medical device advertising and how to standardize external publicity, which reduced the Company's legal risks and compliance risks and laid the foundation for legal affairs and health communication between enterprises.

2.4 Protection of Information Security

MedBot is well aware of the importance of protecting data privacy and security as well as strictly complies with the relevant provisions of the Cybersecurity Law of the People's Republic of China, the Administrative Measures for the Graded Protection of Information Security and the General Data Protection Regulation (GDPR) of the European Union. We continuously strengthen our data security management capabilities and create a privacy and security environment. We follow the Information and Data Security Management System to continuously monitor and manage the Company's information security and ensure the stable operation of the Company's system.

During the Reporting Period, we adopted various technologies and measures to protect the Company's information security and maintain the safe operation of the Company's system.

Encrypted Environment

- Computers used by employees at those departments where R&D-related information is generated and circulated are encrypted for processing, and all files created are automatically encrypted.
- Where any encrypted file needs to be sent outside the Company, a request for decryption should be filed according to the process, and the decrypted file will be edited and encrypted again.

User Access

- Critical system servers are subject to control by the fortress machine and permit access only via the fortress machine over the Company's intranet
- USB ports on user PCs are disabled by default and a PC USB port application process has been designed
- The Company's intranet is divided into office network and visitor network, and unauthorized users have no access to the office network
- VPN settings are in place to allow access to the internal system from outside the Company

During the Reporting Period, the Company carried out a number of personal information security training through a combination of online and offline methods to improve employees' awareness of information security.

Online Training

- The staff of the Company signs up for the "Compliance Management and Risk Control" program at MicroPort Cloud Program, to learn three existing compliance policies involving GDPR, namely Data Subject Rights Policy, Data Processing Record Policy and Supplier Risk Management Policy Under GDPR

On-site Training

- The Legal and Compliance team of MedBot conducted analyzing and training of key articles in the Personal Information Protection Law, which came into effect from November 1, 2021.

3. Working Together for Mutual Development

3.1 Mutual Development with Employees

MedBot regards employees as the valuable assets of the enterprise. As the core driving force for the long-term development of the enterprise, we take the protection of employees' legitimate rights and interests as the employment principle to provide employees with a safe and healthy working environment. We have established a sound and diversified talent training system, formulated a scientific and clear promotion performance management system, set up multi-channel communication methods for employees and provided employees with various welfare benefits to appreciate the hard work of employees.

3.1.1 Responsible Employment

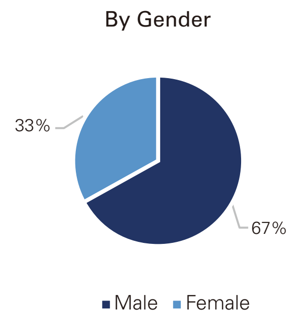
MedBot adheres to the basic employment principle of legal employment and strictly abides by relevant laws and regulations like the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Fair Labor Standards Act of the United States to effectively protect the legitimate rights and interests of employees. We have formulated the MedBot Recruitment Policy and relevant employment policies, which clearly stipulate equal employment and prohibit any form of discrimination, harassment or infringement of the dignity of others. We resolutely resist forced labor, explicitly prohibit the employment of child labor and strictly implement legal employment. If any violation of employment policies is found, the Company will take timely measures to maintain a legal employment environment.

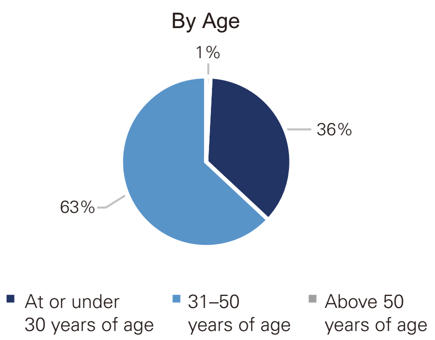
MedBot actively creates a diverse and inclusive working environment. Through diverse culture, we break workplace discrimination, attract more talents to join us and demonstrate the corporate talent recruitment culture of "Collective Wisdom". At the same time, the Company continues to expand recruitment channels, increase recruitment coverage through campus recruitment, social recruitment and internal recommendation channels and recruit talents.

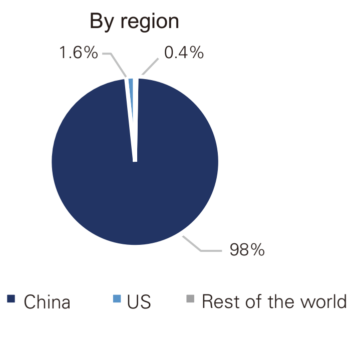
Campus Recruitment

Campus recruitment is one of the important channels for MedBot's recruitment of talents. Through the integration of online and offline recruitment, we improve recruitment efficiency, simplify recruitment procedures and accurately match potential talents. Candidates are initially screened and matched through online application and resume submission. After online application, candidates will be invited to participate in offline city meetings and campus presentations, where they can communicate with us closely to further understand corporate culture and other relevant information. In the on-site interview process, the Company will directly issue the recruitment of offer to achieve rapid and efficient recruitment of talents.

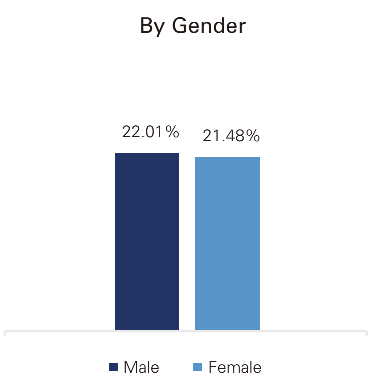
As at the end of the Reporting Period, MedBot had a total of 898 full-time employees. The composition of employees is as follows:

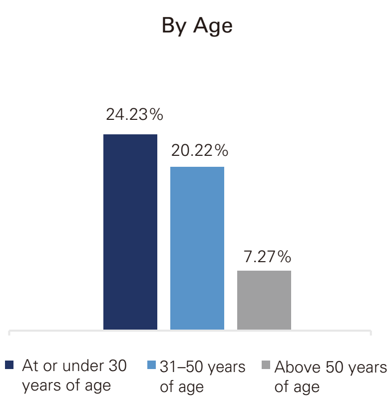


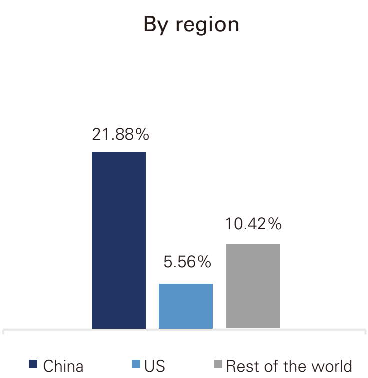




During the Reporting Period, the employee turnover rate was 21.75%, details of which are as follows:







3.1.2 Talent Development

A sound and scientific talent training system is the key to helping enterprises achieve positive development. MedBot attaches great importance to the improvement of employees' soft and hard skills, sets up a variety of targeted employee training courses and continuously enriches the content of training courses in combination with online and offline training forms. According to the Company's future development plan, we have analyzed the talents and skills required by the Company and formed a training system based on the capability chart of MedBot. The system is divided into four categories, including general, professional, management and project. For different employee groups and job functions, we have designed corresponding training content to ensure the effectiveness and efficiency of the training system.

MedBot Training System-Stella Academy

New Employee Training-Stella Academy

MedBot has built a complete and comprehensive training system for the rapid on-boarding of new employees. Through the StellaProgram, we carry out diversified courses and trainings to help new employees understand the corporate culture, integrate into the corporate atmosphere and learn work skills, which has been unanimously praised and warmly received by employees.

General

• General programs are focused on enhancing the staff's general skills, complete with corporate culture courses designed to help the staff get a deeper understanding of the corporate culture.

Professional

• Professional programs are focused on deepening and putting into practice the staff's professional skills. On-demand trainings are tailored to the staff's roles and functions in a hierarchical and classified manner. Typical courses include Stella Specialty Courses and Stella Academy.

Management

- Management programs are focused on leadership development, as well as exchange and analysis of management practices. A set of management competency enhancement courses combining "Testing + Practicing" has been designed for newly appointed managers and 360° talent measurement, analysis and assessment are employed. Meanwhile, the Stella Management Workshop is organized regularly to serve as a platform for managers to exchange ideas and share management practices.

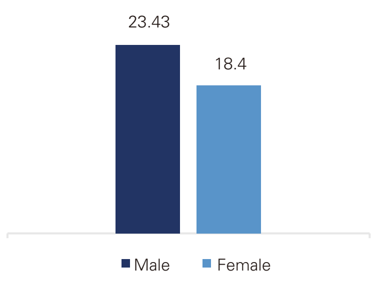
Project

- Project programs are mainly New Employee Development Programs that lay emphasis on optimized induction trainings of new employees. on-site centralized trainings are provided to new employees, to convey the corporate culture to them and help them understand the Company's policies and rules quickly; the NEPD platform for new employees is used to carry out online management of induction training courses and make trainings more efficient; the Medical Robot Quantum Plan has been launched to select suitable companions of new employees, to help them integrate into the Company.

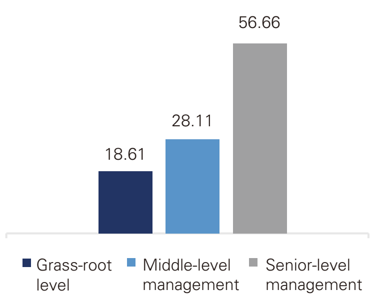
In order to help new employees integrate into the team more quickly and successfully pass the probation period, we developed and launched the "MedBot Quantum Program (Small Quantum System)". By selecting suitable on-the -job employees (known as Small Quantum) as the companions of new employees, we provide opinions and guidance to new employees and help them quickly adapt to and integrate into the team. All Small Quantum must pass the Quantum Program training and assessment in the Stella Academy to ensure practical assistance to new employees in the future.

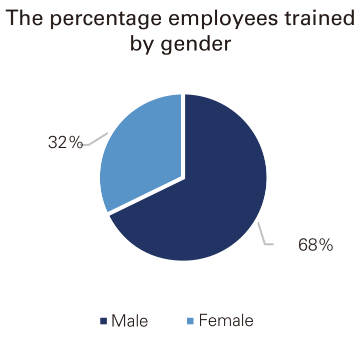
During the Reporting Period, MedBot recorded 21.76 hours of training per employee on average and trainees accounted for 88% of all employees. The details of training are as follows:

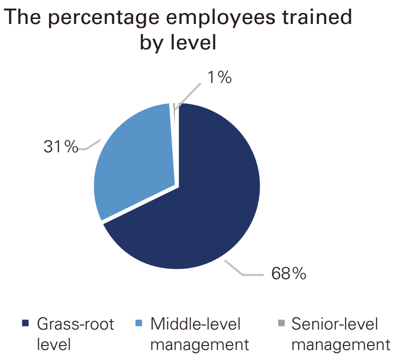
Average training hours per employee by gender



Average training hours per employee by level







MedBot has developed a clear career development path for employees and clarified the promotion channels and qualification standards for each position at different levels, helping employees identify their career development direction. We have implemented a "two-path, 18-level" promotion system, focusing on two core types of human resources, namely "management talents" and "technical talents". We have set up a dual-channel employee development path and divided different ranks into three categories: basic level, middle level and senior level. There are six types of jobs in each category to meet the needs of different career development.

MedBot has a standardized and comprehensive performance management system. By formulating the "Quarterly Performance Appraisal System for MedBot", which clarifies the performance appraisal cycle and process, defines the performance appraisal grade and standards and achieves scientific and fair performance management. The Company has formulated a periodic performance appraisal plan. Each department conducts internal employee performance appraisal on a quarterly basis and determines the appraisal grade and distributes performance bonuses based on the appraisal results of the employee's appraisal indicators.

3.1.3 Health and Safety

Protecting the physical and mental health of employees is one of the top priorities of MedBot and providing a safe and healthy working environment for employees is an important commitment to our employees. We strictly abide by the relevant laws and regulations in all places around the globe where we conduct business, such as the Production Safety Law of the People's Republic of China and the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, MedBot has formulated an internal system for employee safety management, stipulated and implemented occupational health protection measures to reduce safety risks. The Company has set up a reporting and investigation process for safety incidents to ensure that safety incidents are properly handled in a timely manner and the causes of the accidents are thoroughly investigated to avoid the second occurrence of similar accidents. In order to enhance employees' safety awareness and self-protection ability, we have formulated a number of safety management guidance documents based on job characteristics, such as the Identification and Control of Hazard Sources and Environmental Factors, to help employees improve their ability to identify safety hazards. The Company regularly organizes safety drills, safety trainings and other safety practical activities to effectively enhance employees' self-protection ability and crisis response ability.

Safety training for new employees

Safety training is an important part of the induction training for new employees. Through on-sitetraining, MedBot invites relevant internal personnel to popularize safety knowledge for new employees, strengthens safety awareness, identifies common safety risks and ensures that new employees adhere to the core working principle of “safety first” in their future work.

Fire drills

In 2021, the Company regularly organized and carried out fire drills and gradually carried out all aspects of the drills according to the formulated fire drill plan, including clarifying the escape routes, explaining the escape methods as well as practicing the use of fire-fighting equipment to improve employees’ fire prevention awareness and self-rescue ability.

There were no work-related fatalities in the past three years (covering the reporting year). During the Reporting Period, the number of working days lost due to work-related reason of MedBot was 0, the number of work-related incidents was 0, the number of safety training participants reached 1,340 and a total of 4 safety drills were organized.

3.1.4 Employee Communication

MedBot attaches great importance to the welfare of employees and constantly enriches the welfare benefits to enhance employees' sense of belonging, bring each other closer and convey our care. On the basis of national statutory benefits, the Company has additionally provided a number of benefits, such as supplementary housing provident fund, employee health examination, team building and parent physical examination to fully consider the needs of employees and set up humanized benefits from the perspective of employees. During the Reporting Period, we established eight horizontal organizations including the Sports Federation and Women's Federation. Throughout the year, we carried out more than 30 series of special activities, established communication and exchange between multiple departments, released employees' work pressure, cultivated employees' interests and hobbies, enhanced team cohesion and stability as well as consolidated the spread of corporate culture through organizing colorful leisure activities.

MedBot pays attention to the voices of employees, carefully listens to the suggestions of employees and comprehensively improves the work experience of employees. The Company has set up multiple communication channels for employees to eliminate communication barriers at different levels and ensure that employees' opinions and suggestions are effectively conveyed. In order to help senior officers to understand the voices of grassroots employees in a timely manner and maintain two-way communication, we have set up a luncheon named "appointment with senior management" and built a communication platform between different ranks. At the same time, we have set up the "Employee Suggestion Box" to collect opinions and suggestions from employees. Employees can choose to make anonymous delivery. The Company will summarize the opinions collected from employees and conduct investigation one by one to ensure that every delivery can be responded.

Employee Communication-Appointment with Senior Management

In 2021, we held the "Appointment with Senior Management" luncheon, where senior officers and grassroots employees discussed and exchanged ideas on different topics through lunch. We hope to guide the two sides to speak out freely through the relaxed and happy luncheons, break the communication barriers between ranks and establish a smooth communication channel for employees within the Company.

3.2 Mutual Development with Suppliers

3.2.1 Supplier Management

MedBot attaches great importance to maintaining the high-quality and stable operation of the supply chain. We understand that building a responsible supply chain is the guarantee of product quality and also the basis for the Company to meet market demand and achieve stable supply. MedBot has formulated and implemented internal supply chain management systems such as the Procurement Management System and the Supplier Management System, which clearly stipulate the whole procurement process, supplier access, annual audit and other management work. The Company strictly controls the supplier access process. In order to ensure the purchased products meet the Company's high-quality requirements and the production capacity of the supplier guarantees stable supply, we have established a multi-dimensional supplier access evaluation. At the same time, suppliers are managed according to the importance of the supply of raw materials. Suppliers are divided into three categories, namely A, B and C, with Class A being the most important raw material suppliers, Class B being the less important, and Class C being the non-Class A or Class B suppliers.

Multi-dimensional Supplier Access Evaluation

Materials Performance Evaluation

- Materials go through all-around testing and evaluation, to help determine whether the materials meet the requirements of quality standards
- Output Received Goods Inspection Records or Materials Evaluation Report based on materials performance evaluation results

Supplier Commercial Evaluation

- It is decided whether a supplier can meet the Company's needs for the supply of materials based on costs, delivery and services;
- Procurement leads this activity and produces Supplier Commercial Evaluation Report.

Supplier Quality Evaluation

- It takes two forms, Supplier On-site Evaluation or Supplier Self-evaluation
- The Company may score a supplier's quality performance against the items in the Supplier Quality Evaluation Checklist, calculate the passing rate of Supplier Quality Evaluation and produce Supplier Quality Evaluation Report

Supplier Comprehensive Evaluation

- Based on the results of performance evaluation, commercial evaluation and quality evaluation, Supplier Comprehensive Evaluation determines whether a supplier can be included in the list of qualified suppliers; a supplier who is considered qualified in the previous three evaluations can be included in the list of qualified suppliers directly;
- If a supplier is found to be unqualified in either commercial evaluation or quality evaluation, the department responsible for the evaluation should produce risk analysis results, and the project team should make the final decision as to whether the supplier is qualified or not.

For Class A and Class B suppliers with quality standards, we stipulate that they must pass the comprehensive evaluation of suppliers before they can be included in the list of qualified suppliers for cooperation with us. If the evaluation results are unqualified, the supplier can obtain a rectification opportunity once. If the re-evaluation results are qualified, the supplier will be included into the list for next year. If the re-evaluation results are still unqualified, the supplier will be disqualified.

As at the end of the Reporting Period, MedBot had 543 suppliers in total, including 535 suppliers in China and 8 overseas suppliers.

3.2.2 Post-Access Management

The management of suppliers after admission of Medbot is divided into daily management of suppliers and annual evaluation of suppliers. The daily management is to communicate and follow up on the problems in the ordinary procurement and supply process. In particular, we will resolutely require suppliers to rectify the non-compliance in terms of delivery quality and service. The annual evaluation is based on the supplier's performance in terms of supply, service and purchase inspection results in the previous year, and it comprehensively evaluates whether it retains its qualification as a qualified supplier, which is included in the Qualified Supplier List of next year. By regularly reviewing and updating the List of Qualified Suppliers, the Company not only helps the Company to maintain strict management of suppliers after admission, but also controls the supply chain risks properly. At the same time, it also reminds existing suppliers to ensure continuous and good supply to maintain the qualification of qualified suppliers.

While setting high requirements for the delivery and service of suppliers, MedBot also pays high attention to the environmental issues involved in the process of dealing with the Company. In order to minimize the impact of the Company's operations on the environment, we require suppliers to sign the Notice of Relevant Parties with us on transportation, waste disposal and other aspects and comply with the Company's environmental protection requirements for the storage and transportation of suppliers.

Prevent Air Pollution

- Suppliers must guarantee up-to-standard emissions from vehicles and make sure their vehicles are free from oil dripping or leakage.
- Hazardous chemicals must be transported by qualified shipping firms only.

Waste Disposal

- Suppliers are responsible for proper disposal of wastes, without causing secondary pollution to the environment.

3.3 Mutual Development with Society

While pursuing economic development, the Company never forgets its social responsibility as a medical device enterprise. During the Reporting Period, our employees contributed 44 hours of volunteer service in social welfare activities.

On a hot summer day, our volunteers donated bottled mineral waters and salt soda waters to sanitation workers who were working hard, helping them quench the summer heat and fatigue.

We worked as road order management volunteers actively, making our contribution to maintaining social harmony and order.

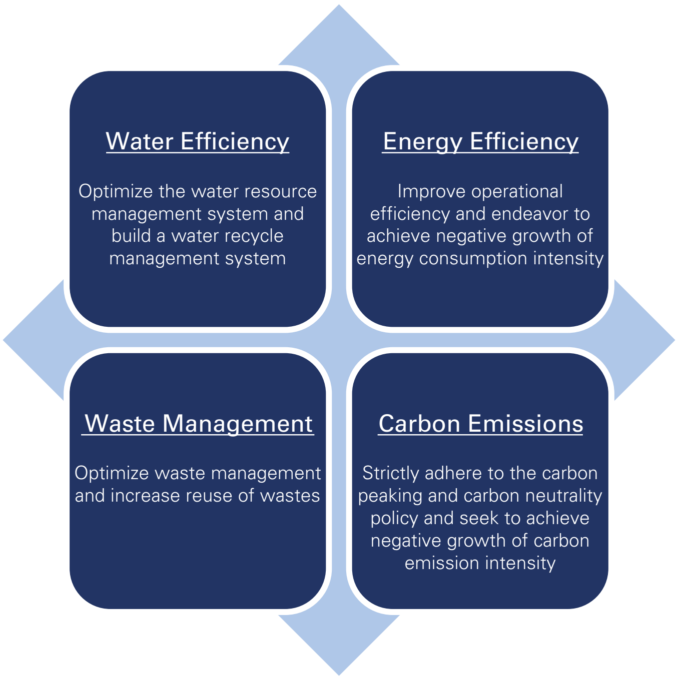
4. Environmental Protection

Manufacturing in an Environmental-friendly way is the cornerstone of the sustainable development of MedBot. Adhering to environmental protection concept of harmonious coexistence between human and nature, MedBot actively responds to a series of medium and long-term goals and plans to respond to global climate change, integrates environmental policies into all aspects of daily operations, continuously implements energy management, water management, waste management and air pollution prevention. We are committed to achieving sustainable development of win-win ecological, economic and social benefits.

4.1 Environmental Management

In strict compliance with laws and regulations like the Environmental Protection Law of the People's Republic of China, the Environmental Impact Assessment Law of the People's Republic of China, as well as the environmental protection regulations of the regions and industries where we operate, MedBot has formulated internal systems such as the Clean Production Management Procedures and the Monitoring and Measurement Implementation Control Procedures to gradually establish an environmental management system, strictly control the environmental and ecological impacts in production and operation and strengthen environmental management capabilities.

In order to implement environmental management in our daily operations, we have established the Environmental, Health and Safety (EHS) Management Committee to coordinate, guide, supervise and review. Each functional department and factory is responsible for implementing and implementing various specific environmental management measures. We follow MicroPort's sustainability goals and implement relevant initiatives to achieve this goal.



4.2 Energy and Resource Management

4.2.1 Energy Management and Carbon Emissions

Medbot attaches great importance to the efficient management of energy and the improvement of energy efficiency. We strictly abide by laws and regulations like the Energy Conservation Law of the People's Republic of China and other laws and regulations in all places around the globe where we conduct business as well as gradually establish and improve the energy management system to ensure continuous improvement of energy efficiency and reduction of greenhouse gas emissions on the basis of compliant Energy consumption.

In order to achieve energy conservation and utilization, we actively practice green and paperless office. Through online data management, we reduce the approval process and set the default double-sided printing on the computer printing interface of employees, striving to improve the environmental protection concept of energy conservation and carbon reduction of employees.

Energy Performance Category	Unit	2021
Indirect energy consumption		
Purchased electricity	kWh	2,101,705.50
Direct energy consumption		
Natural Gas	kWh	19,927.27
Comprehensive energy consumption[2]	kWh	2,121,632.77
Comprehensive energy consumption intensity	kWh/sq.m.	52.77
Greenhouse Gas Emissions[3]		
Scope 1 greenhouse gas emissions	Tonnes	4.81
Scope 2 greenhouse gas emissions	Tonnes	1,478.55
Total greenhouse gas emissions	Tonnes	1,483.36
GHG emission intensity	Tonnes/sq.m.	0.04

4.2.2 Water Management

We strictly abide by the Water Law of the People's Republic of China and other water-related laws and regulations in all places around the globe where we conduct business and have formulated the Water Management System to continuously monitor and manage the compliance use of water resources. We always encourage employees of all departments to use water reasonably in various processes, cleaning and domestic use. We put up clearly visible water-saving slogans in public areas to avoid waste of water resources.

Performance of Water Resources	Unit	2021
Total water consumption	Tonnes	8,133
Total water consumption intensity	Tonnes/sq.m.	0.20

2 For calculation of the comprehensive energy consumption, please refer to the General principles for the calculation of the comprehensive energy consumption (GB/T 2589-2020) promulgated by the State Administration for Market Supervision and the Standardization Administration of China.

3 The emission of greenhouse gas is calculated with reference to the Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions of Other Industrial Enterprises (Trial Implementation) published by the National Development and Reform Commission in 2015. The emission of electricity is calculated with reference to the emission factors of each region.

4.2.3 Emission Management

As a medical equipment manufacturing enterprise, MedBot strictly abides by relevant laws and regulations like the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, the Law of the People's Republic of China on the Prevention and Control of Water Pollution and has formulated internal management systems such as the Solid Waste Pollution Control Procedures, the Hazardous Chemicals Management System and the Water Pollution Prevention and Control Procedures to strictly regulate the discharge and disposal of pollutants, striving to reduce various emissions generated during operation and production and reduce the impact on the ecological link. As our production process does not involve waste generation, there is no exhaust gas emission.

In terms of solid waste, we have formulated internal systems such as the Solid Waste Pollution Control Management System and the Hazardous Chemicals Management System to unify and standardize the procedures for waste collection and treatment, so as to ensure that the discharge of waste meets the relevant national environmental emission standards. Wastes generated by MedBot are classified into hazardous waste and general waste. For hazardous wastes, they are collected by the production department and transferred to the hazardous waste warehouse as required and placed in the designated containers by category according to the designated area, which would be transferred to qualified third-party companies for disposal on a regular basis. For general waste, we classify, recycle, store and dispose of them by relevant departments in accordance with the management requirements of the local government where we operate, and regularly hand them over to the environmental protection department for disposal.

In terms of wastewater management, our wastewater is mainly domestic wastewater. We pre-treat it through wastewater treatment facilities in accordance with internal management systems such as the Water Pollution Prevention and Control Procedures and discharge it into municipal sewage pipelines after meeting wastewater discharge standards.

Emission of three wastes	Unit	2021
Sewage discharge	Tonnes	6,507
Total hazardous waste produced	Tonnes	0.06
Hazardous waste intensity	Tonnes/sq.m.	0.0000015
Total solid waste generated	Tonnes	84.77
Total non-hazardous waste[4] disposed	Tonnes	84.77
Non-hazardous waste disposal intensity	Tonnes/sq.m.	0.002

[4] The non-hazardous waste produced by the Group includes general industrial waste and office waste in the production process.

APPENDIX I: HKEX ESG GUIDE INDEX

Subject Areas, Aspects, General Disclosures and KPIs		Sections in ESG Report
A. ENVIRONMENTAL		
Aspect A1	**EMISSION**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer; relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Energy Management and Carbon Emissions Emission Management
KPI A1.1	The types of emissions and respective emissions data.	Emission Management
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Energy Management and Carbon Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emission Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emission Management
KPI A1.5	Description of emission target (s) set and steps taken to achieve them.	Environmental Management Emission Management
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target (s) set and steps taken to achieve them.	Environmental Management Emission Management
Aspect A2	**Use of Resources**	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	Energy Management and Carbon Emissions Water Management
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in' 000s) and intensity (e.g. per unit of production volume, per facility).	Energy Management and Carbon Emissions
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Water Management
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Management

Subject Areas, Aspects, General Disclosures and KPIs		Sections in ESG Report
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environmental Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	No packaging material used during the reporting period
Aspect A3	**The Environment and Natural Resources**	
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Management
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Management
Aspect A4	**Climate Change**	
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Risk Management
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Risk Management
Aspect B1	**Employment**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer; relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Responsible Employment Employee Communication
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Responsible Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Responsible Employment
Aspect B2	**Health and Safety**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer; relating to providing a safe working environment and protecting employees from occupational hazards	Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety

Subject Areas, Aspects, General Disclosures and KPIs		Sections in ESG Report
Aspect B3	**Development and Training**	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Training refers to vocational training. It may include internal and external courses paid by the employer.	Talent Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Talent Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	Talent Development
Aspect B4	**Labor Standards**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer; relating to preventing child and forced labour.	Responsible Employment
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Responsible Employment
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Responsible Employment
Aspect B5	**Supply Chain Management**	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Mutual Development with Suppliers
KPI B5.1	Number of suppliers by geographical region.	Mutual Development with Suppliers
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Mutual Development with Suppliers
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Mutual Development with Suppliers
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Mutual Development with Suppliers

Subject Areas, Aspects, General Disclosures and KPIs		Sections in ESG Report
Aspect B6	**Product Responsibility**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer; relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	Product Quality Compliant Marketing for Healthy Development
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Adverse Events and Product Recalls
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Adverse Events and Product Recalls
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Protection of Intellectual Property Rights
KPI B6.4	Description of quality assurance process and recall procedures.	Protection of Intellectual Property Rights Adverse Events and Product Recalls
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Protection of Information Security
Aspect B7	**ANTI-CORRUPTION**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer; relating to bribery, extortion, fraud and money laundering.	Business Ethics
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Business Ethics
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Business Ethics
KPI B7.3	Description of anti-corruption training provided to directors and employees.	Business Ethics
Aspect B8	**COMMUNITY INVESTMENT**	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Mutual Development with Society
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Mutual Development with Society
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Mutual Development with Society

KPMG

To the shareholders of Shanghai MicroPort MedBot (Group) Co., Ltd.
(incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Shanghai MicroPort MedBot (Group) Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 118 to 200, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

To the shareholders of Shanghai MicroPort MedBot (Group) Co., Ltd.

(incorporated in the People's Republic of China with limited liability)

Key audit matter (continued)

Recognition and measurements of research and development costs	
Refer to note 5 to the consolidated financial statements and the accounting policies on page 131.	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group is currently in the research and development ("R&D") stage of surgical robots and incurred R&D costs of RMB 393 million for the year ended 31 December 2021, mainly consisting of staff costs, cost of materials and consumables, contracting and clinical trial expenses. We identified the recognition and measurement of R&D costs as a key audit matter because of the significant amount incurred during the year and the inherent risk of R&D costs not accurately recognised.	Our procedures to assess the recognition and measurement of R&D costs included the following: • Obtaining an understanding of and testing the design and implementation and the operating effectiveness of the key internal controls related to the Group's R&D recognition and measurement process; • Evaluating the accrual and allocation in terms of R&D-related staff costs by checking to the working time records maintained by the R&D department; • Evaluating the R&D-related cost of materials and consumables by inspecting, on a sample basis, materials and consumables purchase contracts, payment slips, invoices and other underlying documents; • Evaluating the contracting and clinical trial expenses by inspecting key terms set out in the contracts and evaluating the completion status reports from the service providers, on a sample basis, to assess whether these costs were recorded based on the respective contract terms or completion status; and • Evaluating whether the R&D costs were included in the appropriate period by comparing R&D costs paid before and after the balance sheet date, on a sample basis, to relevant underlying document such as working time records of staff costs, purchase contracts, payment slips and invoices and completion status reports from the service providers.

Information other than the consolidated financial statements and auditor’s report thereon

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

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

Auditor’s responsibilities for the audit of the consolidated financial statements

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

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

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

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

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

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

29 March 2022

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

for the year ended 31 December 2021
(Expressed in Renminbi)

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

The notes on pages 126 to 200 form part of the consolidated financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 27(b).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021
(Expressed in Renminbi)

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

The notes on pages 126 to 200 form part of these financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Renminbi)

	Note	31 December 2021 RMB'000	31 December 2020 RMB'000
Non-current assets			
Property, plant and equipment	10	**361,000**	38,710
Intangible assets	11	**3,074**	565
Goodwill	12	**1,482**	1,482
Equity-accounted investees	14	**123,537**	85,430
Financial assets measured at fair value through profit or loss (FVPL)	15	**136,586**	38,366
Derivative financial instruments	16	**—**	12,676
Other non-current assets	17	**71,979**	12,075
		697,658	189,304
Current assets			
Derivative financial assets	16	**8,958**	—
Inventories	18	**109,881**	—
Trade and other receivables	19	**24,955**	16,742
Pledged deposits		**9,607**	982
Cash and cash equivalents	20	**1,940,825**	1,497,326
		2,094,226	1,515,050
Current liabilities			
Trade and other payables	21	**181,510**	221,620
Provisions		**96**	—
Lease liabilities	22	**52,863**	7,288
		234,469	228,908
Net current assets		**1,859,757**	1,286,142
Total assets less current liabilities		**2,557,415**	1,475,446
Non-current liabilities			
Contract liabilities		**102**	—
Provisions		**397**	—
Lease liabilities	22	**151,813**	11,593
Deferred income	25	**14,951**	22,401
		167,263	33,994
NET ASSETS		**2,390,152**	1,441,452

The notes on pages 126 to 200 form part of the consolidated financial statements.

	Note	**31 December 2021 RMB'000**	31 December 2020 RMB'000
CAPITAL AND RESERVES			
Share capital	27	**958,594**	900,000
Reserves		**1,434,548**	542,856
Total equity attributable to equity shareholders of the Company		**2,393,142**	1,442,856
Non-controlling interests		**(2,990)**	(1,404)
TOTAL EQUITY		**2,390,152**	1,441,452

Approved and authorised for issue by the board of directors on 29 March 2022.

Sun Hongbin
Chairman

He Chao
Director

The notes on pages 126 to 200 form part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2021
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company									
	Note	Paid-in capital RMB'000	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2020		35,077	—	—	109,546	—	25,986	(144,198)	26,411	—	26,411
Changes in equity for 2020:											
Loss for the year		—	—	—	—	—	—	(208,874)	(208,874)	(416)	(209,290)
Other comprehensive income		—	—	—	—	(5,256)	—	—	(5,256)	—	(5,256)
Total comprehensive income		—	—	—	—	(5,256)	—	(208,874)	(214,130)	(416)	(214,546)
Changes in equity interests of non-controlling shareholders of subsidiaries		—	—	—	—	—	—	—	—	(988)	(988)
Capital contributions by investors		7,251	—	—	53,479	—	—	—	60,730	—	60,730
Capital contributions by investors with preferred rights		3,041	—	—	1,505,479	—	—	—	1,508,520	—	1,508,520
Recognition of financial instruments with preferred rights		—	—	—	—	—	(3,508,520)	—	(3,508,520)	—	(3,508,520)
Termination of financial instruments with preferred rights		—	—	—	—	—	3,557,148	—	3,557,148	—	3,557,148
Conversion into a joint stock company	27(a)	(45,369)	900,000	618,752	(1,665,401)	—	(25,986)	218,004	—	—	—
Equity-settled share-based transactions	26	—	—	—	12,697	—	—	—	12,697	—	12,697
Balance at 31 December 2020		—	900,000	618,752	15,800	(5,256)	48,628	(135,068)	1,442,856	(1,404)	1,441,452

The notes on pages 126 to 200 form part of the consolidated financial statements.

	Note	Attributable to equity shareholders of the Company								
		Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2021		900,000	618,752	15,800	(5,256)	48,628	(135,068)	1,442,856	(1,404)	1,441,452
Changes in equity for 2021:										
Loss for the year		–	–	–	–	–	(582,921)	(582,921)	(1,586)	(584,507)
Other comprehensive income		–	–	–	(3,953)	–	–	(3,953)	–	(3,953)
Total comprehensive income		–	–	–	(3,953)	–	(582,921)	(586,874)	(1,586)	(588,460)
Capital contributions by investors	27(c)	16,964	11,686	–	–	–	–	28,650	–	28,650
Shares issued upon the completion of initial public offering, net of transaction costs	27(c)	36,200	1,196,257	–	–	–	–	1,232,457	–	1,232,457
Shares issued upon exercise of the over-allotment option, net of transaction costs	27(c)	5,430	179,424	–	–	–	–	184,854	–	184,854
Equity-settled share-based transactions	26	–	–	91,199	–	–	–	91,199	–	91,199
Balance at 31 December 2021		958,594	2,006,119	106,999	(9,209)	48,628	(717,989)	2,393,142	(2,990)	2,390,152

The notes on pages 126 to 200 form part of the consolidated financial statements.

CONSOLIDATED CASH FLOWS STATEMENT

for the year ended 31 December 2021
(Expressed in Renminbi)

	Note	2021 RMB'000	2020 RMB'000
Operating activities			
Loss before taxation		**(584,507)**	(209,290)
Adjustments for:			
Amortisation and depreciation	5(d)	**35,373**	4,457
Finance costs	5(a)	**5,293**	49,129
Interest income		**(674)**	(3)
Changes in fair value of financial instruments carried at FVPL		**(45,523)**	3,250
Net loss on disposal of property, plant and equipment		**—**	10
Share of losses of equity-accounted investees		**27,377**	1,675
Equity-settled share-based payment	5(b)	**91,199**	15,782
Exchange loss in relation to the proceeds from initial public offering		**11,685**	—
Changes in working capital:			
Increase in inventories		**(109,881)**	—
Increase in trade and other receivables		**(8,213)**	(16,105)
Increase in trade and other payables		**82,086**	33,973
Increase in pledged deposits		**(8,625)**	—
(Decrease)/increase in deferred income		**(7,450)**	18,023
Increase in other non-current assets		**(28,626)**	(3,943)
Net cash used in operating activities		**(540,486)**	(103,042)
Investing activities			
Payments for the purchase of property, plant and equipment		**(130,996)**	(14,554)
Payments for the purchase of intangible assets	11	**(2,983)**	(457)
Payments for the investments in equity-accounted investees	14	**(175,493)**	—
Payments for the investments in other financial assets	15	**(87,103)**	—
Loans to a related party	30(c)	**—**	(70,414)
Loans repaid by a related party	30(c)	**—**	70,414
Interest received		**—**	3
Net cash used in investing activities		**(396,575)**	(15,008)

The notes on pages 126 to 200 form part of the consolidated financial statements.

	Note	2021 RMB'000	2020 RMB'000
Financing activities			
Capital element of lease rentals paid	20(b)	**(18,681)**	(4,446)
Interest element of lease rentals paid	20(b)	**(4,568)**	(434)
Lease deposits paid	17	**(35,379)**	—
Repayments of interest-bearing borrowings and loans from related parties	20(b)	**—**	(3,670)
Interest paid for interest-bearing borrowings and loans from related parties	20(b)	**—**	(32)
Capital contributions by investors	27(c)	**28,650**	60,730
Net proceeds from initial public offering	27(c)	**1,236,729**	—
Net proceeds from exercise of the over-allotment options	27(c)	**185,494**	—
Capital contributions by investors with preferred rights		**—**	1,508,520
Net cash generated from financing activities		**1,392,245**	1,560,668
Net increase in cash and cash equivalents		**455,184**	1,442,618
Cash and cash equivalents at 1 January		**1,497,326**	54,708
Effect of foreign exchange rate changes		**(11,685)**	—
Cash and cash equivalents at 31 December		**1,940,825**	1,497,326

The notes on pages 126 to 200 form part of the consolidated financial statements.

1 Significant accounting policies

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

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

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

— investments in equity securities (see note 1(g)); and

— derivative financial instruments (see note 1(h)).

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

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

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

1 Significant accounting policies (continued)

(c) Changes in accounting policies

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

- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform — phase 2*

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

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(q), (r) or (s) depending on the nature of the liability.

1 Significant accounting policies (continued)

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

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

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

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

(e) Associates and joint ventures

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

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

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

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

1 Significant accounting policies (continued)

(e) Associates and joint ventures (continued)

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

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

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

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

(f) Goodwill

Goodwill represents the excess of

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

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

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

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

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

1 Significant accounting policies (continued)

(g) Investments in equity securities

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

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 28(e). These investments are subsequently accounted for as follows, depending on their classification.

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

(h) Derivative financial instruments

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

(i) Property, plant and equipment

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

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

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

1 Significant accounting policies (continued)

(i) Property, plant and equipment (continued)

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

— Leasehold improvements are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being 3 to 6 years from the date of completion;

— Equipment and machinery 3 to 10 years

— Office equipment, furniture and fixtures 3 to 5 years

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

(j) Intangible assets (other than goodwill)

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

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

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

— Software 2 to 3 years

Both the period and method of amortisation are reviewed annually.

1 Significant accounting policies (continued)

(k) Leased assets

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

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

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

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

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

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets carried at amortised cost. Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

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

1 Significant accounting policies (continued)

(k) Leased assets (continued)

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

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

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments

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

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

Measurement of ECLs

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

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

— fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate.

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

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

1 Significant accounting policies (continued)

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

(i) Credit losses from financial instruments (continued)

Measurement of ECLs (continued)

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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

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

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

1 Significant accounting policies (continued)

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

(i) Credit losses from financial instruments (continued)

Significant increases in credit risk (continued)

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

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

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

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

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

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or past due event;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

1 Significant accounting policies (continued)

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

(i) Credit losses from financial instruments (continued)

Write-off policy

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

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

(ii) Impairment of other non-current assets

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

— property, plant and equipment, including right-of-use assets;

— intangible assets;

— goodwill;

— investments in equity-accounted investees; and

— investments in subsidiaries and equity-accounted investees in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— *Calculation of recoverable amount*

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

1 Significant accounting policies (continued)

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

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

— *Recognition of impairment losses*

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

— *Reversals of impairment losses*

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

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

(iii) Interim financial reporting and impairment

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

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

(m) Inventories

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

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

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

1 Significant accounting policies (continued)

(m) Inventories (continued)

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

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

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

(n) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 1(w)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(o)).

(o) Trade and other receivables

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

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see note 1(l)(i)).

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

(p) Cash and cash equivalents

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

1 Significant accounting policies (continued)

(q) Trade and other payables

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

(r) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings set out in note 1(y) and accordingly dividends thereon are recognised on an accrual basis in profit or loss as part of finance costs.

(s) Interest-bearing borrowings

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

(t) Employee benefits

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

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

(ii) Share-based payments

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

1 Significant accounting policies (continued)

(t) Employee benefits (continued)

(ii) Share-based payments (continued)

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

(iii) Termination benefits

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

(u) Income tax

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

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

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

1 Significant accounting policies (continued)

(u) Income tax (continued)

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

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

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

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

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

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

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

1 Significant accounting policies (continued)

(u) Income tax (continued)

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

 — the same taxable entity; or

 — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(v) Provisions and contingent liabilities

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

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

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

(w) Revenue and other income

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

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

The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

1 Significant accounting policies (continued)

(w) Revenue and other income (continued)

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

(i) Sale of medical devices

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(ii) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iii) Interest income

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

(iv) Government grants

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

(x) Translation of foreign currencies

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

1 Significant accounting policies (continued)

(x) Translation of foreign currencies (continued)

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

The results of foreign operations are translated into Renminbi ("RMB") at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

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

(y) Borrowing costs

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

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

(z) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

1 Significant accounting policies (continued)

(z) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(aa) Segment reporting

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

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

2 Accounting judgement and estimates

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

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

(i) Determining the lease term

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

(b) Sources of estimation uncertainty

Notes 12, 26 and 28(e) contains information about the assumptions and risk factors relating to goodwill impairment, fair value of equity-settled share-based transactions and financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Net realisable value of inventories

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

(ii) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expenses to be recorded. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expenses for future periods are adjusted if there are significant changes from previous estimates.

2 Accounting judgement and estimates (continued)

(b) Sources of estimation uncertainty (continued)

(iii) Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The management carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of these transactions is reconsidered periodically to take into account changes in tax legislations. Deferred tax assets are recognised for deductible temporary differences and cumulative tax losses.

As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which they can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

3 Revenue and segment reporting

(a) Revenue

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

(i) 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
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of medical devices — point in time	**1,780**	—
Others — over time	**370**	—
	2,150	—

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. Details of the credit risk arising from the Group's customers are set out in note 28(a).

3 Revenue and segment reporting (continued)

(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

4 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 government for encouragement of research and development projects.

5 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 (note 20(b))	—	32
Interest on lease liabilities (note 20(b))	5,293	469
Interest on financial instruments with preferred rights (note 24)	—	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 (note 26(e))	91,199	15,782
Salaries, wages and other benefits	177,156	60,693
	285,794	76,852

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.

5 Loss before taxation (continued)

(c) Other operating costs

	2021 RMB'000	2020 RMB'000
Listing expenses	**40,526**	—
Legal and professional fee	**2,972**	—
	43,498	—

(d) Other items

	2021 RMB'000	2020 RMB'000
Amortisation of intangible assets#* (note 11)	**474**	229
Depreciation charge#* (note 10)		
— owned property, plant and equipment	**7,148**	1,664
— right-of-use assets	**27,751**	2,564
	34,899	4,228
Research and development costs#	**392,649**	135,378
Auditors' remuneration		
— audit services	**5,423**	730
— non-audit services	**311**	—
	5,734	730
Cost of inventories* (note 18(b))	**21,987**	—

Research and development costs includes 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 5(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 5(b) for each of these types of expenses.

6 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
Current tax — PRC Corporate Income Tax ("CIT")		
Provision for the year	**—**	—
Current tax — Overseas		
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	**(584,507)**	(209,290)
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	**190,075**	49,658
Actual tax expenses	**—**	—

7 Directors' emoluments

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

	2021					
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Equity-settled share-based payment (Note) RMB'000	Total RMB'000
Chairman and non-executive directors						
Hongbin Sun (d)	—	—	—	—	4,145	4,145
Executive director						
Chao He (b)	—	480	1,273	—	30,645	32,398
Non-executive directors						
Xin Sun (e)	—	—	—	—	—	—
Chen Chen (e)	—	—	—	—	—	—
Shasha Meng (f)	—	—	—	—	—	—
Lin Wang (g)	—	—	—	—	—	—
Independent non-executive directors						
Zengbiao Yu (h)	—	—	—	—	—	—
Minghua Li (h)	120	—	—	—	—	120
Haisong Yao (h)	120	—	—	—	—	120
Kit Ying Lee (i)	60	—	—	—	—	60
Supervisors						
Shuai Yuan (j)	—	250	331	—	6,805	7,386
Lihong Zhang (j)	—	—	—	—	—	—
Jie Zhang (j)	—	—	—	—	—	—
	300	730	1,604	—	41,595	44,229

7 Directors' emoluments (continued)

	2020					
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Equity-settled share-based payment (Note) RMB'000	Total RMB'000
Chairman and non-executive directors						
Qiyi Luo (a)	—	—	—	—	—	—
Hongbin Sun (d)	—	—	—	—	559	559
Executive director						
Chao He (b)	—	480	—	—	4,679	5,159
Non-executive directors						
Yimin Xu (c)	—	—	—	—	—	—
Xin Sun (e)	—	—	—	—	—	—
Chen Chen (e)	—	—	—	—	—	—
Shasha Meng (f)	—	—	—	—	—	—
Lin Wang (g)	—	—	—	—	—	—
Independent non-executive directors						
Zengbiao Yu (h)	—	—	—	—	—	—
Minghua Li (h)	—	—	—	—	—	—
Haisong Yao (h)	—	—	—	—	—	—
Supervisors						
Shuai Yuan (j)	—	—	—	—	—	—
Lihong Zhang (j)	—	—	—	—	—	—
Jie Zhang (j)	—	—	—	—	—	—
	—	480	—	—	5,238	5,718

7 Directors' emoluments (continued)

Notes:

(a) Qiyi Luo was appointed as director and chairman of the Company on 27 October 2017 and resigned on 2 April 2020.

(b) Chao He was appointed as director of the Company on 18 October 2017 and re-designated as executive director in June 2021.

(c) Yimin Xu was appointed as director of the Company on 27 October 2017 and resigned on 11 November 2020.

(d) Hongbin Sun was appointed as director and chairman of the Company on 3 April 2020 and re-designated as non-executive director in June 2021.

(e) Xin Sun and Chen Chen were appointed as directors of the Company on 17 September 2020 and re-designated as non-executive directors in June 2021.

(f) Shasha Meng was appointed as director of the Company on 12 November 2020 and resigned in June 2021.

(g) Lin Wang was appointed as director of the Company on 30 December 2020 and resigned in June 2021.

(h) Zengbiao Yu, Minghua Li and Haisong Yao were appointed as independent non-executive directors of the Company on 30 December 2020. Zengbiao Yu resigned in June 2021.

(i) Kit Ying Lee was appointed as independent non-executive director of the Company on 30 June 2021.

(j) Shuai Yuan, Lihong Zhang and Jie Zhang were appointed as supervisors of the Company on 30 December 2020.

The amounts of equity-settled share-based payment represent the estimated value of equity instruments granted to the directors under the Company's share option scheme and other share-based arrangements. The value of these equity instruments is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(t)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued previously where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the directors' report and note 26.

8 Individuals with highest emoluments

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

	2021 RMB'000	2020 RMB'000
Salaries and other benefits	**1,204**	1,592
Discretionary bonuses	**1,549**	174
Equity-settled share-based payment	**22,562**	5,073
	25,315	6,839

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

	2021 Number of Individuals	2020 Number of Individuals
Nil to HK$1,000,000	**—**	1
HK$1,000,001 to HK$1,500,000	**—**	1
HK$1,500,001 to HK$2,000,000	**—**	1
HK$3,500,001 to HK$4,000,000	**—**	1
HK$12,000,001 to HK$12,500,000	**1**	—
HK$17,500,001 to HK$18,000,000	**1**	—

9 Loss per share

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of 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

	2021 **RMB'000**	2020 RMB'000
Loss for the year attributable to all equity shareholders of the Company	**(582,921)**	(208,874)
Allocation of loss for the period attributable to equity shareholders subject to preferred rights of the Company	**–**	5,976
Loss for the year attributable to equity shareholders of the Company for the purpose of basic loss per share	**(582,921)**	(202,898)

9 Loss per share (continued)

(a) Basic loss per share (continued)

(ii) Weighted average number of ordinary shares

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

(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 the share options which are potential ordinary shares . For the year ended 31 December 2020, the company had the share options and the financial instruments with preferred rights which are potential ordinary shares. As the Group incurred losses for the years ended 31 December 2021 and 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.

10 Property, plant and equipment

(a) Reconciliation of carrying amount

	Leasehold improvements RMB'000	Equipment and machinery RMB'000	Office equipment, furniture and fixtures RMB'000	Right-of-use assets RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2020	1,055	5,104	2,164	9,128	481	17,932
Transfer from construction in progress	65	2,688	—	—	(2,753)	—
Additions through acquisition of a subsidiary	—	—	139	—	—	139
Additions	2,275	304	1,716	11,374	12,697	28,366
Disposals	—	—	(28)	—	—	(28)
At 31 December 2020 and 1 January 2021	**3,395**	**8,096**	**3,991**	**20,502**	**10,425**	**46,409**
Transfer from construction in progress	**50,254**	**26,440**	**14,599**	**–**	**(91,293)**	**–**
Additions	**3,942**	**48,395**	**–**	**212,647**	**93,606**	**358,590**
Disposals	**–**	**(1,232)**	**(286)**	**–**	**–**	**(1,518)**
At 31 December 2021	**57,591**	**81,699**	**18,304**	**233,149**	**12,738**	**403,481**
Accumulated depreciation and amortisation:						
At 1 January 2020	339	888	437	1,825	—	3,489
Charge for the year	361	715	588	2,564	—	4,228
Written back on disposals	—	—	(18)	—	—	(18)
At 31 December 2020 and 1 January 2021	**700**	**1,603**	**1,007**	**4,389**	**–**	**7,699**
Charge for the year	**2,288**	**2,920**	**1,940**	**27,751**	**–**	**34,899**
Written back on disposals	**–**	**(20)**	**(97)**	**–**	**–**	**(117)**
At 31 December 2021	**2,988**	**4,503**	**2,850**	**32,140**	**–**	**42,481**
Net book value:						
At 31 December 2021	**54,603**	**77,196**	**15,454**	**201,009**	**12,738**	**361,000**
At 31 December 2020	2,695	6,493	2,984	16,113	10,425	38,710

10 Property, plant and equipment (continued)

(b) Right-of-use assets

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

	2021	2020
	RMB'000	RMB'000
Properties leased for own use, carried at depreciated cost	**201,009**	16,113

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

	2021	2020
	RMB'000	RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use	**27,751**	2,564
Interest on lease liabilities (note 5(a))	**5,293**	469
Expense relating to short-term leases	**3,375**	—

During the year, additions to the right-of-use assets were RMB212,647,000 (2020: RMB11,374,000).

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in notes 20(c), 28(b) and 29, respectively.

The Group has obtained the right to use other properties as its manufacturing plants, warehouse and office building through tenancy agreements. The lease typically run for an initial period of 3 to 6 years. None of the lease includes variable lease payments.

11 Intangible assets

	Software RMB'000
Cost:	
At 1 January 2020	606
Additions	457
At 31 December 2020 and 1 January 2021	**1,063**
Additions	**2,983**
At 31 December 2021	**4,046**
Accumulated amortization:	
At 1 January 2020	269
Charge for the year	229
At 31 December 2020 and 1 January 2021	**498**
Charge for the year	**474**
At 31 December 2021	**972**
Net book value:	
At 31 December 2021	**3,074**
At 31 December 2020	565

12 Goodwill

	RMB'000
Cost:	
At 1 January 2020	—
Additions through acquisition of a subsidiary	1,482
At 31 December 2020, 1 January 2021 and 31 December 2021	**1,482**
Carrying amount:	
At 31 December 2021	**1,482**
At 31 December 2020	1,482

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to country of operation as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
MedBot Business	**1,482**	1,482

The recoverable amount of the CGU is higher of the fair value less costs of disposals and the value in use. The key assumptions used for the calculation of the recoverable amount of the CGU were as follows:

	31 December 2021	31 December 2020
Compound revenue growth rate during the forecast period	**64%**	59%
Gross margin ratio	**40%**	40%
Steady growth rate used in the extrapolation period	**3%**	3%
Pre-tax discount rate	**18%**	18%

(Expressed in Renminbi unless otherwise indicated)

12 Goodwill (continued)

The estimated recoverable amount of the CGU in Medbot business exceeds their carrying amount as at 31 December 2021 by approximately RMB80,520,000 (2020: RMB65,930,000) ("headroom").

Considering there was still sufficient headroom based on the assessment, the directors do not believe that a reasonably possible change in key assumptions would cause the carrying amount of the CGU to exceed its respective recoverable amount.

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

	31 December 2021	31 December 2020
Compound revenue growth rate during the forecast period	**32%**	28%
Gross margin ratio	**32%**	27%
Pre-tax discount rate	**48%**	50%

13 Investments in subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets and liabilities of the Group. The class of shares held is ordinary unless otherwise indicated.

			Proportion of ownership interest		
Name of company	**Place of incorporation/ operation**	**Particulars of registered and paid-up capital**	**Group's effective interest**	**Held by the Company**	**Principal activities**
Suzhou MicroPort OrthoBot Co., Ltd. (蘇州微創暢行機器人有限公司)	The PRC	RMB10 million	100%	100%	Manufacture, research and development of surgical robot devices

This subsidiary is a PRC limited liability company.

(Expressed in Renminbi unless otherwise indicated)

14 Equity-accounted investees

As of 31 December 2021, the following list contains only the particulars of material equity–accounted investees, which are unlisted corporate entities that did not have quoted market price:

Name of equity-accounted investees	Form of business structure	Place of incorporation and business	Particulars of issued and paid-in capital	Proportion of ownership interest as at 31 December 2021			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
Robocath SAS (Note i)	Incorporated	France	EUR399,277	**16.03%**	**–%**	**16.03%**	Manufacture, distribution, research and development of surgical robot devices
Cathbot (Shanghai) Robot Co., Ltd. 知脈 (上海) 機器人有限公司 (Note ii)	Incorporated	The PRC	EUR 10,000,000	**51.00%**	**51.00%**	**–%**	Manufacture, distribution, research and development of surgical robot devices

The above associate and joint venture are accounted for using the equity method in the consolidated financial statements.

Note i: In April 2020, MicroPort Medical Corp. Limited ("MicroPort Medical"), a fellow subsidiary of the Group, entered into a subscription and shareholders agreement with Robocath SAS ("Robocath"), on behalf of the Group, pursuant to which, MicroPort Medical purchased the preferred shares of Robocath at a consideration of EUR5,263,753 (equivalent to RMB40,333,000) and MicroPort Medical was granted the Tranche 1B and Tranche 2 warrants issued by Robocath, whereby MicroPort Medical, upon the achievement of certain milestones in relation to research and development activities, can subscribe for a maximum of 46,289 shares of Robocath at an exercise price of EUR216.03 per share no later than 23 October 2020 and 40,000 shares of Robocath at an exercise price of EUR250 per share no later than 23 December 2021.

In October 2020, the Group purchased the above mentioned investments in Robocath and the warrants through the acquisition of 100% equity interest in Microport Medical from its parent company Milford Haven Global Limited, which is a fellow subsidiary of the Group, at a net consideration of RMB40,333,000, being the gross consideration of EUR13,569,733 (equivalent to RMB106,107,000) less the cash acquired from MicroPort Medical amounted to RMB65,774,000 as at the acquisition date.

14 Equity-accounted investees (continued)

Note i: (continued)

The board of Robocath is composed of eight directors including one from the Group and one from MicroPort Scientific Corporation ("MPSC"), the ultimate controlling party of the Group ("MicroPort Members"). Pursuant to the investment shareholder agreement, most of the board approval decisions including operation and strategy plan should be agreed by majority of its board members including at least one of the MicroPort members. As a result, management determine that the Group has significant influence over Robocath and the investment is classified as associate.

In October 2020, the expiration dates of the Tranche 1B and Tranche 2 warrants were extended to 23 January 2021 and 23 March 2022, respectively. In December 2020, the Group exercised Tranche 1B Warrants to purchase 38,420 shares of Robocath at a consideration of EUR8,299,873 (equivalent to RMB65,774,000). The Group exercised Tranche 2 Warrants on 15 March 2022 (note 32).Valuation techniques and significant assumptions for determining the fair value of warrants is set out in note 28(e).

The warrant is considered as an embedded derivative component of the investment which is separated from the host contract and measured in accordance with the Group's accounting policies as set out in note 1(h).

Note ii: In October 2020, the Group and Robocath, entered into a shareholders agreement, pursuant to which, the Group and Robocath set up Cathbot (Shanghai) Robot Co., Ltd. ("Cathbot") and injected capital of EUR5,100,000 (equivalent to RMB40,044,000) and EUR4,900,000 (equivalent to RMB38,473,000) for the 51% and 49% equity interests in Cathbot respectively in 2021. As the approval of the resolutions in relation to the relevant activities of Cathbot shall require both approval from the Group and Robocath, the directors of the Company determined that Cathbot is a joint venture, the investment in which is accounted for under the equity method.

14 Equity-accounted investees (continued)

Summarised financial information of the material equity-accounted investees, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements, are disclosed below:

	Robocath		Cathbot
	2021	2020	**2021**
	RMB'000	RMB'000	**RMB'000**
Gross amounts			
Current assets	**111,741**	201,512	**52,415**
Non-current assets	**116,192**	88,840	**3,616**
Current liabilities	**(23,901)**	(21,194)	**(2,978)**
Non-current liabilities	**(90,739)**	(84,822)	**—**
Equity	**113,293**	184,336	**53,053**
Revenue	**12,065**	4,016	**—**
Loss for the year	**(59,634)**	(23,071)	**(25,124)**
Other comprehensive income	**(15,593)**	(1,762)	**—**
Total comprehensive income	**(75,227)**	(24,833)	**(25,124)**
Reconciled to the Group's interests in the equity-accounted investees			
Gross amounts of net assets of the equity-accounted investees	**113,293**	184,336	**53,053**
Group's effective interests	**16.03%**	16.09%	**51.00%**
Group's share of net assets of the equity-accounted investees	**18,161**	29,660	**27,057**
Goodwill	**53,938**	55,770	**—**
Carrying amount in the consolidated financial statements	**72,099**	85,430	**27,231**

14 Equity-accounted investees (continued)

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

	2021 RMB'000	2020 RMB'000
Aggregate carrying amount of individually immaterial investment in equity-accounted investees	**24,207**	—
Aggregate amounts of the Group's share of those equity-accounted investees		
Loss for the year	**(5,005)**	—
Other comprehensive income	**—**	—
Total comprehensive income	**(5,005)**	—

Note: In February 2021, the Group and NDR Medical Technology Private Limited ("NDR"), entered into a shareholders agreement, pursuant to which, the Group and NDR set up Shanghai Targbot Medtech Limited ("Shanghai Targbot"). The Group injected capital of RMB10,250,000 for the 41% equity interests in Shanghai Targbot and recorded share of losses of RMB1,550,000 for the year ended 31 December 2021.

In March 2021, the Group and Biobot Surgical Pte. Ltd. ("Biobot"), entered into a shareholders agreement, pursuant to which, the Group and Biobot set up Shanghai Intbot Robotics Co., Ltd. ("Shanghai Intbot"). The Group injected capital of SGD4,000,000 (equivalent to RMB18,962,000) for the 40% equity interests in Shanghai Intbot and recorded share of losses of RMB3,455,000 for the year ended 31 December 2021.

15 Equity investments

	2021 RMB'000	2020 RMB'000
Financial assets measured at FVPL		
Non-current assets		
— NDR (Note i)	**89,407**	38,366
— Biobot (Note ii)	**47,179**	—
	136,586	38,366

Note i: In September 2020, MPSC entered into a subscription and shareholders agreement, on behalf of the Group, with NDR together with other investors, pursuant to which, MPSC subscribed and purchased the preferred shares of NDR, at a consideration of SGD6,000,000 (equivalent to RMB30,192,600). In September 2020, MPSC subscribed and purchased additional ordinary shares of NDR at a consideration of SGD1,780,000 (equivalent to RMB8,823,300) and held approximately 28.16% equity interest in NDR. MPSC transferred the investments in NDR to the Group in September 2020 through a share transfer agreement, pursuant to which, the Group subscribed and purchased the above ordinary shares and preferred shares of NDR from MPSC at the original investment cost of SGD7,780,000 (equivalent to RMB39,015,900).

NDR is a research and development company based in Singapore which is engaged in the development, production and distribution of the automated needle targeting robotics system used in percutaneous biopsy.

15 Equity investments (continued)

Note ii: In April 2021, the Group entered into a shareholders agreement with Biobot, whereby the Group acquired the preferred shares at a consideration of SGD10,000,000 (equivalent to RMB48,027,000) for 17.72% equity interests in Biobot.

Biobot is a Singapore-based medical device company dedicated to developing minimally invasive robotic healthcare solutions.

Both investments in NDR and Biobot are classified as financial assets measured at FVPL. Valuation techniques and significant assumptions for determining the fair value of the investments in NDR and Biobot are set out in note 28(e).

16 Derivative financial instruments

	2021 RMB'000	2020 RMB'000
Derivative financial assets		
— Warrants issued by an equity-accounted investee	**8,958**	12,676
Less: amount included under "current assets"	**(8,958)**	—
	—	12,676

17 Other non-current assets

	2021 RMB'000	2020 RMB'000
Prepayments	**4,011**	1,260
Value-added tax recoverable	**39,441**	10,815
Lease and security deposits (Note)	**28,527**	—
	71,979	12,075

Note: In 2021, the Group entered into a 5-year lease agreement with Shanghai Weichuang Investment Management Co., Ltd. ("Shanghai Weichuang Investment") in respect of certain leasehold properties for use of manufacturing facilities, warehouses and office buildings. The balance as at 31 December 2021 includes deposits (before discounting) totalling RMB35,379,000 paid to Shanghai Weichuang Investment, which are refundable after the expiry of the lease.

18 Inventories

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

	2021 **RMB'000**	2020 RMB'000
Raw materials	**95,327**	—
Work in progress	**7,166**	—
Finished goods	**7,333**	—
Low-value consumables	**55**	—
	109,881	—

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

	2021 **RMB'000**	2020 RMB'000
Carrying amount of inventories sold	**924**	—
Cost of inventories directly recognised as selling and marketing expenses	**21,063**	—
	21,987	—

All the inventories are expected to be recovered within one year.

19 Trade and other receivables

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

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 are within 1 month, based on the invoice date.

Trade debtors are due within 30 days from the date of billing. Further details of the Group's credit policy and credit risk arising from trade debtors are set out in note 28(a).

20 Cash and cash equivalents and other cash flow information

(a) Cash and cash equivalents comprise:

	2021 RMB'000	2020 RMB'000
Cash at bank	**1,940,825**	1,497,326

20 Cash and cash equivalents and other cash flow information (continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Loans from related parties RMB'000	Lease liabilities RMB'000 (note 22)	Total RMB'000
At 1 January 2021	356	18,881	19,237
Changes from financing cash flows:			
Capital element of lease rentals paid	–	(18,681)	(18,681)
Interest element of lease rentals paid	–	(4,568)	(4,568)
Total changes from financing cash flows	–	(23,249)	(23,249)
Other changes:			
Interest charge	–	5,293	5,293
Increase in lease liabilities from entering into new leases during the year	–	203,751	203,751
Total other changes	–	209,044	209,044
At 31 December 2021	356	204,676	205,032

20 Cash and cash equivalents and other cash flow information (continued)

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

	Interest-bearing borrowings and loans from related parties RMB'000	Financial instruments with preferred rights RMB'000	Lease liabilities RMB'000 (note 22)	Total RMB'000
At 1 January 2020	526	—	11,918	12,444
Changes from financing cash flows:				
Repayments of interest-bearing borrowings and loans from related parties	(3,670)	—	—	(3,670)
Interest paid for interest-bearing borrowings and loans from related parties	(32)	—	—	(32)
Capital element of lease rentals paid	—	—	(4,446)	(4,446)
Interest element of lease rentals paid	—	—	(434)	(434)
Total changes from financing cash flows	(3,702)	—	(4,880)	(8,582)
Other changes:				
Interest charge	32	26,036	469	26,537
Increase in interest-bearing borrowings from the acquisition of a subsidiary	3,500	—	—	3,500
Increase in lease liabilities from entering into new leases during the year	—	—	11,374	11,374
Recognition of financial instruments with preferred rights	—	1,508,520	—	1,508,520
Termination of financial instruments with preferred rights	—	(1,534,556)	—	(1,534,556)
Total other changes	3,532	—	11,843	15,375
At 31 December 2020	356	—	18,881	19,237

20 Cash and cash equivalents and other cash flow information (continued)

(c) Total cash outflow for leases

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

	2021 RMB'000	2020 RMB'000
Within operating cash flows	**3,375**	—
Within financing cash flows	**23,249**	4,880
	26,624	4,880

These amounts relate to the following:

	2021 RMB'000	2020 RMB'000
Lease rentals paid	**26,624**	4,880

21 Trade and other payables

	2021 **RMB'000**	2020 RMB'000
Trade payables due to		
— third party suppliers	**78,493**	19,984
— related parties	**5,108**	8,361
Total trade payables	**83,601**	28,345
Accrued payroll	**39,412**	13,924
Amounts due to related parties		
— acquisition of equity-accounted investee (note 14)	**—**	108,857
— acquisition of other financial assets (note 15)	**—**	38,366
— loans and interests	**356**	356
— others	**7,594**	20,069
Other payables and accrued charges	**50,547**	11,703
Financial liabilities measured at amortised cost	**181,510**	221,620

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**	—
	83,601	28,345

22 Lease liabilities

At 31 December 2021, the lease liabilities were repayable as follows:

	2021 RMB'000	2020 RMB'000
Within 1 year or on demand	**52,863**	7,288
After 1 year but within 2 years	**48,289**	5,994
After 2 years but within 5 years	**101,826**	5,599
More than 5 years	**1,698**	—
	151,813	11,593
	204,676	18,881

As at 31 December 2021, lease liabilities include the lease payable due to Shanghai MicroPort Medical (Group) Co., Ltd. ("Shanghai MicroPort") of RMB7,089,000 (2020: RMB7,714,000) and due to Suzhou MicroPort Orthopaedics Scientific (Group) Co., Ltd. ("Suzhou Orthopaedics") of RMB3,324,000 (2020: RMB4,490,000). Shanghai MicroPort and Suzhou Orthopaedics are fellow subsidiaries of the Group (see note 30(e)).

As at 31 December 2021, lease liabilities include the lease payable due to Shanghai Jushuo Investment Management Co., Ltd. ("Shanghai Jushuo") of RMB17,983,000 (2020: nil). Shanghai Jushuo is the subsidiary of Shanghai Zhangjiang (Group) Co., Ltd. (a substantial shareholder of the ultimate controlling party of the Group) (see note 30(e)).

23 Income tax in the consolidated statements of financial position

In accordance with the accounting policy set out in note 1(u), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB1,094,095,000 (2020: RMB333,795,000) and other temporary differences of RMB42,888,000 (2020: RMB19,340,000) at 31 December 2021 due to the unpredictability of future taxable profits in the relevant tax jurisdiction and entity.

The unused tax losses of the Group were mainly from the subsidiaries incorporated in the PRC, where the accumulated tax losses will normally expire within 5 years. The Company was qualified as Small and Medium-sized Technological Enterprises ("SMTE") in 2018. Pursuant to the relevant regulations on extension for expiries of unused tax losses of High and New Technology Enterprise and SMTE issued in August 2018, the accumulated tax losses which did not expire from 2018 will have expiries extending from 5 years to 10 years.

24 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 finance cost.

24 Financial instruments with preferred rights (continued)

Presentation and classification (continued)

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 during the Relevant Periods are as follows:

	Financial instruments with preferred rights RMB'000
At 1 January 2020	—
Recognition of financial instruments with preferred rights	3,508,520
Interest charges (note 5(a))	48,628
Termination of financial instruments with preferred rights	(3,557,148)
At 31 December 2020, 1 January 2021 and 31 December 2021	**—**

25 Deferred income

	Government subsidies for research and development projects RMB'000
At 1 January 2020	4,378
Additions	19,343
Government grant recognised as other income	(1,320)
At 31 December 2020 and 1 January 2021	**22,401**
Additions	**1,540**
Government grant recognised as other income	**(8,990)**
At 31 December 2021	**14,951**

26 Equity-settled share-based transactions

(a) Share award scheme granted by the ultimate controlling party

Pursuant to a share award scheme approved by the Board of MPSC, the ultimate controlling party of the Group, in 2011, MPSC may purchase its own shares and grant such shares to certain employees of the Group at nil consideration.

The fair value of the employee services received in exchange for the grant of shares is recognised as staff costs in profit or loss with a corresponding increase in other payable to MPSC, which is measured based on the grant date share price of MPSC.

For the year ended 31 December 2021, MPSC did not grant any shares to the Group's executives. For the year ended 31 December 2020, MPSC granted 186,608 shares to the Group's executives with a fair value of RMB3,086,000.

(b) Employee share purchase plan (the "ESPP")

Since 2017, the Group adopted several ESPPs, pursuant to which, the partnership firms, whose limited partners consisted of employees of the Group, invested in the Company and its subsidiaries (together, the "Target Companies") by way of subscribing newly issued equity interests of the Group, or acquiring equity interests from the Group. All participants of the ESPPs have purchased equity interests in respective partnership firms at amounts specified in the respective partnership agreements.

All ESPPs contain a service condition. Employees participating in the plan have to transfer out their equity interests if their employments with the Group were terminated within the vesting period, to a person or a party nominated by the general partners of the partnership firms at a price no higher than the amounts specified in the respective partnership agreements. The fair value of the ESPP at the grant date, being the difference between the considerations and the fair value of the equity interests subscribed shall be spread over the vesting period and recognised as staff costs in the profit or loss.

The fair value of the equity interests subscribed was measured by reference to either (i) the price at which third party investors made contributions to these Targeted Companies or (ii) the valuation reports prepared by the external valuers and reviewed and approved by the management.

For the year ended 31 December 2021, the total expenses recognised in the consolidated statement of profit or loss for the above transactions are RMB89,649,000 (2020: RMB11,103,000).

(c) Share incentive plan granted by the Company

Pursuant to a labour contract signed in July 2018 between the Company and the employees of an ESPP of the Company, upon the achievement of certain milestones in relation to research and development activities, the Company will issue additional shares at the agreed consideration to the ESPP so as to maintain the equity interests of the ESPP in the Company will not be less than 15%. The fair value is measured at grant date using the Black-Scholes model, taking into account the terms and conditions upon which the equity-settled share incentive plan was granted.

26 Equity-settled share-based transactions (continued)

(c) Share incentive plan granted by the Company (continued)

Fair value of share incentive plan and assumptions

	31 July 2018
Fair value at measurement date	RMB2,325,000
Market price	RMB14.88
Exercise price*	RMB45.47
Expected volatility	50.7085%
Plan life	3.92 years
Risk-free interest rate	3.1336%

* The excise price is calculated as the expected research and development expenditure upon the achievement of the above mentioned milestones divided by the number of options.

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

	31 December 2021		31 December 2020	
	Weighted average exercise price RMB	**Number of options '000**	Weighted average exercise price RMB	Number of options '000
Outstanding at the beginning of the year	**45.47**	**1,965**	45.47	1,206
Exercised during the year	**—**	**—**	—	—
Cancellation during the year	**45.47**	**(1,965)**	—	—
Granted during the year	**—**	**—**	45.47	759
Outstanding at the end of the year	**—**	**—**	45.47	1,965
Exercisable at the end of the year	**—**	**—**	—	—

In March 2021, the above share incentive plan was cancelled prior to the vesting and a new ESPP has been granted instead. On the date of the cancellation, the Company recognised in profit or loss the amount that otherwise would have been recognised over the remainder of the vesting period if the cancellation had not occurred.

The total expenses recognised in the consolidated statement of profit or loss for the above transaction are RMB1,446,000 for the year ended 31 December 2021 (2020: RMB1,499,000).

26 Equity-settled share-based transactions (continued)

(d) Share options granted by the ultimate controlling party

MPSC granted certain share options to the employee of the Group. Each option gives the holder the right to subscribe for one ordinary share of MPSC, while the Group did not have an obligation to settle such transaction.

Up to 31 December 2021, MPSC has granted 160,757 share options in aggregate to the employee of the Group. These share options are vested in instalments over five years. Each instalment is accounted for as a separate share-based compensation arrangement. The contractual life of the options is ten years.

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

	2021		2020	
	Weighted average exercise price RMB	**Number of options '000**	Weighted average exercise price RMB	Number of options '000
Outstanding at the beginning of the year	**8.39**	**161**	6.57	130
Granted during the year	**—**	**—**	16.03	31
Outstanding at the end of the year	**8.39**	**161**	8.39	161
Exercisable at the end of the year	**—**	**—**	—	—

All the share options granted are exercisable by the grantees upon vesting and will expire in a period from March 2028 through March 2030. As at 31 December 2021, the weighted average remaining contractual life for the share options granted was 7.10 years (2020: 8.10 years).

26 Equity-settled share-based transactions (continued)

(d) Share options granted by the ultimate controlling party (continued)

(ii) Fair value of share options and assumptions

The fair value of services received in return for share options is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial tree model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial tree model.

The expected volatility is determined by reference to the average implied volatility of comparable companies that manufacture similar products as MPSC. Changes in the subjective input assumptions could materially affect the fair value estimate. Expected dividend yield is based on historical dividends.

The service condition has been taken into account in the grant date fair value measurement of the services received. There was no market condition associated with these share options.

The fair value of the share options granted was recognised as equity-settled share-based payments expenses over the vesting period with a corresponding increase in capital reserve.

The total expenses recognised in the consolidated statement of profit or loss for the share options granted by the ultimate controlling party are RMB104,000 for the year ended 31 December 2021 (2020: RMB94,000).

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

	2021 **RMB'000**	2020 RMB'000
Research and development costs	**56,225**	9,652
Selling and marketing expenses	**12,693**	—
Administrative expenses	**22,281**	6,130
	91,199	15,782

27 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's equity between the beginning and the end of the year are set out below.

	Note	Paid-in capital	Capital reserve	Share capital	Share premium	Other reserve	Accumulated losses	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2020		35,077	109,546	—	—	25,986	(136,433)	34,176
Changes in equity for 2020								
Loss and total comprehensive income		—	—	—	—	—	(186,960)	(186,960)
Capital contributions by investors		7,251	53,479	—	—	—	—	60,730
Capital contributions by investors with preferred rights	24	3,041	1,505,479	—	—	—	—	1,508,520
Recognition of financial instruments with preferred rights	24	—	—	—	—	(3,508,520)	—	(3,508,520)
Termination of financial instruments with preferred rights	24	—	—	—	—	3,557,148	—	3,557,148
Conversion into a joint stock company	27(c)	(45,369)	(1,665,401)	900,000	618,752	(25,986)	218,004	—
Equity-settled share-based transactions	26	—	12,697	—	—	—	—	12,697

27 Capital, reserves and dividends (continued)

(a) Movements in components of equity (continued)

	Note	Paid-in capital RMB'000	Capital reserve RMB'000	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 31 December 2020 and 1 January 2021		–	15,800	900,000	618,752	48,628	(105,389)	1,477,791
Changes in equity for 2021								
Loss and total comprehensive income		–	–	–	–	–	(543,074)	(543,074)
Capital contributions by investors	27(c)	–	–	16,964	11,686	–	–	28,650
Shares issued upon the completion pf initial public offering, net of transaction costs	27(c)	–	–	36,200	1,196,257	–	–	1,232,457
Shares issued upon exercise of the over-allotment option, net of transaction costs	27(c)	–	–	5,430	179,424	–	–	184,854
Equity-settled share-based transactions	26	–	91,199	–	–	–	–	91,199
Balance at 31 December 2021		–	106,999	958,594	2,006,119	48,628	(648,463)	2,471,877

(b) Dividends

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

27 Capital, reserves and dividends (continued)

(c) Share capital and share premium

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

	Note	Ordinary share Number of shares '000	Ordinary share Amount RMB'000
Ordinary shares, issued and fully paid:			
Balance at 1 January 2020		—	—
Share issued upon conversion into a joint stock company	(i)	900,000	900,000
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**
Balance at 31 December 2021		**958,594**	**958,594**

(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.

27 Capital, reserves and dividends (continued)

(c) Share capital and share premium (continued)

(iv) On 14 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.

(d) Nature and purpose of reserves

(i) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of certain subsidiaries within the Group. The reserve is dealt with in accordance with the accounting policies set out in note 1(x).

(ii) Other reserve

The other reserve primarily comprises the following:

— exempted interest payable to investors due to the termination of financial instruments with preferred rights in 2020 as stipulated in note 24, and

— the liabilities of the Group waived by related parties.

(e) Capital management

The Group's objectives in the aspect of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group defines "capital" as equity as at the end of each of the reporting period and "debt" as lease liabilities. The debt-to-capital ratio is 9% and 1%, respectively for the years ended 31 December 2021 and 2020.

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.

28 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practises used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to other receivables and other non-current assets. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are state-owned banks or reputable commercial banks for which the Group considers to have low credit risk. The Group's exposure to credit risk arising from refundable rental deposits is considered to be low, taking into account (i) the landlords' credit rating and (ii) the remaining lease term and the period covered by the rental deposits. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

The management has assessed that during the year ended 31 December 2021, other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management. The management of the Company expect the occurrence of losses from non-performance by the counterparties of other receivables was remote and loss allowance provision for other receivables was immaterial.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

28 Financial risk management and fair values of financial instruments (continued)

(b) Liquidity risk (continued)

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Group can be required to pay:

	2021 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**	**More than 5 years RMB'000**	**Total RMB'000**	**Carrying amount RMB'000**
Trade and other payables	**181,510**	**—**	**—**	**—**	**181,510**	**181,510**
Lease liabilities	**61,200**	**54,354**	**108,134**	**1,710**	**225,398**	**204,676**
	242,710	**54,354**	**108,134**	**1,710**	**406,908**	**386,186**

	2020 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Trade and other payables	221,620	—	—	—	221,620	221,620
Lease liabilities	8,001	6,426	5,741	—	20,168	18,881
	229,621	6,426	5,741	—	241,788	240,501

28 Financial risk management and fair values of financial instruments (continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises primarily from cash at banks, deposits with banks and loans from/to related parties. The Group's interest-bearing financial instruments at variable rates as at 31 December 2021 and 2020 are primarily the cash at bank except for fixed deposits, and the cash flow interest risk arising from the change of market interest rate on these balances is not considered significant. The Group's exposure to interest rate risk is not significant.

The Group's interest rate profile as monitored by management is set out below.

	2021		2020	
	Effective interest rate	**Amount**	Effective interest rate	Amount
		RMB'000		RMB'000
Net fixed rate instruments:				
Deposits with banks	**1.89%–2.10%**	**1,656,797**	1.89%–2.025%	1,475,234
Lease liabilities	**4.90%**	**(204,676)**	4.90%	(18,881)
Loans from related parties	**4.35%**	**(356)**	4.35%	(356)
		1,451,765		1,455,997
Net variable rate instruments:				
Cash at banks	**0.30%**	**284,028**	0.30%	22,092
		1,735,793		1,478,089

(d) Currency risk

The Group is exposed to currency risk primarily from (i) purchases which give rise to payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate and (ii) financing activities that are in HKD. The currencies giving rise to currency risk are primarily Euros, Singapore dollars, US dollars and Hong Kong dollars.

28 Financial risk management and fair values of financial instruments (continued)

(d) Currency risk (continued)

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of the entities into the Group's presentation currency are excluded.

Exposure to foreign currencies (expressed in RMB)

	2021				2020			
	Euros	**SGD**	**USD**	**HKD**	Euros	SGD	USD	HKD
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	**–**	**–**	**6,463**	**191,061**	—	—	—	—
Trade and other payables	**–**	**–**	**(4,320)**	**(6,843)**	(112,882)	(38,366)	—	—
Net exposure arising from recognised assets and liabilities	**–**	**–**	**2,143**	**184,218**	(112,882)	(38,366)	—	—

28 Financial risk management and fair values of financial instruments (continued)

(d) Currency risk (continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after tax (and accumulative losses) that would arise if foreign exchange rates to which the Group has significant exposure at the end of each of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2021		2020	
	Increase/ (decrease) in foreign exchange rates	**Effect on loss after tax and accumulated losses**	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses
		RMB'000		RMB'000
Euros (against RMB)	**—**	**—**	3%	(3,386)
	—	**—**	(3)%	3,386
Singapore dollars (against RMB)	**—**	**—**	3%	(1,151)
	—	**—**	(3)%	1,151
US dollars (against RMB)	**3%**	**64**	—	—
	(3)%	**(64)**	—	—
Hong Kong dollars (against RMB)	**3%**	**5,527**	—	—
	(3)%	**(5,527)**	—	—

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' loss after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of each of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of each of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of the entities into the Group's presentation currency. The analysis has been performed on the same basis for the years ended 31 December 2021 and 2020.

28 Financial risk management and fair values of financial instruments (continued)

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

— Level 3 valuation: Fair value measured using significant unobservable inputs

The Group has engaged the external valuers to perform valuations for the financial instruments, including unlisted equity securities and warrants which are categorised into Level 3 of the fair value. The valuation reports prepared by the external valuers are reviewed and approved by the Group's management.

28 Financial risk management and fair values of financial instruments (continued)

(e) Fair value measurement (continued)

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

	Fair value at 31 December 2021	Fair value measurements as at 31 December 2021 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Financial assets:				
Unlisted equity securities (note 15)	136,586	—	47,179	89,407
Warrants issued by an equity-accounted investee	8,958	—	—	8,958

	Fair value at 31 December 2020	Fair value measurements as at 31 December 2020 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Financial assets:				
Unlisted equity securities (note 15)	38,366	—	38,366	—
Warrants issued by an equity-accounted investee	12,676	—	—	12,676

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

(Expressed in Renminbi unless otherwise indicated)

28 Financial risk management and fair values of financial instruments (continued)

(e) Fair value measurement (continued)

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

Valuation techniques and inputs used in Level 2 fair value measurement:

The fair values of the financial assets are determined with reference to the pricing of the recent transactions of the investees' shares with no significant unobservable inputs used.

Information about Level 3 fair value measurements:

	Valuation techniques	**Significant unobservable inputs**	**Range**
Unlisted equity securities	Equity allocation model (Note a)	Expected volatility, taking into account the historical volatility of the comparable companies	49%
		Expected probability of event	30%
Robocath Warrants	Binomial tree model, Monte Carlo model (Note b)	Expected volatility, taking into account the historical volatility of the comparable companies	40%~48%

Note a As at 31 December 2021, it is estimated that with all other variables held constant, an increase/decrease in the expected probability of event by 10% would have increased/decreased the Group's loss by RMB1,960,000/RMB1,950,000 and an increase/decrease in the expected volatility by 5% would have decreased/increased the Group's loss by RMB12,000/RMB172,000.

Note b As at 31 December 2021, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 5% would have decreased/increased the Group's loss by RMB1,048,000/RMB1,077,000.

28 Financial risk management and fair values of financial instruments (continued)

(e) Fair value measurement (continued)

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

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	Robocath Warrants RMB'000	NDR RMB'000
At 1 January 2020	—	—
Additions	25,497	—
Changes in fair value recognised in profit or loss during the year	(3,250)	—
Transfer to equity-accounted investee	(9,753)	—
Exchange adjustments	182	—
At 31 December 2020 and at 1 January 2021	**12,676**	**—**
Additions	**—**	**—**
Transfer into Level 3 due to change of valuation technique	**—**	**38,366**
Changes in fair value recognised in profit or loss during the year	**(3,467)**	**51,041**
Exchange adjustments	**(251)**	**—**
At 31 December 2021	**8,958**	**89,407**

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

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

29 Commitments

Capital commitments in respect of property, plant and equipment and certain investments outstanding at 31 December 2021 not provided for in the financial statements were as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Contracted for	**90,220**	120,217

In addition, the Group was committed at 31 December 2021 to enter into a new lease of 7 years that are not yet commenced, the lease payments under which amounted to USD610,000 (equivalent to RMB3,889,000) per annum with approximately 3% inflation in each subsequent year.

30 Material related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid individuals as disclosed in note 8, is as follows:

	2021 RMB'000	2020 RMB'000
Salaries and other benefits	**3,230**	1,465
Discretionary bonuses	**3,627**	213
Equity-settled share-based payment expenses	**44,965**	5,329
	51,822	7,007

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

30 Material related party transactions (continued)

(b) Related party transactions

During the years of 2021 and 2020, the directors are of the view that the following companies are related parties:

Name of the related party	**Relationship**
MicroPort Scientific Corporation ("MPSC")	Ultimate controlling party of the Group
Shanghai MicroPort Medical (Group) Co., Ltd. ("Shanghai MicroPort") (上海微創醫療器械（集團）有限公司)	Fellow subsidiary of the Group
Shanghai Safeway Co., Ltd. (上海安助醫療科技有限公司)	Fellow subsidiary of the Group
Medical Product Innovation, Inc	Fellow subsidiary of the Group
Suzhou MicroPort OrthoRecon Co., Ltd. (蘇州微創關節醫療科技有限公司)	Fellow subsidiary of the Group
Suzhou MicroPort Orthopaedics Scientific (Group) Co., Ltd. ("Suzhou Orthopaedics") (蘇州微創骨科學（集團）有限公司)	Fellow subsidiary of the Group
Milford Haven Global Limited	Fellow subsidiary of the Group
Robocath SAS	Equity-accounted investee of the Group
AccuPath Medtech (Jiaxing) Co., Ltd. ("AccuPath") (脈通醫療科技（嘉興）有限公司)	Equity-accounted investee of the ultimate controlling party of the Group (Note)
Shanghai Jushuo Investment Management Co., Ltd. ("Shanghai Jushuo") (上海巨碩投資管理有限公司)	Subsidiary of Shanghai Zhangjiang (Group) Co., Ltd. (a substantial shareholder of the ultimate controlling party of the Group)

Note: AccuPath was previously the fellow subsidiaries of the Group and became the equity-accounted investee of MPSC since January 2021.

30 Material related party transactions (continued)

(c) Financing arrangements

Shanghai MicroPort and the Company signed Renminbi Cash Pool Management Agreement (the "Agreement") with the Bank of China ("BOC") in 2018. According to the Agreement, Shanghai MicroPort and the Company allow BOC to transfer the balance or overdraft of their respective bank accounts into Shanghai MicroPort designated cash pooling account before the end of each business day, as entrusted loans to or from Shanghai MicroPort. The effective annual interest rates charged on the entrusted loans to or from Shanghai MicroPort was 2%.

In 2020, the loan of RMB170,000 in total borrowed from Shanghai MicroPort in 2019 was repaid by the Company, with finance costs of RMB1,000; in addition, the Company provided the loan of RMB70,414,000 to Shanghai MicroPort, which was collected in the same year, with interest income of RMB3,000.

(d) Other transactions

Particulars of the Group's other transactions with related parties are as follows:

	2021 RMB'000	2020 RMB'000
Purchase of goods from fellow subsidiaries and an equity-accounted investee of the ultimate controlling party	**8,649**	2,509
Purchase of goods from an equity-accounted investee	**10,308**	4,025
Service fee charged by a fellow subsidiary	**6,807**	4,542
Payment on behalf of the Group by a fellow subsidiary	**—**	2,199
Payment on behalf of equity-accounted investees	**17,748**	—
Receipt of subsidies by a fellow subsidiary on behalf of the Group	**—**	7,130
(Payment)/acquisition of equity-accounted investee from a fellow subsidiary	**(106,239)**	108,857
(Payment)/acquisition of other financial assets from the ultimate controlling party	**(37,873)**	38,366

30 Material related party transactions (continued)

(e) Leasing arrangements

(i) In November 2020, the Group entered into three-year leases in respect of certain leasehold properties from Suzhou Orthopaedics. At the commencement date of the lease, the Group recognised a right-of-use asset of RMB4,455,000 and a lease liability of RMB4,455,000.

(ii) In June 2021, the Group entered into six-year leases in respect of certain leasehold properties from Shanghai Jushuo. At the commencement date of the lease, the Group recognised a right-of-use asset of RMB19,006,000 and a lease liability of RMB18,610,000.

(f) Related party balances

The outstanding balances arising from the above transactions as at the end of each of the reporting periods are as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Receivables from related parties		
Non-trade related	**1,775**	11,155
Amounts due to related parties		
Trade related	**5,108**	8,361
Non-trade related	**7,594**	167,292
Loans and interests due to related parties	**356**	356

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

The related party transactions with the subsidiaries and the associate of MPSC constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided under the paragraph "Connected transactions" in the reports of the directors.

31 Company-level statement of financial position

	31 December 2021 RMB$'000	31 December 2020 RMB$'000
Non-current assets		
Property, plant and equipment	328,146	32,551
Intangible assets	2,213	565
Investments in subsidiaries	286,959	123,599
Equity-accounted investees	51,438	—
Other non-current assets	65,388	11,389
	734,144	168,104
Current assets		
Inventories	82,750	—
Trade and other receivables	97,396	15,524
Pledged deposits	8,212	793
Cash and cash equivalents	1,908,603	1,493,998
	2,096,961	1,510,315
Current liabilities		
Trade and other payables	150,134	170,966
Provisions	96	—
Lease liabilities	50,885	5,636
	201,115	176,602
Net current assets	1,895,846	1,333,713
Total assets less current liabilities	2,629,990	1,501,817
Non-current liabilities		
Contract liabilities	102	—
Provisions	397	—
Lease liabilities	149,793	8,755
Deferred income	7,821	15,271
	158,113	24,026
NET ASSETS	2,471,877	1,477,791
CAPITAL AND RESERVES (note 27(a))		
Share capital	958,594	900,000
Reserves	1,513,283	577,791
TOTAL EQUITY	2,471,877	1,477,791

32 Non-adjusting events after the reporting period

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%.

33 Immediate and ultimate controlling party

As at 31 December 2021, the directors consider the immediate parent of the Company to be Shanghai Latent AI Technology Co., Ltd., which is incorporated in the PRC and does not produce financial statements available for public use.

As at 31 December 2021, the directors consider the ultimate controlling party of the Company is MPSC, which is incorporated in Cayman Islands. MPSC is listed on the Main Board of The Stock Exchange of Hong Kong Limited and produces financial statements available for public use.

(Expressed in Renminbi unless otherwise indicated)

34 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual Improvements to HKFRSs 2018–2020	1 January 2022
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37, *Onerous Contracts — Cost of Fulfilling a Contract*	1 January 2022
Amendments to HKAS 1, *Classification of liabilities as current or non-current*	1 January 2023
HKFRS 17, *Insurance contracts*	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023
Amendments to HKFRS 10 and HKAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

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