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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Shanghai MicroPort MedBot (Group) Co., Ltd.**, you should at once hand this circular, together with the accompanying proxy form, to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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Shanghai MicroPort MedBot (Group) Co., Ltd.

上海微创医疗机器人(集团)股份有限公司

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

(Stock Code: 2252)

**(1) CONTINUING CONNECTED TRANSACTION
AND
(2) NOTICE OF THE EGM**

**Independent Financial Adviser to the Independent Board Committee and
Independent Shareholders**



Capitalised terms used on this cover shall have the same meanings as those defined in the section headed "Definitions" in this circular, unless the context requires otherwise.

Notice convening the EGM to be held at 10:00 a.m. on Friday, 30 December 2022 at 1601 Zhangdong Road, China (Shanghai) Pilot Free Trade Zone, Shanghai, PRC are set out on pages 43 to 45 of this circular. Form of proxy for use at the EGM is also enclosed in this circular. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (www.medbotsurgical.com) respectively.

Shareholders who intend to appoint a proxy to attend the EGM shall complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) or the Company's registered office in the PRC at Room 101, Area B, Building 1, 1601 Zhangdong Road, China (Shanghai) Pilot Free Trade Zone, Shanghai, PRC (for holders of Domestic Shares) as soon as possible but in any event not less than 24 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM if you so wish and in such event the form of proxy shall be deemed to be revoked. In light of the current requirements for the prevention and control of the COVID-19 pandemic, to minimize group gatherings, safeguard the health of the Shareholders and reduce public health risks and personal infection risks, the Company advises the Shareholders to exercise their voting rights at the EGM through voting by proxy.

13 December 2022

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Articles of Association”	the articles of association of the Company currently in force
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CAGR”	compound annual growth rate
“China” or the “PRC”	the People’s Republic of China, but for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Company”	Shanghai MicroPort Medbot (Group) Co., Ltd. (上海微创医疗机器人(集团)股份有限公司), a company incorporated in the PRC, the H Shares of which are listed on the main board of the Stock Exchange (Stock Code: 2252)
“Core Product”	has the meaning ascribed to it in Chapter 18A of the Listing Rules
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“DFVision”	DFVision [®] (蜻蜓眼 [®]) 3D Electronic Laparoscope (registered name in China)
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid for in RMB
“Domestic Shareholder(s)”	holder(s) of the Domestic Share(s)
“EGM”	the extraordinary general meeting of the Company to be convened and held at 1601 Zhangdong Road, China (Shanghai) Pilot Free Trade Zone, Shanghai, PRC on Friday, 30 December 2022 at 10:00 a.m., to consider and, if appropriate, to approve the resolution contained in the notice of the extraordinary general meeting which is set out on pages 43 to 45 of this circular, or any adjournment thereof
“FDA”	Food and Drug Administration of the USA

DEFINITIONS

“Group”	the Company and its subsidiaries
“H Share(s)”	the overseas listed foreign share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the main board of the Stock Exchange and such Domestic Share(s) converted into H Share(s) upon the Domestic Share(s) been approved for full circulation under the full circulation scheme
“H Shareholder(s)”	holder(s) of the H Share(s)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Honghu (鴻鵠)”	the SkyWalker™ Total Knee System (registered name in China of which is Honghu (鴻鵠®))
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors namely Dr. Li Minghua, Mr. Yao Haisong and Mr. Mui Wing Hong, to advise the Independent Shareholders in respect of the Sales Framework Agreement (including the proposed annual caps therefor) and the transactions contemplated thereunder
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Sales Framework Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders who are not required to abstain from voting at the EGM for the relevant resolution with respect to the Sales Framework Agreement
“Independent Third Party(ies)”	a person, or in the case of a company, the company or its ultimate beneficial owner(s), who is independent of and not connected with the Group and its connected persons and their respective ultimate beneficial owner(s) or their respective associates
“Latest Practicable Date”	8 December 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MicroPort”	MicroPort Scientific Corporation (微創醫療科學有限公司), an exempted company incorporated in the Cayman Islands with limited liability whose shares are listed on the main board of the Stock Exchange (stock code: 00853), and one of the controlling shareholders of the Company
“MicroPort Group”	MicroPort and its subsidiaries and associates excluding MicroPort CardioFlow Medtech Corporation (微創心通醫療科技有限公司) (stock code: 2160) and MicroPort Neurotech Limited (微創腦科學有限公司) (stock code: 2172)
“MicroPort CardioFlow”	MicroPort CardioFlow Medtech Corporation (微創心通醫療科技有限公司), a company incorporated in the Cayman Islands on 10 January 2019, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 2160)
“MicroPort Vision Power”	MicroPort Vision Power MedTech Shanghai Co., Ltd. (微創視神醫療科技(上海)有限公司), a company established in the PRC with limited liability
“MicroPort Sinica”	MicroPort Sinica Co., Ltd. (微創投資控股有限公司), (formerly known as MicroPort Group Co., Ltd. (上海微創投資控股有限公司)) being one of the controlling shareholders of the Company
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“NMPA”	National Medical Products Administration of the PRC
“Products”	the products subject to transactions contemplated under the Sales Framework Agreement namely Honghu (鴻鵠) and supporting accessories and consumables for surgical robot equipment
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Sales Framework Agreement”	the sales framework agreement entered into between the Company and MicroPort on 6 December 2022
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time

DEFINITIONS

“Shanghai Lantian”	Shanghai Lantian Enterprise Management Consultation Center (Limited Partnership) (上海藍恬企業管理諮詢中心(有限合夥)), a limited liability partnership established in the PRC
“Shanghai Latent”	Shanghai Latent Artificial Intelligence Co., Ltd. (上海默化人工智能科技有限公司), a company established in the PRC with limited liability, being one of the controlling shareholders of the Company
“Shanghai Maitian”	Shanghai Maitian Enterprise Management Consultation Center (Limited Partnership) (上海邁恬企業管理諮詢中心(有限合夥)), a limited liability partnership established in the PRC
“Shanghai Qinghe”	Shanghai Qinghe Enterprise Management Consultation Center (Limited Partnership) (上海擎赫企業管理諮詢中心(有限合夥)), a limited liability partnership established in the PRC
“Shanghai Qingmin”	Shanghai Qingmin Enterprise Management Consultation Center (Limited Partnership) (上海擎敏企業管理諮詢中心(有限合夥)), a limited liability partnership established in the PRC
“Shanghai Qingxing”	Shanghai Qingxing Enterprise Management Consulting Center (Limited Partnership) (上海擎興企業管理諮詢中心(有限合夥)), a limited liability partnership established in the PRC
“Shanghai Qingzhen”	Shanghai Qingzhen Enterprise Management Consultation Center (Limited Partnership) (上海擎禎企業管理諮詢中心(有限合夥)), a limited liability partnership established in the PRC
“Shanghai Songqing”	Shanghai Songqing Enterprise Consulting Center (Limited Partnership) (上海頌擎企業管理諮詢中心(有限合夥)), a limited liability partnership established in the PRC
“Share(s)”	share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, comprising the H Share(s) and the Domestic Share(s)
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“Toumai”	Toumai (圖邁 [®]) Laparoscopic Surgical Robot (registered name in China)

DEFINITIONS

“USA” the United States of America

“%” per cent

LETTER FROM THE BOARD



Shanghai MicroPort MedBot (Group) Co., Ltd.

上海微创医疗机器人(集团)股份有限公司

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

(Stock Code: 2252)

Executive Director:

Dr. He Chao

*Registered office, headquarters and
principal place of business in the PRC:*

Room 101, Area B, Building 1

1601 Zhangdong Road

China (Shanghai) Pilot Free Trade Zone

Shanghai

PRC

Non-executive Directors:

Mr. Sun Hongbin (*Chairman of the Board*)

Mr. Sun Xin

Mr. Chen Chen

Independent Non-executive Directors:

Dr. Li Minghua

Mr. Yao Haisong

Mr. Mui Wing Hong

Principal place of business in Hong Kong:

5/F, Manulife Place

348 Kwun Tong Road

Kowloon

Hong Kong

13 December 2022

To the Shareholders

Dear Sir/Madam,

**(1) CONTINUING CONNECTED TRANSACTION
AND
(2) NOTICE OF THE EGM**

INTRODUCTION

Reference is made to the announcement of the Company dated 6 December 2022 in relation to the Sales Framework Agreement. The purpose of this circular is to provide the Shareholders with, among others, (i) further details of the Sales Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps); (ii) a letter of recommendation from the Independent Board Committee in relation to the Sales Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps); (iii) a letter of advice from the Gram Capital to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM.

LETTER FROM THE BOARD

BACKGROUND

Development of the surgical robot industry

Surgical robots are medical device products that integrate medical, mechanics, biomechanics, computer vision, digital analysis and other disciplines. With the development of technology, surgical robots can provide doctors with precise support for surgical operations from the perspectives of sight and touch, and realize surgical operations beyond the natural capabilities of human. They assist surgeons in achieving precise control of surgical instruments, and have extensive applications and clinical needs in the fields of urology, gynecology, general surgery and orthopedics.

According to Frost & Sullivan, the size of the global surgical robot market was RMB82.34 billion in 2021. When taking both the newly installed machines and the use of consumables for surgical robots into consideration, the global surgical robot market will maintain a CAGR of 22.1% from 2021 to 2027, which is expected to reach RMB272.95 billion in 2027.

Commercialisation of Honghu (鴻鵠) and other products of the Group

The Company is a surgical robot company which has invested years in research and development with a product portfolio covering the five major and fast-growing surgical specialties of laparoscopic, orthopedic, panvascular, natural orifice and percutaneous surgical procedures. As at the Latest Practicable Date, the Group has three flagship products approved for launch by NMPA, namely Toumai (the Core Product of the Company), DFVision and Honghu (鴻鵠). As the first commercialized product of the Group, DFvision recorded sales in November 2021. Thus the Group's revenue for the year ended 31 December 2021 was at a very minimal level. Based on the current business plan of the Group, the sales channels of the products of the Group will be through its direct sales or designated dealers to hospitals or medical institutions. For direct sales, the Group's commercialization team takes up the promotion activities of surgical robots by capitalizing on its expertise and knowledge of the Group's products. For dealership, the Group selects experienced, qualified and strong partners as dealers according to the characteristics of approved products, and undertakes process functions such as bidding and tendering and terminal distribution. The Group will make full use of the geographical advantages and channel resources of dealers to shorten the lead time for securing end customers and improve the market penetration of the Group's products.

Honghu (鴻鵠), an orthopedic surgical robot designed for joint replacement surgery, is independently developed by the Group. It is also the first and currently the only orthopedic surgical robot that is solely developed by a Chinese enterprise, equipped with machinery arms with self-own intellectual property and approved for marketing as at the Latest Practicable Date. In April 2022, Honghu (鴻鵠) obtained the registration certificate for launch issued by NMPA to be used for total knee replacement surgery. In July 2022, Honghu (鴻鵠) has obtained a 510(k) clearance from the FDA, becoming the first and the only Chinese surgical robot cleared by the FDA as at the Latest Practicable Date. In addition, Honghu (鴻鵠) has also obtained the CE mark as of the Latest Practicable Date.

LETTER FROM THE BOARD

In order to quickly enter into the orthopedic surgical robot overseas market which is highly dominated by multinational corporations without encountering major market barriers and to outperform other surgical robot brands at a similar stage as Honghu (鴻鵠) as well as quickly establish and enhance Honghu (鴻鵠)'s reputation and recognition in overseas market, while continuously enhancing the Group's sales channels and business capabilities, the Group plans to have sales cooperation with the orthopedics business of MicroPort as one of its market exploration practices for the launch of Honghu (鴻鵠) at its early stage. The Company believes that, by entering into the Sales Framework Agreement, the Group would be able to leverage on the close relationship with the orthopedics business of the MicroPort Group, the extensive and solid sales channels of the orthopedics business of MicroPort and its strong clinical medical resources, so as to enter and expand the orthopedic surgical robot market to the Company's best effort. This could enable the Group to gain market share in the overseas orthopedic surgical robot market and promote the further development of the industry. Having considered the background of the MicroPort Group, the long-established relationship between the MicroPort Group and the Group and the benefit of the Sales Framework Agreement to the Group and the MicroPort Group, which are further elaborated as follows, the Board considered it is unlikely that the business relationship between the Group and the MicroPort Group will materially change that will have adverse impact to the Group:

- (i) the MicroPort Group is a leading medical device group focusing on innovating, manufacturing and marketing high-end medical devices globally. It operates in multiple international markets across multiple fields, including cardiovascular devices, orthopedics devices, cardiac rhythm management, endovascular and peripheral vascular devices, neurovascular devices, heart valve, surgical robot, surgical devices and other businesses. Boasting the history of over 60 years, the orthopedics business of MicroPort has a unique and important position in the global orthopedics field and built a comprehensive and extensive business network with a coverage of over 1,500 hospitals around the world. Its original medial-pivot knee system carries an advanced treatment concept, excellent and stable quality, and has around 20 years of successful clinical evidence with extraordinarily high prosthesis survival rate (98.8%) and patient satisfaction (95%). After years of market expansion and exploration, the orthopedics business of the MicroPort Group has accumulated superior clinical resources and customer bases, and built up premium market reputation with its well-recognized and high quality joint products and long-term reliable clinical verification data;
- (ii) there has been a long and stable cooperation history between the Group and the MicroPort Group. The Group was spun off from the MicroPort Group in 2021 and its history could be traced back to 2014 when it commenced the research and development for the laparoscopic surgical robot as an incubation project within the MicroPort Group. As at the Latest Practicable Date, the Company has entered into various continuing connected transactions with the MicroPort Group pursuant to the ordinary and usual business need of the Group, which include, among others, the grant of trademark, provision of products and materials and provision of services, details of which are set out in the Prospectus and announcement of the Company dated 24 January 2022. In relation to these ongoing transactions, the Company has not encountered any material problems

LETTER FROM THE BOARD

with the MicroPort Group. There had been no material disruption to the business relationship between the Group and the MicroPort Group. In addition, there had been no material dispute or complaint between the Company and MicroPort since it was spun off from the MicroPort Group; and

- (iii) as disclosed above, Honghu (鴻鵠) is the first and currently the only Chinese surgical robot that obtained a 510(k) clearance from the FDA. The Directors expect that Honghu (鴻鵠) will receive overwhelming responses from hospitals and surgeons as soon as it enters into the overseas market. MicroPort will also be benefited from the synergies resulting from the awareness and recognition of Honghu (鴻鵠) and therefore the future growth of the Group.

The Group has also executed a series of marketing and commercialization activities to promote Honghu (鴻鵠) in order to penetrate into the under-penetrated surgical robot target market in the PRC, which is expected to be the primary market of Honghu (鴻鵠). According to Frost & Sullivan, the PRC market for orthopedic surgical robot is still at the early stage of the development, and it is expected to reach RMB4 billion by 2027, with a CAGR of 38.4%. As the Company has concrete plans to develop the PRC market for Honghu (鴻鵠), as well as for other flagship products in and outside the PRC, it is expected that the proportion of revenue of the Group attributable to the transactions contemplated under the Sales Framework Agreement out of the total revenue of the Group will be gradually outweighed over time when the Group has established its customer base and dealership network, which is further elaborated as follows:

- (i) the Group has developed its independent commercialization teams and channels to provide hospitals with comprehensive services, such as training, surgery support and so on. The Group has been enhancing its direct marketing efforts (as more particularized below), in particular in the PRC market. Members of the commercialization team were recruited by the Group independently. As at the Latest Practicable Date, the Group has a commercialization team consist of more than 200 employees national-wide covering the full spectrum of sales, training, after-sale maintenance and adjustments. Half of them have more than 8 years' experience in surgical robot or medical devices industry, and in particular, Mr. Liu Yu (劉雨), the chief commercial officer of the Company has around 30 years of experience in marketing of pharmaceuticals and medical devices. In particular, from July 2008 to 2019, Mr. Liu Yu (劉雨) served as senior management in corporations for distribution, sales and marketing of Intuitive Surgical's da Vinci Surgical Robot Systems in China.
- (ii) Toumai, being the Core Product, has obtained the registration certificate for launch to be used in urological surgery issued by the NMPA in the first half of 2022, becoming the first four-arm laparoscopic surgical robot developed by a Chinese enterprise and approved for launch. As at the Latest Practicable Date, the commercialization team of the Group have undergone big marketing campaign to reach out to surgeons in the PRC, who are the ultimate end-users of surgical robots and medical devices and thus, the bridges to connect the Group's products to the hospitals, who are the end-customers of the Group.

LETTER FROM THE BOARD

The satisfaction and recognition from the surgeons will gradually generate the procurement initiative of the hospitals for the products of the Group. In order to improve the Group's awareness and recognition among hospitals and surgeons to make full preparations for large-scale commercialization and sales, the Group conducts large-scale trainings for surgeons to help them understand the clinical value and operation methods of the Group's products. As at the Latest Practicable Date, the Group has built over 20 training centres for Toumai that provided training for more than 800 surgeons, and a majority of them have expressed strong interests in Toumai. In 2022, Toumai has completed more than 900 clinical trainings procedures, which has enhanced surgeons communication and patient education, laying a solid foundation for further enhancing the recognition of Toumai as well as its subsequent large-scale commercialization. As such, the Company expects the revenue contributable to Sales Framework Agreement will be further reduced upon the sale of Toumai.

- (iii) As at 31 October 2022, the Group has established clinical and training centres in several cities in China, including but not limited to Shanghai, Beijing, Guangzhou, Gansu, Hangzhou. As at the Latest Practicable Date, the Group has built over 10 training centres for Honghu (鴻鵠) that provided training for more than 200 surgeons, and a majority of them have expressed strong interests in Honghu (鴻鵠). In 2022, Honghu (鴻鵠) has completed more than 250 clinical trainings procedures. The Company has received overwhelming responses from hospitals and surgeons in relation to the application of Honghu (鴻鵠). The commercialization team of the Group, with its primary coverage in the PRC market, will take initiative to reach out to those hospitals and surgeons which express interest in Honghu (鴻鵠) during the clinical trainings for further negotiation of sales orders. As such, the Company expects the revenue contributable to Sales Framework Agreement will be reduced upon the sale of Honghu (鴻鵠) realized by the commercialization team of the Group in the PRC.

Currently, the penetration rate for application of surgical robots in surgical procedures is still very low in the PRC market as well as the overseas market, the Group believes that its products have great potential and will be well received by the market. As the Group has just begun commercialization for DFVision, Honghu (鴻鵠) and Toumai, and soon other products will follow and is undergoing a wide range of marketing activities for these products, it will take some time for the Group to establish its customer base for its products. Based on the currently available information to the Group, and to the Group's best estimation as at the Latest Practicable Date, the Company expects that a majority of the revenue of the Group will be attributable to the Independent Third Party customers for the year ending 31 December 2023 and the Company believes that the revenue contributable to the Sales Framework Agreement will be gradually outweighed in the total revenue of the Group. The Company will from time to time to review and evaluate the conditions including but not limited to the landscape of overseas market, the cost and efficiency of conducting overseas market's further exploration by the Group's own commercialization team.

LETTER FROM THE BOARD

CONTINUING CONNECTED TRANSACTION

On 6 December 2022 (after trading hours), the Company and MicroPort entered into the Sales Framework Agreement, which sets out the principal terms for the sale of the Products by the Group to the MicroPort Group. The principal terms of the Sales Framework Agreement are set out below:

- Date:** 6 December 2022
- Parties:** (i) MicroPort, for and on behalf of its subsidiaries and associates; and
(ii) the Company, for and on behalf of its subsidiaries.
- Scope:** The Group agreed to sell and the MicroPort Group agreed to purchase the Products, for the purposes of the commercialization and distribution of the Products in the relevant target markets, which includes (i) surgical robot equipment (namely Honghu (鴻鶴)); and (ii) surgical robot equipment supporting accessories and consumables.
- Term:** The term of the Sales Framework Agreement commences upon the obtaining the Independent Shareholders' approval at the EGM or from 1 January 2023 (whichever is the later) to 31 December 2025 (both days inclusive).
- Pricing and other terms:** The parties to the Sales Framework Agreement have agreed as follows:
- (i) the parties shall enter into specific agreements which will set out the necessary terms and conditions for the relevant transactions contemplated under the Sales Framework Agreement in the ordinary course of business after arm's length negotiations on normal commercial terms; and
 - (ii) such specific agreements shall conform with the principles and provisions set out in the Sales Framework Agreement.

LETTER FROM THE BOARD

Annual caps: Pursuant to the Sales Framework Agreement, it is proposed that the annual caps for the transactions contemplated thereunder for the three years ending 31 December 2025 are expected not to exceed the following:

	For the year ending 31 December		
	2023	2024	2025
	<i>(RMB in millions)</i>		
Annual caps	80	150	215

There was no historical transaction between the Group and the MicroPort Group with respect of the sale of the Products. After taking into account of the commercialization plan for each stage upon the listing of Honghu (鴻鵠) with the benefit of the rapid clinical demand for orthopedic surgical robot, the excellent quality of PRC's surgical robot proven by clinical trial, the proposed annual caps for the transactions contemplated under the Sales Framework Agreement were determined after considering the following factors:

- (i) the price of the Products based on the pricing policy as more particularized in the section headed "Pricing Policy" below;
- (ii) the estimated number of the installation of joint replacement surgical robot in the USA, for the three years ending 31 December 2025 provided by Frost & Sullivan, as the largest market for the orthopedics surgical robots, the USA market represents a market share of over half of the global market;
- (iii) the estimated global installation of Honghu (鴻鵠) based on (A) the estimated global market share of Honghu (鴻鵠) (based on (a) the global market share of orthopedics business of the MicroPort Group as at 31 December 2021 and an assumption that such market share will remain stable for the three years ending 31 December 2025; and (b) the assumption that the market share of the Products in the relevant target markets will be able to gradually expand leveraging the sales channels (including the strong clinical medical resources of the MicroPort Group)); (B) the estimated number of the installation of joint replacement surgical robot in the targeted global market for the three years ending 31 December 2025 based on the estimation mentioned in (ii) above; and (C) the requirement of Honghu (鴻鵠) for commercialization purpose for 2023;

LETTER FROM THE BOARD

- (iv) the estimated annual consumption of the supporting accessories and consumables per surgical robot for the joint replacement surgeries in the USA market calculated based on the market data provided by Frost & Sullivan, and the accumulated global installation of Honghu (鴻鵠) (which was arrived from (iii) above);
- (v) in terms of the surgical robot equipment, as according to the market price range of similar products sold to end customers in the relevant target market(s), such market price does not exceed (approximately) RMB18 million per unit as indicated in the latest industry report issued by Frost & Sullivan; and
- (vi) an estimation of 10% buffer for fluctuation of (including) market prices and currency exchange rate.

For the avoidance of doubt, the above assumptions are used for the determination of the annual caps under the Sales Framework Agreement only based on the latest industry report issued by Frost & Sullivan, which are not an indication of the actual prices to be charged for the Products or the market demand of the Products. The actual prices of the Products will be determined based on the prevailing market conditions exist at the time of the sales, details of which are discussed in the section headed “Internal Control Measures” below.

Pricing Policy

Pursuant to the Sales Framework Agreement, the MicroPort Group was engaged to commercialise, market and sell the Products in the relevant target markets. All the Products will be sold to the MicroPort Group directly without involving any dealers under the Sales Framework Agreement. Apart from the Final Price (as defined below), the MicroPort Group will not receive any further commission or distribution fee pursuant to the Sales Framework Agreement. In order to ensure the transactions conducted under the Sales Framework Agreement are on normal commercial terms, the Company will take into account the market data obtained from Frost & Sullivan in the relevant target markets to determine the pricing policy for the Products. As a general principle, the prices to be charged by the Group under the Sales Framework Agreement for the sale of the Products will be determined in accordance with the following pricing principles:

- (i) For surgical robot equipment, the price to be charged by the Group will be determined after arms’ length negotiation with reference to:
 - (a) the market price range of similar products sold to the end customers in the relevant target market based on the latest industry report issued by Frost & Sullivan with specialization in the orthopedics sector engaged by the Group;

LETTER FROM THE BOARD

- (b) the range of market commission rate for the dealers to sell similar products in the relevant target market based on the latest industry report issued by Frost & Sullivan; and
 - (c) the prices of the same products in the relevant target market under similar conditions offered by the Group to other Independent Third Party dealers (if available) within six months of the subject transaction.
- (ii) For surgical robot equipment supporting accessories and consumables, the price to be charged by the Group will be determined after arms' length negotiation with reference to:
- (a) the market prices of similar products in the relevant target market sold by other companies to Independent Third Parties. If the market prices of similar products are not available to the Group, the market price range for similar accessories and consumables in the relevant target market based on the latest industry report issued by Frost & Sullivan; and
 - (b) the prices of the same products under similar conditions in the relevant target market offered by the Group to other Independent Third Party dealers (if available) within six months of the subject transactions.

As at the Latest Practicable Date, the Group had not engaged any Independent Third Party dealers for the sales of the Products. It is expected that the prices of the Products to be charged by the Group to the MicroPort Group shall not be more favorable to the Group than prices charged to Independent Third Party dealers for the same Products under similar conditions in the relevant target market. The Group will sell the Products to the MicroPort Group on a non-exclusive basis and will sell the Products to Independent Third Parties or engage other dealers.

The Directors consider that the above relevant procedures conducted by the Group in determining the Products prices chargeable and terms under a specific agreement can ensure the transactions contemplated under the Sales Framework Agreement will be conducted on normal commercial terms and not prejudicial to the interest of the Company and Shareholders.

Internal Control Measures

The pricing policies for all the continuing connected transactions of the Group will be supervised and monitored by the relevant personnel and management of the Group in charge to ensure the relevant continuing connected transaction is conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders as a whole. In particular,

- (i) as mentioned in the section headed "Pricing Policy" in this circular, the Group will make reference to market price of similar products and market commission rate as dealers in the relevant target market for pricing the Products under the Sales Framework Agreement. The Group will involve Frost & Sullivan to conduct market search to

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ascertain the market price range for the similar products sold to the end customers in the relevant target market and the range of market commission rate for the dealers selling similar products in such target market and issue an industry report on an annual basis for the purpose of determining the price to be charged by the Group to the MicroPort Group as well as to Independent Third Party dealers for the Products. Such industry report will be updated annually. The business department of the Group consists of experienced sale staffs focused in the surgical robot/medical device sector. They will conduct market search, based on their experience, to collect the prices for the similar products in the relevant target markets sold by other companies to the end customers (if available) and the market commission rate of dealers for selling the similar products in the relevant target markets (if available). Should the business department aware that the prices and/or the commission rate are not within the End-price Range (as defined below) and/or the Commission Range (as defined below), it shall immediately report the same to the board affair department. The board affair department will then consult with Frost & Sullivan to ascertain if there is any material fluctuation of market prices and/or commission rate, and to prepare a latest industry report as appropriate.

Before signing any specific agreement for the sale of the Products, the board affairs department will make reference to market price range of similar products (the “**End-price Range**”) and the commission rate range to be charged by dealers (the “**Commission Range**”) in the relevant target markets contained in the latest industry report to work backwards to find out the price that the Group should charge to the MicroPort Group and the business team of the Group will then negotiate with the MicroPort Group to ascertain a final price (the “**Final Price**”) to be charged by the Group after considering the quantity of the order, the delivery schedule, the purpose for usage and the cost of transportation. Such determination basis will also apply to transactions with the Independent Third Parties. The business team will also obtain the transaction details of at least three (if available) comparable transactions conducted by the Group with Independent Third Party dealers (if any) within six months of the subject transaction for determining the terms of the Products to be sold to the MicroPort Group. The Final Price shall in any event no favourable than the prices offered by the Group to the Independent Third Party dealers for comparable transactions (if any). All the relevant documents, together with the specific agreement shall be reviewed and approved by the board affairs department and the finance department to ensure the terms of the Products to be sold to the MicroPort Group are on normal commercial terms and no more favourable than terms for the same Products offered to Independent Third Party dealers for comparable transactions under similar conditions (if any);

- (ii) the finance department and the board affairs department of the Group will supervise and monitor the individual agreements to be entered into between the Group and the MicroPort Group pursuant to the Sales Framework Agreement to ensure that their respective pricing policies are in compliance with the terms of the Sales Framework Agreement;

LETTER FROM THE BOARD

- (iii) the management team will ensure that the actual transaction amounts do not exceed the relevant annual caps set out under the Sales Framework Agreement. The finance department of the Group will prepare and provide a designated management account on a monthly basis for the continuing connected transaction amounts under the Sales Framework Agreement. In the event that the transaction amounts of any continuing connected transaction expected to be incurred during the financial year will reach 80% of the relevant annual caps, the functional department shall report to the management and consider to take actions to ensure the compliance with the requirements under the Listing Rules, including obtaining the approval from Independent Shareholders, if necessary; and
- (iv) if any amendment or adjustment is required to be made to the terms of the individual agreements (including but not limited to the Products prices) under the Sales Framework Agreement, subject to such amendment or adjustment being in compliance with the Sales Framework Agreement and the Listing Rules, the business team of the Group will file an application with, among others, the board affairs department of the Company for approval.

The independent non-executive Directors will continue to review the management's annual review reports on the transactions contemplated under the relevant continuing connected transaction and the auditors of the Company will review the transactions contemplated under Sales Framework Agreement annually to check and confirm, among others, whether the pricing policies have been adhered to, whether the transactions were conducted in accordance with the Sales Framework Agreement and whether the relevant proposed annual caps have been exceeded.

Accordingly, the Directors consider that the internal control mechanism is effective to ensure that the transactions contemplated under the Sales Framework Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

Reasons for and Benefits of Entering into the Sales Framework Agreement

The Company is a top-tier surgical robot company dedicated to designing, developing and commercializing surgical robots to assist surgeons in performing complex surgical procedures.

Please refer to the section headed "Background" in this circular. The Group is of the view that, given the established and comprehensive global commercialization and distribution network of the MicroPort Group, the execution of the Sales Framework Agreement enables the followings: (1) the Group will be able to make full use of the advantages of MicroPort's position in the orthopedics industry to diversify international market access of the Group, and quickly establish and enhance Honghu (鴻鵠)'s reputation and recognition in global market; (2) the Group will be able to expedite our international market rollout, seize more global market opportunities with accelerating client base expansion, by leveraging on MicroPort's well-established sales channels in global orthopedic industry; and (3) the Group is expected to be favoured with the synergy from the corporation with MicroPort and substantially enhance the efficiency and effectiveness of Honghu (鴻鵠)'s commercialization and distribution.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors whose views have been expressed in this circular) are of the view that the terms of the Sales Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps thereof) are fair and reasonable, on normal commercial terms and will be conducted in the ordinary course of business of the Group and in the interests of the Company and its Shareholders as a whole.

Information on MicroPort and the Group

MicroPort

MicroPort is a leading medical technology company that develops, manufactures and sells high-end interventional medical devices, whose shares are listed on the main board of the Stock Exchange (stock code: 00853). As at the Latest Practicable Date, MicroPort is one of the controlling shareholders of the Company.

The Group

The Group is principally engaged in designing, developing and commercializing surgical robots to assist surgeons in performing complex surgical procedures.

Listing Rules Implications

As at the Latest Practicable Date, MicroPort is one of the controlling shareholders of the Company. Therefore, MicroPort is a connected person of the Company under the Listing Rules, and the transactions contemplated under the Sales Framework Agreement constitute a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) in respect of the highest amount of the annual caps under the Sales Framework Agreement exceed 5%, the transactions contemplated under the Sales Framework Agreement are subject to the reporting, annual review, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Board Approval

Mr. Sun Hongbin, the non-executive Director and chairman of the Board, who also holds management positions in MicroPort, has abstained from voting on the relevant board resolutions of the Company. Apart from Mr. Sun Hongbin, none of the Directors has or is deemed to have a material interest in the Sales Framework Agreement and the transactions contemplated thereunder and is required to abstain from voting on the relevant Board resolutions approving the Sales Framework Agreement.

THE EGM

The notice of the EGM is set out on pages 43 to 45 of this circular.

LETTER FROM THE BOARD

As at the Latest Practicable Date, MicroPort through its indirectly wholly owned subsidiary Shanghai Latent holds 483,767,176 Shares. Pursuant to a concert party agreement, Shanghai Latent and Shanghai Qingzhen are parties acting-in-concert. Thus, the 16,963,831 Shares held by Shanghai Qingzhen and the 483,767,176 Shares held by Shanghai Latent, representing approximately 52.24% of the total issued share capital of the Company, shall abstain from voting at the EGM on the resolution in relation to the Sales Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps). Save as disclosed above, none of the other Shareholders has a material interest in the Sales Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) and is required to abstain from voting on the relevant resolution in the EGM.

For determining the eligibility of the holders of H Shares to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 28 December 2022 to Friday, 30 December 2022, both days inclusive, during which period no transfer of H Shares will be registered. In order to be eligible to attend and vote at the EGM, all transfer of H Shares documents, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 23 December 2022.

PROXY ARRANGEMENT

Form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (www.medbotsurgical.cn). Whether or not you intend to attend the EGM, you are required to complete and sign the form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) or the Company's registered office at, Room 101, Area B, Building 1, 1601 Zhangdong Road, China (Shanghai) Pilot Free Trade Zone, Shanghai, PRC (for holders of Domestic Shares) not less than 24 hours before the time fixed for the holding of the EGM or any adjournment thereof. Completion and delivery of the form of proxy shall not preclude you from attending and voting in person at the EGM if you so wish and in such event the form of proxy shall be deemed to be revoked.

VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any resolution put to the vote of the Shareholders at a general meeting must be taken by poll except where the chairman of the EGM, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. An announcement on the poll results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out in this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Sales Framework Agreement and the proposed annual caps for the continuing connected transaction contemplated thereunder; and (ii) the letter from the Gram Capital set out in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Sales Framework Agreement and the proposed annual caps for the continuing connected transaction contemplated thereunder, as well as the principal factors and reasons taken into account by the Gram Capital in arriving at its advice. Having taken into account the terms of the Sales Framework Agreement, the information provided in the letter from the Board and the letter from the Gram Capital, the Independent Board Committee considers that (i) the terms of the Sales Framework Agreement (including the proposed annual caps) are on normal commercial terms and are fair and reasonable; and (ii) the transactions contemplated under the Sales Framework Agreement (including the proposed annual caps) are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favor of the ordinary resolution as set out in the notice of EGM and to be proposed at the EGM for approving the Sales Framework Agreement and the transactions contemplated thereunder and the proposed annual caps.

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



Shanghai MicroPort MedBot (Group) Co., Ltd.

上海微创医疗机器人(集团)股份有限公司

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

(Stock Code: 2252)

13 December 2022

To the Independent Shareholders

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTION

We refer to the circular issued by the Company to the Shareholders dated 13 December 2022 (the “**Circular**”) which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as the members of the Independent Board Committee to consider the Sales Framework Agreement and to advise you in respect of the Sales Framework Agreement and the transactions contemplated thereunder and the proposed annual caps under the Sales Framework Agreement, details of which are set out in the “Letter from the Board” on page 6 to 19 of the Circular. Gram Capital has been appointed as the Independent Financial Adviser in this regard.

We wish to draw your attention to the “Letter from the Board” and the “Letter from Gram Capital” as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, Gram Capital as set out in their letter of advice, we are of the view that (a) the terms of the Sales Framework Agreement (including the proposed annual caps) are on normal commercial terms and are fair and reasonable; and (b) the transactions contemplated under the Sales Framework Agreement (including the proposed annual caps) are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders vote in favour of the ordinary resolution for approving the Sales Framework Agreement and the transactions contemplated thereunder and the proposed annual caps under the Sales Framework Agreement at the EGM.

Yours faithfully,

For and on behalf of the Independent Board Committee of
Shanghai MicroPort MedBot (Group) Co., Ltd.

Dr. Li Minghua
Independent
non-executive Director

Mr. Yao Haisong
Independent
non-executive Director

Mr. Mui Wing Hong
Independent
non-executive Director

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transaction for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

13 December 2022

*To: The independent board committee and the independent shareholders
of Shanghai MicroPort MedBot (Group) Co., Ltd.*

Dear Sirs,

CONTINUING CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Sales Framework Agreement and the transactions contemplated thereunder (the “**Transaction**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 13 December 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 6 December 2022, the Company and MicroPort entered into the Sales Framework Agreement, pursuant to which the Group agreed to sell and the MicroPort Group agreed to purchase the Products, for the purposes of the commercialization and distribution of the Products in relevant targeted markets, commencing from the obtaining the Independent Shareholders’ approval at the EGM or from 1 January 2023 (whichever is the later) to 31 December 2025.

According to the Board Letter, the Transaction constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to reporting, annual review, announcement, circular and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Dr. Li Minghua, Mr. Yao Haisong and Mr. Mui Wing Hong (all being the independent non-executive Director) has been established to advise the Independent Shareholders on (i) whether the terms of the Transaction are on normal commercial terms and are fair and reasonable; (ii) whether the Transaction is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of

LETTER FROM GRAM CAPITAL

the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Transaction at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

We were not aware of (i) any relationships or interests between Gram Capital and the Company; or (ii) any services provided by Gram Capital to the Company, during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Sales Framework Agreement. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, MicroPort or their respective subsidiaries or associates (where applicable), nor have we considered the taxation

LETTER FROM GRAM CAPITAL

implication on the Group or the Shareholders as a result of the Transaction. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transaction, we have taken into consideration the following principal factors and reasons:

Information on the Group

With reference to the Board Letter, the Group is principally engaged in designing, developing and commercializing surgical robots to assist surgeons in performing complex surgical procedures. According to Frost & Sullivan, the size of the global surgical robot market (which the Group is principally engaged in) was RMB82.34 billion in 2021.

Surgical robots are medical device products that integrate medical, mechanics, biomechanics, computer vision, digital analysis and other disciplines. With the development of technology, surgical robots can provide doctors with precise support for surgical operations from the perspectives of sight and touch, and realize surgical operations beyond the natural capabilities of human. They assist surgeons in achieving precise control of surgical instruments, and have extensive applications and clinical needs in the fields of urology, gynecology, general surgery and orthopedics.

Information on MicroPort

With reference to the Board Letter, MicroPort is a leading medical technology company that develops, manufactures and sells high-end interventional medical devices, whose shares are listed on the main board of the Stock Exchange (stock code: 00853). As at the Latest Practicable Date, MicroPort is one of the controlling shareholders of the Company.

Reasons for and benefits of the Transaction

Reasons for and benefits of the Transaction are set out under the section headed “Reasons for and Benefits of the Entering into the Sales Framework Agreement” of the Board Letter.

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With reference to the Board Letter, the Group is of the view that, given the established and comprehensive global commercialization and distribution network of the MicroPort Group, the execution of the Sales Framework Agreement enables the followings: (1) the Group will be able to make full use of the advantages of MicroPort's position in the orthopedics industry to diversify international market access of the Group, and quickly establish and enhance Honghu (鴻鵠)'s reputation and recognition in global market; (2) the Group will be able to expedite its international market rollout, seize more global market opportunities with accelerating client base expansion, by leveraging on MicroPort's well-established sales channels in global orthopedic industry; and (3) the Group is expected to be favoured with the synergy from the corporation with MicroPort and substantially enhance the efficiency and effectiveness of Honghu (鴻鵠)'s commercialization and distribution.

Pursuant to the Sales Framework Agreement, Honghu (鴻鵠) is one of the major products under the Sales Framework Agreement.

With reference to the Company's interim report for the six months ended 30 June 2022 (the "2022 Interim Report"), as at the date thereof, the Company had three flagship products, Toumai, DFVision and Honghu (鴻鵠), all of which have entered the Green Path, and were approved by the NMPA. In the meantime, Honghu (鴻鵠) also received 510(k) clearance from the Food and Drug Administration in USA in July 2022. The Group also achieved satisfactory progress in the innovation, research and development as well as the industrialization in respect of other products during the first half of 2022.

Honghu (鴻鵠) is an orthopedic surgical robot designed for joint replacement surgery independently developed by the Group. It enjoys technical advantages such as precise operation, efficient synergy, safety protection and strong compatibility. Before surgery, its planning system can assist surgeons to formulate personalized prosthesis implantation plans based on patients' preoperative CT scan data and prosthesis model data. During surgery, the precise positioning from surgical planning and the utilization of registration technology in combination with the self-developed highly dexterous and lightweight robotic arm(s) allow for an osteotomy to be quickly completed, thus helping to improve the accuracy and efficiency of the operation. Honghu (鴻鵠) avoids the need for positioning the medullary cavity in traditional surgery. As there is no intramedullary rod implantation during the surgery, Honghu (鴻鵠) reduces surgical damage and blood loss, improves the postoperative lower limb alignment, reduces surgical complications, and helps patients achieve faster recovery after surgery.

As stated in the 2022 Interim Report, 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 testing and so on. During the first half of 2022, as the Group's product has successively obtained approval and officially launch for sales, the Group has expanded its marketing team accordingly, which has helped the Group to continuously improve its product marketing system, enhance service capabilities and optimize brand image.

LETTER FROM GRAM CAPITAL

As confirmed by the Directors, at present, the abovementioned consultant marketing team is mainly focus on the PRC market. It is expected that the exploration for the overseas market requires longer time, more cost and bear inherent risks. The Directors further advised that they consider the MicroPort Group has extensive experience in clinical and commercialization in orthopedic industry in overseas market. In addition, the Transaction will enable the Group to diversify its international market access, and quickly establish and enhance Honghu (鴻鵠)'s reputation and recognition in global market. We also noted from MicroPort's interim report for the six months ended 30 June 2022, the MicroPort Group has eight major business segments (including orthopedics devices). As at 30 June 2022, the MicroPort Group (also through its associated companies) held more than 7,580 patents (including applications) around the world, penetrated over 20,000 hospitals in more than 80 countries and regions.

By entering into the Sales Framework Agreement, the Group shall sell and the MicroPort Group shall purchase the Products, for the purposes of the commercialization and distribution of the Products in the targeted market, which are revenue in nature.

In light of the above, we consider that the Transaction is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

Principal terms of the Transaction

The tables below summarise the major terms of the Transaction, details of which are set out under the section headed "CONTINUING CONNECTED TRANSACTION" of the Board Letter:

Date

6 December 2022

Parties

- (i) MicroPort, for and on behalf of its subsidiaries and associates; and
- (ii) the Company, for and on behalf of its subsidiaries.

Term

The term of the Sales Framework Agreement commences upon the obtaining the Independent Shareholders' approval at the EGM or from 1 January 2023 (whichever is the later) to 31 December 2025 (both days inclusive).

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Scope

The Group agreed to sell and the MicroPort Group agreed to purchase the Products, for the purposes of the commercialization and distribution of the Products in relevant target markets, which includes (i) surgical robot equipment (namely Honghu (鴻鶴)); and (ii) surgical robot equipment supporting accessories and consumables.

As advised by the Directors, the major target markets where the MicroPort Group currently intended to distribute the Products include the USA market, the European market, etc..

Pricing and other terms

The parties to the Sales Framework Agreement have agreed as follows:

- (i) the parties shall enter into specific agreements which will set out the necessary terms and conditions for the relevant transactions contemplated under the Sales Framework Agreement in the ordinary course of business after arm's length negotiations on normal commercial terms; and
- (ii) such specific agreements shall conform with the principles and provisions set out in the Sales Framework Agreement.

Pricing Policy

Pursuant to the Sales Framework Agreement, the MicroPort Group was engaged to commercialise, market and sell the Products in the relevant target markets. All the Products will be sold to the MicroPort Group directly without involving any dealers under the Sales Framework Agreement. Apart from the Final Price, the MicroPort Group will not receive any further commission or distribution fee pursuant to the Sales Framework Agreement. In order to ensure the transactions conducted under the Sales Framework Agreement are on normal commercial terms, the Company will take into account the market data obtained from Frost & Sullivan in the relevant target markets to determine the pricing policy for the Products. As a general principle, the prices to be charged by the Group under the Sales Framework Agreement for the sale of the Products will be determined in accordance with the following pricing principles:

- (i) *For surgical robot equipment, the price to be charged by the Group will be determined after arms' length negotiation with reference to:*
 - (a) the market price range of similar products sold to the end customers in the relevant target market based on the latest industry report issued by Frost & Sullivan with specialization in the orthopedics sector engaged by the Group;

LETTER FROM GRAM CAPITAL

- (b) the range of market commission rate for the dealers to sell similar products in the relevant target market based on the latest industry report issued by Frost & Sullivan; and
- (c) the prices of the same products in the relevant target market under similar conditions offered by the Group to other Independent Third Party dealers (if available) within six months of the subject transaction.

(the “**Pricing Principle I**”)

(ii) *For surgical robot equipment supporting accessories and consumables, the price to be charged by the Group will be determined after arms’ length negotiation with reference to:*

- (a) the market prices of similar products in the relevant target market sold by other companies to Independent Third Parties. If the market prices of similar products are not available to the Group, the market price range for similar accessories and consumables in the relevant target market based on the latest industry report issued by Frost & Sullivan; and
- (b) the prices of the same products under similar conditions in the relevant target market offered by the Group to other Independent Third Party dealers (if available) within six months of the subject transactions.

(the “**Pricing Principle II**”)

As at the Latest Practicable Date, the Group had not engaged any Independent Third Party dealers for the sales of the Products. It is expected that the prices of the Products to be charged by the Group to the MicroPort Group shall not be more favorable to the Group than prices charged to Independent Third Party dealers for the same Products under similar conditions in the relevant target market. The Group will sell the Products to the MicroPort Group on a non-exclusive basis and will sell the Products to Independent Third Parties or engage other dealers.

Based on our independent research on continuing connected transactions conducted by other companies which were listed on the Stock Exchange involving the sales of materials/products to their connected persons, we noted that the comparing sales prices to independent third parties for same/similar products was one of the commonly adopted pricing policies adopted in the continuing connected transactions and normally there would be at least two similar transactions for comparison purposes.

According to above, both the Pricing Principle I and Pricing Principle II were comparing relevant prices to Independent Third Parties for similar products, which, in principle, are in line with the commonly adopted pricing policies adopted in continuing connected transactions.

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As advised by the Directors, as at the Latest Practicable Date, there was no historical transaction between the Group and the MicroPort Group or Independent Third Party dealers with respect of the sale of the Products under the same/similar arrangement. For the purpose of collect market information, the Company will involve Frost & Sullivan to conduct market search to ascertain the market prices range for the similar products sold to the end customers in the relevant target market and the range of market commission rate for the dealers selling similar products in such target markets and issue an industry report on an annual basis.

Upon our request, we understood from the Directors that they intended to engage Frost & Sullivan as the independent industry consultant to conduct the abovementioned market search for market prices range and market commission rate range. Having considered the background information and experience of Frost & Sullivan as detailed in the section headed “Proposed annual caps” below, we consider the proposed engagement of Frost & Sullivan as the Company’s independent industry consultant to be appropriate. Nevertheless, as confirmed by the Directors, in case the Company intends to engage an industry consultant other than Frost & Sullivan, the Company will assess the background, experience, reputation, manpower, etc. of the potential industry consultant and such engagement will be final approved by senior management of the Company.

Under this arrangement, we are of the view that although the Group did not have any historical transaction with Independent Third Party deal for comparison purpose when determining the pricing with the MicroPort Group, the Group will be able to obtain the market information on relevant pricing by making reference to the industry report.

Moreover, we also understood that the Group’s business department (comprising experienced sale staffs focused in the surgical robot/medical device sector), will conduct market search, based on their experience, to collect the prices for the similar products in the relevant target markets sold by other companies to the end customers (if available) and the market commission rate of dealers for selling the similar products in the relevant target markets (if available). Should the business department be aware that the prices and/or the commission rate are not within the End-price Range and/or the Commission Range, it shall immediately report the same to the board affair department. The board affair department will then consult with Frost & Sullivan to ascertain if there is any material fluctuation of market prices and/or commission rate, and to prepare a latest industry report as appropriate. We consider that the Group is able to obtain the latest market information under this arrangement.

Having considered above factors, in particular, (i) price of the Products will be determined based on market prices/commission rate, the information of which were sourced from latest industry report issued by Frost & Sullivan engaged by the Group, and (if applicable) prices of same products under similar conditions in the relevant target market offered by the Group to the Independent Third Party dealers; and (ii) the determination of selling price of products with reference to prevailing market rate of such

LETTER FROM GRAM CAPITAL

products are widely adopted as pricing policies for continuing connected transactions of other listed companies on the Stock Exchange, we are of the view that pricing policies for the Transaction are fair and reasonable.

Internal control policies

We understood that the Group formulated certain internal control rules to ensure the fairness pricing of the Transaction. Details of the internal control rules are set out in the section headed “Internal Control Measures” of the Board Letter.

Having considered that (i) Frost & Sullivan will be engaged by the Company to conduct market search to ascertain the market prices range for the similar products sold to the end customers in the relevant target markets and range of market commission rate for the dealers selling similar products in such target market and issue an industry report; (ii) the industry report will be updated annually and on an ad hoc basis should the business department be aware that the prices and/or the commission rate are not within the End-price Range and/or the Commission Range and the board affair department consult with Frost & Sullivan to ascertain the same; (iii) there will be review and approval procedures before signing any specific agreement for the sale of the Products; (iv) there will be various departments involving in the internal control procedures; and (v) the background and experience of Frost & Sullivan as mentioned below, we are of the view that the effective implementation of the internal control policies would help to ensure fair pricing of the Transaction.

In addition, we also noted that (i) the management team will ensure that the actual transaction amounts do not exceed the relevant annual caps set out under the Sales Framework Agreement; and (ii) the finance department of the Group will prepare and provide a designated management account on a monthly basis for the continuing connected transactions under the Sales Framework Agreement. We also noted that further action will be taken should the transaction amounts exceed certain threshold.

To assess the effectiveness of the implementation of the internal control policies, we discussed with senior management and staff of (i) board affairs department; (ii) finance department; and (iii) business team, all of which will be involved in the internal control procedures for fair pricing and annual cap monitoring, to check whether they were aware of and would comply with the internal control policies. The relevant staffs acknowledged their awareness of the internal control procedures for the Transaction and would comply with relevant procedures when conducting the Transaction. Upon our request, we obtained the internal control document of the Transaction. After reviewing the document, we acknowledged that the contents of internal control document contained all relevant procedures for both fair pricing measures and annual cap monitoring measure for the Transaction as disclosed in the Board Letter. In addition, the Company also provided us supporting document, showing that the board affairs department of the Company provided the internal control document to all relevant departments and required such departments to strictly follow the internal control measures as contained in the document. Therefore, we do not doubt the effectiveness of the implementation of the internal control policies.

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Proposed annual caps

Set out below are the proposed annual caps of the Transaction for the three years ending 31 December 2025:

	For the year ending 31 December 2023 ("FY2023") <i>RMB million</i>	For the year ending 31 December 2024 ("FY2024") <i>RMB million</i>	For the year ending 31 December 2025 ("FY2025") <i>RMB million</i>
Proposed annual caps	80	150	215

The proposed annual caps set out above were determined based on the factors as set out under the section headed "Annual caps" of the Board Letter.

To assess the fairness and reasonableness of the proposed annual caps for the three years ending 31 December 2025, we conducted the following works and analyses:

- Upon our request, the Directors advised us that the proposed annual caps were calculated by (i) the estimated sales amounts of the Products (i.e. surgical robot equipment; and surgical robot equipment supporting accessories and consumables) (the "**Total Sales Amounts**") for the three years ending 31 December 2025; and (ii) buffers of 10% on the Total Sales Amounts.

We obtained the calculation for the proposed annual caps.

- When determining relevant estimated figures, the Company relied on, among other things, the statistics relating to the industry in which the Group operates (the "**Statistics**") as prepared by Frost & Sullivan.

For our due diligence purpose, we reviewed and enquired into (i) the terms of engagement of Frost & Sullivan; (ii) Frost & Sullivan's background information and its experience in relation to the preparation of statistics relating to the industry in which the Group operates; and (iii) the steps and due diligence measures taken by Frost & Sullivan for preparing the statistics.

From the mandate letter and other relevant information provided by Frost & Sullivan and based on our interview with Frost & Sullivan, we were satisfied with the terms of engagement of Frost & Sullivan as the scope of Frost & Sullivan pursuant to the engagement (i.e. the issuance of research report for surgical robots industry) could meet the requirement of the Company (i.e. collect market statistics for determining the proposed annual caps). Based on public information, Frost &

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Sullivan was founded in 1961 with a team of experts based in 45 global offices. We also noted that Frost & Sullivan prepared various industry reports, which were made reference to by listing applicants on the Stock Exchange.

As advised by Frost & Sullivan, during the past two years immediately preceding the Latest Practicable Date, Frost & Sullivan (including any of its members) was/is engaged as independent service provider to prepare and issue industry report to the Company and members of MicroPort for their initial public offering. Save for the aforesaid engagements, there was no other service provided by Frost & Sullivan (including any of its members) to the Company or MicroPort during the past two years immediately preceding the Latest Practicable Date.

Notwithstanding the aforesaid engagements, as at the Latest Practicable Date, Frost & Sullivan were not aware of any relationships or interests between them and members of MicroPort (including the Company), or any other parties that could be reasonably regarded as hindrance to Frost & Sullivan's independence to act as industry consultant.

Besides, apart from the service fees and expenses payable to Frost & Sullivan in connection with the aforesaid engagements, there is no arrangement whereby Frost & Sullivan shall be entitled to receive any other fees or benefits from the Company or MicroPort.

As confirmed by Frost & Sullivan, due to the fact that (i) the aforesaid past engagements will not affect Frost & Sullivan's independence to act as service provider as the scope of Frost & Sullivan is to prepare relevant industry report; (ii) Frost & Sullivan acted as independent service provider and they maintained their independence from the Company, MicroPort and their respective core connected persons (as defined under the Listing Rules); and (iii) the service fees of the aforesaid past engagements paid by members of MicroPort (including the Company) to Frost & Sullivan accounted for an insignificant portion of its revenue for the relevant period, Frost & Sullivan consider that there is no relationship which affect its independence with the Company, MicroPort and their respective core connected persons (as defined under the Listing Rules).

Based on the above facts as stated and confirmed by Frost & Sullivan, we do not consider the independence of Frost & Sullivan will be affected by the aforesaid engagements.

As also advised by Frost & Sullivan, they have consulting experiences, including surgical robots companies. Having considered the background and experience of Frost & Sullivan. Therefore, we were also satisfied with Frost & Sullivan's experience for the preparation of the statistics relating to the industry in which the Group operates.

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We also discussed with Frost & Sullivan and enquired into Frost & Sullivan on the methodologies adopted and the basis and assumptions adopted in arriving at the Statistics. We understood that Frost & Sullivan conducted primary and secondary research to derive the statistics, including the interview with top tier industry participants in respect of historical sales amounts and proposed business plans; and medical center of the USA market in respect of historical market conditions. After collecting the data, Frost & Sullivan will cross-check the same type of data from different sources to ensure the reasonableness of such data. As confirmed by Frost & Sullivan, these methodology and information source are commonly used by other experts in the same field. In addition, Frost & Sullivan confirmed that they also prepare relevant statistics for other participants in surgical robots industries with same methodologies. As also confirmed by Frost & Sullivan, there was no formal or informal representations made by the Company or MicroPort to Frost & Sullivan for the purpose of preparing the Statistics. During our discussion with Frost & Sullivan, we have not identified any major factor which caused us to doubt the reasonableness of the Statistics.

Having also considered Frost & Sullivan's background and experience, we consider that the Statistics prepared by Frost & Sullivan is reliable. Accordingly, we consider that it is appropriate for the Company to determining relevant figures (for the purpose of calculation of proposed annual caps) by relying on the Statistics.

- **Estimated sales amounts of surgical robot equipment (i.e. approximately RMB58.7 million, RMB97.8 million and RMB127.2 million, accounting for approximately 81%, 73% and 66% to the Total Sales Amounts for the three years ending 31 December 2025 respectively):** according to the calculation, the estimated sales amounts were further calculated by (i) estimated number of newly-added global installation of Honghu (鴻鵠)^(Note); and (ii) estimated selling price of Honghu (鴻鵠) to be offered by the Group to the MicroPort Group.
- In respect of the estimated number of global installation of Honghu (鴻鵠), the Directors made reference to (a) the estimated number of newly-added global installation of orthopedic surgical robot for the three years ending 31 December 2025; and (b) the estimated market share of Honghu (鴻鵠).

According to Frost & Sullivan, as the largest market for the orthopedics surgical robots, USA market accounts for over half of the global market. Therefore, relevant figures for USA market was adopted for the estimation of figures for global market.

Note: For the avoidance of doubt, the estimated number of global installation of Honghu (鴻鵠) did not include the direct sale of Honghu (鴻鵠) by the Group to Independent Third Party dealers or end-users.

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The Directors adopted the estimated statistics in respect of the number of USA accumulated installation of orthopedic surgical robot for the three years ending 31 December 2025 (i.e. 2,234, 2,651 and 3,056) as provided by Frost & Sullivan. The estimated number of accumulated global installation of Honghu (鴻鵠) was further determined based on the proportion (i.e. 50% to 60%) of number of accumulated USA installation of orthopedics surgical robots to number of accumulated global installation of orthopedics surgical robots as at 31 December 2021, excluding market(s) in which the Group plans commercialize and distribute such products by its own coverage. We also obtained relevant proportion ratio and aforesaid figures.

Pursuant to the Sales Framework Agreement, the Group agreed to sell and the MicroPort Group agreed to purchase the Products, for the purposes of the commercialization and distribution of the Products in targeted markets. The estimated global market share of Honghu (鴻鵠) was determined based on (a) the global market share of orthopedics business of the MicroPort Group as at 31 December 2021 and an assumption that such market share will remain stable for the three years ending 31 December 2025; and (b) the assumption that the market share of the Products will be able to gradually expand leveraging the sales channels (including the strong clinical medical resources of the MicroPort Group). For our due diligence purpose, we obtained the global market share of orthopedics business of the MicroPort Group as at 31 December 2021 and noted that the estimated global market share of Honghu (鴻鵠) did not exceed the global market share of orthopedics business of the MicroPort Group as at 31 December 2021.

Based on the above, we are of the view that the estimated numbers of accumulated global installation of Honghu (鴻鵠) for the three years ending 31 December 2025 are justifiable. The estimated numbers of newly-added global installation of Honghu (鴻鵠) for the three years ending 31 December 2025 were then calculated from the accumulated numbers for the same period. Additional demand of Honghu (鴻鵠) has also been taken into account for FY2023 as per request by the MicroPort Group for the purpose of its early-stage commercialization plan/works.

Based on the above, we are also of the view that the estimated number of newly-added global installation of Honghu (鴻鵠) for the three years ending 31 December 2025 are justifiable.

- In respect of the estimated selling price of Honghu (鴻鵠) offered by the Group to the MicroPort Group, the Directors made reference to (a) market prices of the similar products sold to the end customers in the relevant target market; and (b) market commission rate for the dealers of selling similar products in the relevant target market.

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As confirmed by the Directors, there is no historical selling price for Honghu (鴻鵠) in the past. We noted that the above bases for determination of estimated selling price of Honghu (鴻鵠) was in compliance with the pricing policy contemplated under the Sales Framework Agreement.

With reference to the Board Letter, in terms of the surgical robot equipment, as according to the market price range of similar products sold to end customers in the relevant target market(s), such market price does not exceed (approximately) RMB18 million per unit as indicated in the latest industry report issued by Frost & Sullivan. *(Note: For the avoidance of doubt, the above assumptions are used for the determination of the annual caps under the Sales Framework Agreement only based on the latest industry report issued by Frost & Sullivan, which are not an indication of the actual prices to be charged for the Products or the market demand of the Products. The actual prices of the Products will be determined based on the prevailing market conditions exist at the time of the sales, details of which are discussed in the section headed “Internal Control Measures” of the Board Letter.)*

Upon our request, we obtained market prices range of orthopedic surgical robots in overseas market for FY2021 as provided by Frost & Sullivan. We noted that the estimated selling price of Honghu (鴻鵠) to end customers (which was adopted for the purpose of calculation of the proposed annual caps) represented the midpoint of the range of estimated selling price for orthopedic surgical robots in overseas market for FY2021.

In addition, we also noted that the market commission rate adopted for the purpose of calculation of the estimated selling price of Honghu (鴻鵠) fell within the range of market commission rate range as provided by Frost & Sullivan for FY2021.

Based on the above, we are of the view that the estimated selling price of Honghu (鴻鵠) for the three years ending 31 December 2025, which are determined in compliance with the pricing policy contemplated under the Sales Framework Agreement, are justifiable.

Based on the above factors, we are of the view that the estimated sales amounts of surgical robot equipment of approximately RMB58.7 million, RMB97.8 million and RMB127.2 million for the three years ending 31 December 2025, which were calculated by (i) estimated number of newly-added global installation of Honghu (鴻鵠); multiplying (ii) estimated selling price of Honghu (鴻鵠) offered by the Group to the MicroPort Group, both (i) and (ii) being justifiable as analysed above, are fair and reasonable.

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- **Estimated sales amounts of surgical robot equipment supporting accessories and consumables (i.e. approximately RMB13.6 million, RMB36.9 million and RMB66.8 million, accounting for approximately 19%, 27% and 34% to the Total Sales Amounts for the three years ending 31 December 2025 respectively):** according to the calculation, the estimated sales amounts were further calculated by (i) estimated number of surgical robot equipment supporting accessories and consumables; and (ii) estimated selling price of surgical robot equipment supporting accessories and consumables.
- In respect of the estimated number of surgical robot equipment supporting accessories and consumables, the Directors made reference to (a) the estimated number of surgical robot equipment supporting accessories and consumables per year for each surgical robot equipment; and (b) the accumulated number of global installation of Honghu (鴻鵠).

As assumed by the Directors, one set of surgical robot equipment supporting accessories and consumables will be consumed for each joint replacement surgery. Therefore, the Directors also made reference to number of robot-assisted joint replacement surgery during the process for the estimated number of surgical robot equipment supporting accessories and consumables. The estimated number of surgical robot equipment supporting accessories and consumables per year for each surgical robot equipment was further calculated by dividing the estimated number of robot-assisted joint replacement surgery in USA market (i.e. approximately 234,000, 283,000 and 326,000 for the three years ending 31 December 2025) over the accumulated installation of joint replacement surgical robot in USA market (i.e. 2,234, 2,651 and 3,056 for the three years ending 31 December 2025), based on the relevant statistics prepared by Frost & Sullivan.

Based on the above and the estimated numbers of accumulated global installation of Honghu (鴻鵠) for the three years ending 31 December 2025 as analysed above, we are of the view that the estimated number of surgical robot equipment supporting accessories and consumables for the three years ending 31 December 2025 are justifiable.

- In respect of the estimated selling price of surgical robot equipment supporting accessories and consumables, the Directors made reference to market prices of the surgical robot equipment supporting accessories and consumables in USA market. As the USA market of the orthopedics surgical robots is the largest market for the orthopedics surgical robots, we are of the view that it is acceptable to determining the estimated selling price of surgical robot equipment supporting accessories and consumable with reference to such selling price in USA market for the purpose of determination of proposed annual caps. Upon our request, we obtained market prices range of the surgical

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robot equipment supporting accessories and consumables in USA market for FY2021 as provided by Frost & Sullivan. We noted that the estimated selling price of the surgical robot equipment supporting accessories and consumables (which was adopted for the purpose of calculation of the proposed annual caps) represented the midpoint of the range of market prices of the surgical robot equipment supporting accessories and consumables in USA market for FY2021. Therefore, we are also of the view that the estimated selling price of surgical robot equipment supporting accessories and consumables (which was adopted for the purpose of calculation of the proposed annual caps) for the three years ending 31 December 2025 are justifiable.

Based on the above factors, we are of the view that the estimated sales amounts of surgical robot equipment supporting accessories and consumables of approximately RMB13.6 million, RMB36.9 million and RMB66.8 million for the three years ending 31 December 2025, which were calculated by (i) estimated number of; multiplying (ii) estimated selling price of surgical robot equipment supporting accessories and consumables, both being justifiable as analysed above, are fair and reasonable.

We noted that the proportion of estimated sales amounts of surgical robot equipment supporting accessories and consumables to the estimated sales amounts of the Products (i.e. approximately 19%, 27% and 34%) moved in an increasing trend for the three years ending 31 December 2025. It is mainly due to the fact that the sales amounts of surgical robot equipment supporting accessories and consumables in a year were directly linked to the number of accumulated global installation of Honghu (鴻鵠) in such year, which means all numbers of newly-added global installation of Honghu (鴻鵠) in previous years will be taken into consideration while the sales amounts of Honghu (鴻鵠) for the same year was directly linked to the number of newly-added global installation of Honghu (鴻鵠) in such year only.

- **Buffers:** we noted from the calculation that buffers of approximately 10% for the estimated transaction amounts were applied. Having considered (i) that unexpected circumstances may take place during the three years ending 31 December 2025; and (ii) we noted from other Hong Kong listed companies' circulars regarding continuing connected transactions that the incorporation of buffer of 10% in proposed annual caps are common among companies listed on the Stock Exchange, we consider that the buffers to be acceptable.

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In light of the above factors, we consider that the proposed annual caps for the three years ending 31 December 2025, which were calculated by (i) the Total Sales Amounts, being the summation of estimated sales amounts of (a) surgical robot equipment; and (b) surgical robot equipment supporting accessories and consumables; and (ii) buffers of 10% on the Total Sales Amounts, all being fair and reasonable or acceptable as analysed above, are fair and reasonable.

Shareholders should note that as the proposed annual caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2025, and they do not represent forecasts of revenue/income arising from the Transaction. Consequently, we express no opinion as to how closely the actual revenue/income arising from the Transaction will correspond with the proposed annual caps.

Having considered the above, including the principal terms of the Transaction and the proposed annual caps, we are of the view that the terms of the Transaction are fair and reasonable.

Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Transaction must be restricted by the proposed annual caps; (ii) the terms of the Transaction (together with the proposed annual caps) must be reviewed by the independent non-executive directors annually; and (iii) details of the independent non-executive directors' annual review on the terms of the Transaction (together with the corresponding the proposed annual caps) must be included in the Company's subsequent published annual reports.

Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Transaction (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the listed issuer's group if the transactions involve the provision of goods or services by the listed issuer's group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the proposed annual caps.

In the event that the total amounts of the Transaction are anticipated to exceed the proposed annual caps, or that there is any proposed material amendment to the terms of the Transaction, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Transaction and thus the interest of the Independent Shareholders would be safeguarded.

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RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transaction (including the proposed annual caps) are on normal commercial terms and are fair and reasonable; and (ii) the Transaction is conducted in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Transaction (including the proposed annual caps) and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors', Supervisors' and Chief Executive's Interests

As at the Latest Practicable Date, the interests and short positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code are set out below:

(I) *Interests and Short Position of the Directors, Supervisors and Chief Executive of the Company in the Shares and Underlying Shares of the Company and its Associated Corporations*

Interests in 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. Shanghai Qingmin held 96,013,252 Shares as at the Latest Practicable Date. 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 as its limited partner. Mr. Yuan Shuai was the general partner of Shanghai Qinghe. Shanghai Qinghe held 25,162,653 Shares as at the Latest Practicable Date. 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 as its limited partner. Mr. Yuan Shuai was the general partner of Shanghai Qingzhen. Shanghai Latent and Shanghai Qingzhen are parties acting-in-concert pursuant to a concert party agreement. Shanghai Qingzhen held 16,963,831 Shares as at the Latest Practicable Date. Shanghai Latent held 483,767,176 Shares as at the Latest Practicable Date. 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. 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.

Interest in associated corporations of the Company

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	160,757	1	Beneficial owner	Long position	0.01%
Mr. Sun Hongbin	MicroPort	9,432,321	2	Beneficial owner	Long position	0.52%
	MicroPort CardioFlow	1,343,935	3	Beneficial owner	Long position	0.06%
Mr. Zhang Jie	MicroPort	361,655	4	Beneficial owner	Long position	0.02%
	MicroPort CardioFlow	200,000	5	Beneficial owner	Long position	0.01%
	MicroPort Vision Power	14,000,000	6	Interest in a controlled corporation	Long position	13.08%
Ms. Zhang Lihong	MicroPort	607,799	7	Beneficial owner	Long position	0.03%
	MicroPort CardioFlow	262,262	8	Beneficial owner	Long position	0.01%

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) Mr. Sun Hongbin was interested in (i) 7,840,968 shares; and (ii) 1,591,353 underlying shares of MicroPort.
- (3) Mr. Sun Hongbin was interested in (i) 593,935 shares; and (ii) 750,000 underlying shares of MicroPort CardioFlow.
- (4) Mr. Zhang Jie was interested in (i) 70,158 shares; and (ii) 291,497 underlying shares of MicroPort.
- (5) Mr. Zhang Jie was interested in 200,000 underlying shares of MicroPort CardioFlow.
- (6) Mr. Zhang Jie was the general partner of Shanghai Maitian and Shanghai Lantian. Shanghai Maitian and Shanghai Lantian held in aggregate 13.1% interest in MicroPort Vision Power, an indirect non-wholly owned subsidiary of MicroPort. By virtue of the SFO, Mr. Zhang Jie was deemed to be interested in the interest which Shanghai Maitian and Shanghai Lantian held.

- (7) Ms. Zhang Lihong was interested in (i) 103,085 shares; and (ii) 504,714 underlying shares of MicroPort.
- (8) Ms. Zhang Lihong was interested in (i) 62,262 shares; and (ii) 200,000 underlying shares of MicroPort CardioFlow.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, Supervisors and chief executive of the Company had interests or short positions in the shares, underlying shares and debentures of the Company's associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, none of the Directors is a director or employee of a company which has an interest in the Shares and underlying Shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors nor their respective close associates had any direct or indirect interests in any business that constitutes or may constitute a competing business of the Company.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, no Director had entered into any service contract or letter of appointment with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5. DIRECTORS' INTEREST IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date:

- (a) none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or are proposed to be acquired, disposed of by, or leased to any member of the Group;
- (b) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group; and
- (c) save for Mr. Sun Hongbin, none of the other Directors is also an employee or director of any substantial shareholder of the Company.

6. QUALIFICATION OF EXPERTS AND CONSENT

The qualification of the experts who have given opinions or advices in this circular is as follow:

Name	Qualification
Gram Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Frost & Sullivan	Industry consultant

As at the Latest Practicable Date, each of the expert mentioned above (i) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or opinion and the references to its names included herein in the form and context in which it is respectively included; (ii) has no direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group; and (iii) has no direct or indirect interests in any assets which have been, since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors have confirmed that there is no material adverse change in the financial or trading position of the Company since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. DOCUMENTS ON DISPLAY

A copy of each of the following documents will be available on display online on the Stock Exchange's website and on the Company's website from the date of this circular up to and including the date of the EGM:

- (a) the written consents of Gram Capital and Frost & Sullivan, which were referred to in the section headed "Qualification of Experts and Consent" in this appendix; and
- (b) the Sales Framework Agreement.

NOTICE OF THE EGM

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this notice, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



Shanghai MicroPort MedBot (Group) Co., Ltd.

上海微创医疗机器人(集团)股份有限公司

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

(Stock Code: 2252)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING TO BE HELD ON FRIDAY, 30 DECEMBER 2022

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “EGM”) of Shanghai MicroPort MedBot (Group) Co., Ltd. (the “**Company**”) will be convened and held at 1601 Zhangdong Road, China (Shanghai) Pilot Free Trade Zone, Shanghai, PRC on Friday, 30 December 2022 at 10:00 a.m. for the following purpose:

ORDINARY RESOLUTION

1. “**THAT**

- (a) the sales framework agreement entered into between the Company and MicroPort Scientific Corporation dated 6 December 2022 in relation to the sale and purchase of certain surgical robot equipment and supporting accessories and consumables for surgical robot equipment (the “**Sales Framework Agreement**”), a copy of which is tabled at the meeting and marked “A” and initialed by the chairman of the meeting for identification purpose, the terms thereof and the continuing connected transaction contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) the proposed annual caps set out in the Sales Framework Agreement be and is hereby approved; and

NOTICE OF THE EGM

- (c) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated in the Sales Framework Agreement.”

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

Shanghai, China, 13 December 2022

Notes:

1. For the purpose of determining the identity of the holders of H Shares entitled to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 28 December 2022 to Friday, 30 December 2022, both dates inclusive, during which period no transfer of H Shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 23 December 2022.
2. A shareholder entitled to attend and vote at the above EGM is entitled to appoint one or, if he/she is the holder of two or more shares, more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
3. In the case of joint holders of any share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto. However, if more than one of such joint holders be present at the EGM personally or by proxy, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
4. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney or other person duly authorized, and must be deposited with the Hong Kong share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares) or the Company's registered office in the PRC at Room 101, Area B, Building 1, 1601 Zhangdong Road, China (Shanghai) Pilot Free Trade Zone, Shanghai, PRC (for holders of domestic shares) (together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof) not less than 24 hours before the time fixed for holding of the EGM (i.e. not later than 10 a.m. on Thursday, 29 December 2022). The completion and delivery of the form of proxy shall not preclude the shareholders from attending and voting in person at the EGM (or any adjourned meeting thereof) if they so wish and in such event, the form of proxy shall be deemed to be revoked.
5. All resolutions at the EGM will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Listing Rules. The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company.
6. Shareholders attending the EGM in person or by proxy shall bear their own travelling and accommodation expenses, and shall produce their identity documents.

NOTICE OF THE EGM

7. References to dates and time in this notice are to Hong Kong dates and time. The English text of this notice shall prevail over the Chinese text for the purpose of interpretation.

As at the date of this circular, the executive Director is Dr. He Chao, the non-executive Directors are Mr. Sun Hongbin, Mr. Sun Xin and Mr. Chen Chen, and the independent non-executive Directors are Mr. Yao Haisong, Dr. Li Minghua and Mr. Mui Wing Hong.