



MEDBOT™
微创机器人

Annual

2022

Report

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 People's Republic of China with limited liability)
Stock Code: 2252



MEDBOT™
微创机器人

Contents

Corporate Information	2
Financial Highlights	4
Company Profile	5
Chairman's Statement	6
Management Discussion and Analysis	9
Directors, Supervisors and Senior Management	28
Report of the Directors	36
Corporate Governance Report	55
Work Report of the Supervisory Committee	72
Environmental, Social and Governance Report	74
Independent Auditor's Report	134
Consolidated Statement of Profit or Loss	139
Consolidated Statement of Profit or Loss and Other Comprehensive Income	140
Consolidated Statement of Financial Position	141
Consolidated Statement of Changes in Equity	143
Consolidated Cash Flows Statement	145
Notes to the Financial Statements	147
Definitions	213

Corporate Information

DIRECTORS AND SUPERVISORS

Executive Director

Dr. He Chao (*president*)

Non-Executive Directors

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

Mr. Sun Xin

Mr. Chen Chen

Independent Non-Executive Directors

Dr. Li Minghua

Mr. Yao Haisong

Mr. Mui Wing Hong¹

Ms. Lee Kit Ying²

Supervisors

Mr. Zhang Jie

Ms. Zhang Lihong

Mr. Yuan Shuai

COMPANY SECRETARY

Ms. Hui Yin Shan

AUTHORIZED REPRESENTATIVES

Mr. Sun Hongbin

Ms. Hui Yin Shan

AUDIT COMMITTEE

Mr. Mui Wing Hong¹ (*chairperson*)

Dr. Li Minghua

Mr. Sun Xin

Ms. Lee Kit Ying²

REMUNERATION AND APPRAISAL COMMITTEE

Dr. Li Minghua (*chairperson*)

Mr. Yao Haisong

Mr. Sun Hongbin

NOMINATION COMMITTEE

Mr. Yao Haisong (*chairperson*)

Mr. Mui Wing Hong¹

Dr. He Chao

Ms. Lee Kit Ying²

STRATEGY AND DEVELOPMENT COMMITTEE

Mr. Sun Hongbin (*chairperson*)

Dr. He Chao

Dr. Li Minghua

REGISTERED OFFICE IN THE PRC

Room 101, Area B, Building 1
1601 Zhangdong Road
China (Shanghai) Pilot Free Trade Zone
Shanghai
PRC

¹ The appointment was effective from 21 June 2022

² The resignation was effective from 21 June 2022

Corporate Information (Continued)

HEADQUARTERS IN THE PRC

Area B, Building 1
1601 Zhangdong Road
China (Shanghai) Pilot Free Trade Zone
Shanghai
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F
Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

AUDITORS

KPMG
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
8th Floor, Prince's Building
10 Chater Road, Central
Hong Kong

LEGAL ADVISERS

Sidley Austin

COMPLIANCE ADVISER

Somerley Capital Limited
20/F China Building
29 Queen's Road Central, Central
Hong Kong
PRC

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

COMPANY WEBSITE

www.medbotsurgical.com

PRINCIPAL BANKS

China Construction Bank, Shanghai Zhangjiang Branch
Shanghai Pudong Development Bank, Zhangjiang Innovation Branch
China Merchants Bank Co., Ltd., Shanghai Hong Kou Stadium Branch

Financial Highlights

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	For the year ended December 31			
	2022 RMB'000 (Audited)	2021 RMB'000 (Audited)	2020 RMB'000 (Audited)	2019 RMB'000 (Audited)
Revenue	21,603	2,150	—	—
Gross profit	6,562	919	—	—
Loss before taxation	(1,146,284)	(584,507)	(209,290)	(69,801)
Loss for the year	(1,146,284)	(584,507)	(209,290)	(69,801)
Loss attributable to equity shareholders of the Company	(1,139,806)	(582,921)	(208,874)	(69,801)
Loss per share — Basic and diluted (in RMB)	(1.19)	(0.63)	(0.27)	(0.11)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at December 31			
	2022 RMB'000 (Audited)	2021 RMB'000 (Audited)	2020 RMB'000 (Audited)	2019 RMB'000 (Audited)
Non-current assets	831,303	697,658	189,304	22,108
Current assets	1,098,822	2,094,226	1,515,050	56,327
Total assets	1,930,125	2,791,884	1,704,354	78,435
Non-current liabilities	196,933	167,263	33,994	10,725
Current liabilities	325,314	234,469	228,908	41,299
Total liabilities	522,247	401,732	262,902	52,024
Total equity	1,407,878	2,390,152	1,441,452	26,411

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

Company Profile

We are a leading first-tier surgical robot company. The Company is committed to meeting the cutting-edge development demand for minimally invasive surgery. By cutting-edge research and industrial integration in the fields of robotics, intelligent control, sensing and information research and robot ontology, control algorithms, electrical engineering, image-based navigation and precision imaging, we provide comprehensive intelligent surgical solutions to prolong and reshape the lives of patients. After years of R&D, innovation and armed with industry experience accumulated for years, the Group has been developed into a collectivized operating group of companies mastering foundation technologies of the full cycle of surgical robot development. We are equipped with multi discipline knowledge covering optics, mechanic, electric, control, software, calculation and imaging, enabling us to develop a series of platforms for further exploration. Consequently, the Group is able to build a comprehensive technical and innovative platform for surgical robots and a sound industrial operation system, covering segments like R&D, clinical trials, registration and supply chain management.

The Group is the only global surgical robot company with its business covering the five major and fast-growing surgical specialties of laparoscopic, orthopedic, panvascular, natural orifice and percutaneous surgical procedures, and has accumulated several products at various stages as those in development, clinical trials, registration and commercialization. The Company had obtained the listing approval for its three flagship products, i.e., Toumai, DFVision and SkyWalker.

VISION

Build a globalized medical robots total solution innovation platform

MISSION

Reshape and prolong life through a robotic intelligent surgical total solution

BELIEF

Make surgery easier, safer, and less invasive

FAITH

Explore the unknown, shaping the era of super intelligent surgery

Chairman's Statement



Mr. Sun Hongbin
Chairman

Dear Investors,

Since our establishment eight years ago, MedBot has always adhered to its original inspiration and earnestly implemented its social responsibility-infused mission of “reshape and prolong life through a robotic intelligent surgical total solution”. To date, MedBot has become the only surgical robot company in the world with a product portfolio covering the five major and fast-growing surgical specialties of laparoscopic, orthopedic, panvascular, natural orifice and percutaneous surgical procedures. With continuous explorations and breakthroughs, and in combination with innovation of our underlying technology that covers the whole chain, innovation of the in-depth cooperation amongst the industry, universities, research institutions and hospitals, and innovation of our exploration in diversified operating models, MedBot has built itself as a globalized medical robots total solution innovation platform, which is expediting and leading the innovation and development of surgical robot technology in China and will influence the development trend of the global surgical robot industry.

As year three of the COVID-19 era draws to a close, the changes in the global pattern and the internal and external environments we are facing have not only delivered unpredictable shocks, but also created unprecedented opportunities. In 2022, despite the risks and challenges posed by the international environment, industrial policies and others, all staff of MedBot worked together and made steady progress in various fields including commercialization expansion, product registration and clinical trials, and advanced R&D.

In 2022, we kicked off the sales of our surgical robots. Despite multiple challenges, our major products including Toumai and SkyWalker made milestone breakthroughs in their first years of marketing:

- During the Reporting Peirod, our core product Toumai won five bids and completed its first commercial installation, practically clearing the whole process of commercialized sales, and driving the medical and industrial innovation and cooperation to a new stage featuring high density and strong bonds.
- SkyWalker obtained certification in the three major global markets the PRC, the U.S. and Europe, and won its first bid in the domestic market. In overseas markets, by fully utilizing the synergy effects with MicroPort Group, SkyWaler successfully completed its first total knee joint replacement surgery in the U.S., laying a solid foundation for its subsequent sales at scale at overseas
- During the Reporting Period, DFVision’s commercialization and promotion were implemented in an orderly manner and had achieved rapid growth both in sales volume and revenue, embarking on a new journey of large-scale sales.
- During the Reporting Period, Mona Lisa, an international collaborative development product, successfully tapped into the Chinese Taiwan market and achieved its first sales.

Chairman's Statement (Continued)

In 2022, MedBot realized the leap forward expansion of clinical verification and physician training. Along with the construction of targeted special marketing strategies and training systems, the Group had promoted its commercial expansion with all efforts. During the Reporting Period, we established cooperation with nearly a hundred hospitals in respect of the application of Toumai and SkyWalker based on real clinical application scenarios and needs to nearly 2,000 clinical validations and physician training surgeries, the successes of which fully demonstrate the products' safety and effectiveness. As of the date of this report, MedBot has built up a comprehensive medical robot education and training system, and has established more than 40 clinical application and training centers nationwide, helping hundreds of hospital operators at all levels in various places across the country to become familiar with and master the core operating points and skills of relevant products, laying a solid foundation for us to enhance the recognition and reputation of the innovative products under MedBot, as well as to carry on the subsequent large-scale commercialization.

In 2022, the products under MedBot Toumai made rapid progress and mostly obtained approval for marketing. During the Reporting Period, the Group's core product Toumai was approved for marketing by the NMPA, becoming the first four-arm laparoscopic surgical robot developed by a Chinese enterprise and approved for marketing. Meanwhile, the completion of Toumai's multi-discipline registrational clinical trial made Toumai the second laparoscopic surgical robot in the world and the first one in China that has fully covered the important and complex clinical applications in the fields of thoracic cavity, abdominal cavity and pelvic cavity. SkyWalker, one of the Group's flagship products, obtained NMPA marketing approval, FDA certification and European CE certification in April, July and December 2022, respectively, becoming the first Chinese surgical robot that has obtained NMPA, FDA and CE certification simultaneously. In respect of natural orifice surgery, our Trans-bronchial Surgical Robot has completed the first-in-man (FIM) clinical trial by a Chinese-developed trans-bronchial surgical robot. As for the R&D and clinical trial of our innovative products

jointly developed with international partners, we have also achieved outstanding progress: R-ONE and Mona Lisa have both completed registered clinical trials and submitted registration applications to the NMPA.

In 2022, MedBot continued to explore 5G remote surgery technology to help quality medical resources sink to the grass-roots level. During the Reporting Period, Toumai had successfully completed surgeries with the help of the network connection between Xinjiang Kezhou People's Hospital (新疆克州人民医院) and Jiangsu Provincial People's Hospital (江苏省人民医院), realizing the longest-distance 5G ultra-remote surgery in the world to date. While constantly verifying the feasibility of remote robotic surgery technology, the Company continued to strengthen the clinical and training promotion of the joint application of remote technologies and robot-assisted surgeries. During the Reporting Period, the world's first 5G remote precise minimally invasive surgery training center was jointly established by the Company and 301 Hospital (301 医院). In the future, we will continue to explore breakthroughs in the application of surgical robotic technologies and cutting-edge technologies, further the affordability of surgical robots and empower the primary medical institutions nationwide and worldwide to improve their diagnosis and treatment services in terms of quality and standard.

Chairman's Statement (Continued)

In addition to business development and the Company's achievements in operations, MedBot has also won recognition and awards in various fields. In March 2022, Toumai was granted the Red Dot Design Award 2022 (2022紅點設計大獎), becoming the first award-winning laparoscopic surgical robot in Asia; in July 2022, MedBot was selected by MIT Technology Review (《麻省理工科技評論》) as the "50 Smartest Companies of the year 2021", becoming the first surgical robot company shortlisted in the selection in China; in the same month, DFVision won the title of the "Top Ten Medical Devices" (十大醫療器械) of the 14th session of Healthy China Forum (健康中國論壇); and in August 2022, Toumai won the "SAIL Award", the highest award of the World Artificial Intelligence Conference 2022.

"Only in hard times can courage and perseverance be manifested. Only after polishing can a piece of jade be finer." As the leader of Chinese surgical robot, we are well aware of our obligations and missions in building Chinese robot branding images and developing the surgical robot industry in China. In 2023 and forward, by always centering on the needs of patients and physicians, we will transform practical experiences accumulated over the years in respect of R&D and innovation, operations management, etc., into our abilities in continuous innovation, constantly expand the field of clinical application of Chinese surgical robots, and continue to give full play to our advantages as the No.1

brand among Chinese surgical robots underpinned by our established comprehensive coverage of multi-level and multi-sector market publicity and training services. By fully leveraging the radiation effects of our established Toumai and SkyWalker training centers, we will provide high-quality training experiences and professional technical support services in relation to marketing, customer test drive training, and clinical application preparation in order to ensure high customer satisfaction and offer high-end, inclusive medical service experience and intelligent surgical solutions to patients. We hope that with our hard work and efforts we may present to patients a MedBot featuring more innovation, comprehensiveness, maturity, and internationalization.

I, on behalf of the Board, hereby express my sincere gratitude to all employees of the Company for their hard work and contributions and to shareholders, working partners, physicians and various sectors of the community for their relentless support to MedBot over the years.

Sun Hongbin

Chairman

Management Discussion and Analysis

INDUSTRY OVERVIEW

As one of the most important innovation breakthroughs in the field of high-end medical devices in recent years, the surgical robot has high clinical value, which can effectively improve the accuracy and stability of surgeries, shorten the postoperative recovery cycle of patients and reduce the occurrence of complications; also effectively shorten the learning curve of surgeons and reduce the radiation exposure of operators. The surgical robot market presents a rapid growth trend with the continuous development of the global surgical robot industry. According to Frost & Sullivan, the market size of the global surgical robot is expected to reach US\$28.51 billion in 2025 and 61.9 billion in 2030 with compound annual growth rates of 27.1% from 2021 to 2025 and 16.8% from 2025 to 2030, respectively. Despite a late onset of the surgical robot industry in China, the market potential and growth space is promising in view of its large population of patients and thus the strong demand for surgical robots, the surgical robot is expected to have broad market potential and rapid growth space in China. According to Frost & Sullivan, the market size of surgical robot in China is expected to reach RMB17.47 billion in 2025 and RMB70.95 billion in 2030 with compound annual growth rates of 42.9% from 2021 to 2025 and 32.3% from 2025 to 2030, respectively.

During the Reporting Period, with the growing maturity of the global pandemic response measures, the macroeconomic situation across countries started to pick up as well and thus driving the growth of the all major industries. In China, with the adjustments in regards of the response mechanism against pandemic, the economic upside was under temporary pressure in 2022, the development of medical industry demonstrated a rapid recovery in the post-pandemic cycle, with a regain of growth momentum in the number of clinical surgery. Under the guidance of China's macro policy guidelines, new medical infrastructure will be the long-term trend of the health-care industry in China. And the strong support to the development of public hospitals is expected to continuously improve the scientific, refined and efficient level of medical quality management, leading to enriched high-quality medical resources, which will drive the demands for a great many high-end medical equipment correspondingly.

During the Reporting Period, phased fiscal interest discounts for loans for equipment renovation and transformation in certain fields would be provided and credit support for the social service industry would be enhanced, to promote consumption as a main driver. National Health Commission also clarified the policy regarding the fiscal interest discounts for loans for equipment renovation and transformation for implementation on the hospital side, which mainly involves the procurement and upgrading demands of medical equipment. By virtue of the policy support from the State Council and the National Health Commission, it is believed that large scale and high-end medical equipment enterprises, especially the leading companies, with stronger brand recognition and product performance, will be the first to benefit from the expansion of regional hospitals, the expansion of quality medical resources, and the rapid release of demand for new purchases and repeat operations of high-end medical equipment.

Management Discussion and Analysis (Continued)

Meanwhile, as China's medical and health service system has steadily entered a new stage of high-quality development, encouraging cutting-edge technologies and breakthroughs in the medical field will be one of the themes of China's economic development in the "14th Five-Year Plan (《「十四五」國民健康規劃》)", and even longer period. During the Reporting Period, the State Council issued the National Health Plan of the "14th Five-Year Plan", which proposed to enhance and strengthen the health industry, to encourage the manufacturing and production of high-end medical devices and health supplies, as well as to improve the review process for the registration of the innovative medical device. According to the Implementation Plan for "Robot +" Applications (《「機器人+」應用行動實施方案》) jointly issued on 19 January 2023 by seventeen departments with Ministry of Industry and Information Technology as the lead and co-operative sectors as the National Healthcare Commission and the Ministry of Finance, the manufacture and healthcare industries were enlisted in the 10 key application fields. Among others, in terms of health care, it is clearly indicated in such plan that we should promote the accelerated application of new technologies, such as artificial intelligence-assisted diagnostic systems, robotic 5G remote surgery, brain-machine interface-assisted rehabilitation systems and other new products, and promote the application of robots in hospital rehabilitation, remote medical care, health and epidemic prevention scenarios, encourage hospitals with the conditions and needs to use robots to perform precise and minimally invasive surgery, build standardized operating theatres for robotic applications, and study standards and regulations for the clinical application of surgical robots.

On 21 March 2023, the National Healthcare Commission issued the Large Medical Equipment Configuration License Management Catalog (2023), which designated the scope of large-scale medical equipment configured and managed by national healthcare commission and provincial healthcare commission, respectively. As a new round of configuration plan to be implemented, domestic high-end large medical equipment including laparoscopic surgical robot is expected to, leveraging on its advanced technology, stable performance, and standardized application, promote the healthy and orderly development of China's surgical robot industry, accelerate the expansion and balanced regional layout of quality medical resources, and provide more high-end treatments of more kinds and higher quality for doctors and patients in China.

Led and driven by innovative support policies, China's surgical robot has achieved breakthroughs and development in various fields of core technology, especially cross-border integration and innovation. Its integration with new technology such as 5G communication and artificial intelligence will further promote the development of China's surgical robot industry, enhance the level of intelligence, realize flow of quality medical resources to lower-tier cities and improve the frequency of doctor-patient interaction. In the future, China's surgical robot will be more minimally-invasive, accurate and intelligent in deep response to the substantial demands of doctors and patients in China's medical treatment market. With outstanding quality, extensively recognized clinical value and competitive price advantage, the rate of utilization and penetration of surgical robots will be greatly enhanced, which will expedite the realization of import substitution.

BUSINESS PROGRESS

In 2022, the repeated outbreak of COVID-19 pandemic in China brought about challenges to the Group's R&D, clinic, supply chain and commercialization. Giving full play to the advantage of whole industry chain coverage, the Group made flexible adjustments and allocations among different segments and departments to ensure the business continuity and minimize the impacts of the COVID-19 pandemic on the Group's operation.

Management Discussion and Analysis (Continued)

During the Reporting Period, the Group recorded a revenue of RMB21.6 million, representing a 904.8% increase as compared with that of RMB2.2 million of the previous year. The Core Product, i.e. Toumai, achieved its first sale during the Reporting Period and became the first domestic laparoscopic surgical robots to be commercially installed, marking the first solid step forward in its commercialization journey; our flagship product, DFVision, has greeted with the first full year of sales and has seen significant growth in both installed units and sales revenue year-on-year during the Reporting Period. The commercialization of internationally cooperative products has obtained milestone progress as well, Mona Lisa successfully exploring the Chinese Taiwan market and reached its first sale. As of the date of this report, Toumai and SkyWalker have won several bids in China, and units of SkyWalker have been installed in several hospitals/clinics in the United States, showing a great momentum in commercialization progress.

During the Reporting Period, the Group continuously strengthened the R&D and innovation to improve the product pipeline of total solution of intelligent surgery. Among them, The Core Product, i.e. Toumai, was approved for launch by NMPA in January 2022, becoming the first four-arm laparoscopic surgical robot developed by a Chinese enterprise and approved for launch. During the Reporting Period, Toumai completed the multi-discipline and multi-center registrational clinical trials, which indicated that Toumai has also become the second laparoscopic surgical robot in the world and the first in China to fully cover the important and complex clinical applications in the fields of thoracic cavity, abdominal cavity and pelvic cavity. The Group's flagship product SkyWalker successively obtained approval for launch from NMPA, FDA 510(k) clearance and EU CE mark during the Reporting Period, becoming the first and only domestic robot approved for launch in China, the United States and EU used for surgery as at the date of this report, and further expanded our global strategic layout. The Group has made satisfactory progress on the R&D of core underlying technologies and pipeline products, and at the meantime, and strengthened our efforts on the breakthrough exploration of cutting-edge technologies. Toumai has successfully completed the longest-distance 5G ultra-remote robotic surgery in the world to date and successfully completed China's first robot-assisted ultra-remote 5G hepatobiliary surgery.

RESEARCH AND DEVELOPMENT AND PRODUCT PIPELINE

After years of innovative R&D and industrial accumulation, we are the only surgical robot company in the world with a product portfolio covering the 5 major and fast-growing surgical specialties of laparoscopic, orthopedic, panvascular, natural orifice and percutaneous surgical procedures, and have more than ten products at the fast promotion stage of industrialization projects.

During the Reporting Period, the approval process for the Group's flagship products has been accelerated and key nodes of R&D innovation projects moved forward steadily. As of the date of this report, our three flagship products Toumai, DFVision and SkyWalker has successively entered the Green Path and have been approved for launch by the NMPA. Meanwhile, SkyWalker also obtained a 510(k) clearance from the FDA in July 2022 and CE mark from the EU in December 2022. The Group's other products also made great progress in R&D innovation and industrialization.

Management Discussion and Analysis (Continued)

Toumai (for urological surgery) has obtained the registration certificate issued by the NMPA in January 2022, becoming the first four-arm laparoscopic surgical robot developed by a Chinese enterprise. During the Reporting Period, we made remarkable achievements in Toumai's marketing and commercialization activities. During the Reporting Period, Toumai achieved the first sales and became the first domestic laparoscopic surgical robots to be commercially installed, which opened up the whole cycle of its external sales and promoted the medical-industrial innovation and cooperation to into a new stage with high frequency and strong bond. This marks an important milestone in the commercialization course of Toumai as well as domestic laparoscopic surgical robots. As of the date of this report, Toumai has also won bids for the procurement of surgical robot systems in several hospitals. The gratifying commercialization progress of Toumai is mainly due to its outstanding technological base, solid clinical performance and sound training and service system for doctors. As at the date of this report, the Group has deployed more than 30 Toumai clinical application and training centers all over the country, rapidly enhancing its reputation and recognition among hospitals and surgeons by strengthening clinical education and training and active marketing and promotion activities.

The Group continues to actively promote the clinical validation and academic exchange activities of the Core Products to continuously enhance the value of its brand. As of the date of this report, Toumai has accumulatively completed more than 600 robotic assisted human clinical surgeries in departments such as urinary surgery, general surgery, gynecology department and thoracic surgery department in nearly 30 hospitals in more than 10 provinces, which demonstrated the gradual maturity of Toumai in the clinical application and high stability. The aforesaid surgeries include several difficult robotic assisted operations such as the first domestic surgical robot radical prostatectomy, the first domestic surgical robot for single-site surgery, the first domestic four-arm surgical robot registered clinical total hysterectomy and adnexal resection, the first domestic four-arm surgical robot-assisted radical gastrectomy for gastric cancer, the radical resection for rectal cancer, hepatectomy, first domestic laparoscopic surgical robot-assisted endometrial resection and radical resection for lung cancer, which set a record in terms of the first operation conducted by domestic surgical robots. These difficult operations continuously verified the technical strength of Toumai to complete complicated operations in narrow anatomic space, as well as its ability to fully meet the requirements of diverse surgical procedures in clinical applications, and also promoted the normal development of multi-disciplinary and high complexity surgical operations. Upon the completion of multi-discipline registrational clinical trials, Toumai became the second laparoscopic surgical robot in the world and the first in China to fully cover the important and complex clinical applications in the fields of thoracic cavity, abdominal cavity and pelvic cavity.

By integrating the 5G communication technology, Toumai has successfully completed two ultra-remote urologic surgeries during the Reporting Period, which were also the up-to-date longest-distance 5G ultra-remote robotic surgery in the world; in February 2023, Toumai broke through the time and space limitation again and successfully completed China's first robot-assisted ultra-remote 5G hepatobiliary surgery, successfully carrying out a ultra-remote surgery in a new department. The repeated successful practices by the integration of Toumai and 5G has fully reflected the research and development technology strength of Chinese surgical robot technology and demonstrated China's breakthrough and leading position in 5G ultra-remote surgery field. The combination of surgical robot and 5G communication technology will help to promote the flow and reasonable allocation of quality medical resources to lower-tier cities, and make it more feasible to carry out surgeries of high complexity and difficulty in remote and underdeveloped areas. Meanwhile, it is a valuable practice and model innovation to response the reforms of the national healthcare system and medical resource allocation.

Warning under Rule 18A.08(3) of the Listing Rules: We cannot assure that the Core Product may ultimately be successfully commercialized. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

Management Discussion and Analysis (Continued)

Toumai Single-arm Laparoscopic Surgical Robot

Toumai Single-arm Laparoscopic Surgical Robot independently developed by the Group are equipped with unique single-arm structure with completely independent intellectual property rights, which is flexible in movement and convenient in setup. Its snake-shaped instrument enables free movement of seven degrees in tiny space, which is more sophisticated as compared to multi-arm robot. Toumai Single-arm Laparoscopic Surgical Robot performs laparoscopic surgery through single port, which is of clinical value in terms of smaller wounds, less pain, and higher postoperative aesthetics as compared with traditional multi-port surgery.

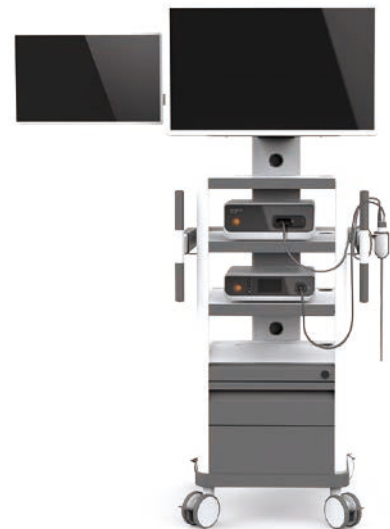
Toumai Single-arm Laparoscopic Surgical Robot successfully developed several clinical centers and was used to complete its first laparoscopic fenestration surgery for right lateral appended kidney cystonephrosis at Beijing Friendship Hospital (北京友谊醫院) during the Reporting Period. It is another breakthrough of Toumai Single-arm Laparoscopic Surgical Robot in the field of urology, further demonstrating the technical stability and safety of Toumai Single-arm Laparoscopic Surgical Robot and laying a solid clinical foundation for its normalized application in urology surgery. As of the date of this report, the Group has initiated enrollment of the registration clinical trial for Toumai Single-arm Laparoscopic Surgical Robot.

DFVision 3D Electronic Laparoscope

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

As the first domestic 3D electronic laparoscope that entered the Green Path in China, DFBVision obtained the registration certificate for launch issued by NMPA in June 2021 and launched sales from the second half of 2021. Despite the impact of COVID-19 pandemic, the commercialization and promotion of DFBVision was implemented in an orderly manner during the Reporting Period, and was able to achieve a significant year-on-year growth in both installed units and sales revenue, DFBVision commenced a new journey of large-scale sales.

The Group is committed to creating a sustainable product pipeline, continued efforts in the research and development targeting the new generation of DFBVision have been made and several key technical barriers has been successfully addressed during the Reporting Period, which is expected to further optimize the operating experience of surgeons and help the China's laparoscopic technology meet international standards.



SkyWalker Orthopedic Surgical Robot

SkyWalker is an orthopedic surgical robot 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. SkyWalker avoids the need for positioning the medullary cavity in traditional surgery. As there is no intramedullary rod implantation during the surgery, SkyWalker reduces surgical damage and blood loss, improves the postoperative lower limb alignment, reduces surgical complications, and helps patients achieve faster recovery after surgery.

In April 2022, SkyWalker has obtained the registration certificate for launch issued by NMPA (for total knee replacement surgery). Meanwhile, with our effort in actively exploring overseas market, SkyWalker obtained a 510(k) clearance from the FDA in July 2022 and a CE mark from the European Union in December 2022, becoming the first Chinese surgical robot approved for marketing simultaneously in China, the United States and the European Union. This marks the preliminary completion of the Group's global access to key regions and is a key milestone in the Group's globalization strategy.



Our marketing and doctor training efforts for SkyWalker have also made great progress during the Reporting Period. As of the date of this report, SkyWalker has successfully won the bid in China and completed more than 400 robot-assisted human clinical surgeries in hospitals across various provinces of China, including several first and difficult robot-assisted knee replacement surgeries, such as the first 5G remote knee replacement surgery by a Chinese surgical robot and the knee replacement surgery after internal fixation of femoral stem fracture with intramedullary nail.

In the overseas market, SkyWalker successfully completed the first total knee replacement surgery in the United States during the Reporting Period, and received recognition and appreciation by local key opinion leaders (KOL). Leveraging MicroPort's advantageous resource and position in the overseas orthopedic market, the Group expects to quickly establish and enhance SkyWalker's reputation and awareness in the global market and diversify the international market channels. With the launch of a large number of clinical applications, doctor trainings and marketing activities at home and abroad, SkyWalker has fully demonstrated its features such as precise operation, efficient synergy, safety protection and strong compatibility, laying a solid foundation for its subsequent large-scale sales. As of the date of this report, several units of SkyWalker have been installed in overseas with dozens of surgeries were completed.

In addition to total knee replacement surgery, the Group is also exploring breakthrough in the application of SkyWalker for other surgeries. As at the date of this report, SkyWalker has completed the first-in-man (FIM) clinical trial of total hip arthroplasty and the first-in-man (FIM) clinical surgeries of unicompartmental knee arthroplasty, which marked SkyWalker's official entry into the practical clinical trial and evaluation stage for total hip arthroplasty and unicompartmental knee arthroplasty.

Management Discussion and Analysis (Continued)

Trans-bronchial Surgical Robot

The Robot-assisted Bronchoscopy Navigation System (the “**Trans-bronchial Surgical Robot**”) independently developed by the Group is a non-invasive natural orifice transluminal robotic platform. The system features an ultra-smooth, ultra-thin snake-shaped robotic catheter, which can access hard-to-reach and narrow lesions through human’s natural orifice without making any wound on the body. It has significant meaning in early diagnosis and treatment of small pulmonary nodule and other cancer.

The clinical trial and evaluation tasks of the Trans-bronchial Surgical Robot are progressing smoothly, it has completed a robot-assisted trans-bronchial lung nodules biopsy during the Reporting Period, which is the first-in-man (FIM) clinical trial completed by a Chinese-developed trans-bronchial surgical robot, and marks a breakthrough of the Group in the minimally invasive surgical domain. The Group will soon kick off the enrollment of the registrational clinical trial for Trans-bronchial Surgical Robot.

R-ONE Vascular Interventional Surgical Robot

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



During the Reporting Period, R-ONE has completed the registrational clinical trials in China, becoming the first cardiovascular interventional surgical robot system in China that has completed multicenter registrational clinical trial. With the stability and reliability of R-ONE demonstrated by clinical trials, it can fill the gap in the fields of domestic PCI surgical robots, and has laid an important foundation for more precise and intelligent and less invasive vascular interventional surgery. As of the date of this report, Shanghai Cathbot has submitted the registration application for R-ONE to NMPA, which is expected to be approved in 2023.

iSR’obot Mona Lisa Robotic Transperineal Prostate Biopsy System

Mona Lisa, a product of Shanghai Intbot, a joint venture company jointly established by the Company and Biobot in China, is an innovative robotics product in the field of percutaneous puncture of the Group, aiming at assisting physicians to complete prostate puncture biopsy surgeries more precisely, accurately and quickly. Leveraging on surgical robots and artificial intelligence technology, Mona Lisa can help clinical physicians complete various operations in a better way through intelligent software formulation planning. Mona Lisa not only demonstrates the 3D visualized MRI-ultrasound fusion technology, but its motion compensation and needle offset position compensation technology also enhances the precision of puncture surgeries, so as to reduce the omission diagnostic rate, number of incisions and pain to patients.



Management Discussion and Analysis (Continued)

During the Reporting Period, Mona Lisa has completed the registrational clinical trial in China, becoming the first domestic prostate puncture robot completing the multi-center clinical trials in the field of urology. Leveraging on the cryoablation platform technology, Mona Lisa successfully completed the first focal treatment of prostate cancer worldwide with the prostate localization robot and cryoablation platform in November 2022, which represented that the precise therapy carried out by Mona Lisa robot in the field of percutaneous puncture had been verified clinically and marked that the precision of prostate treatment surgery would be greatly improved and the micro-trauma treatment would have much more potentials. As at the date of this report, Shanghai Intbot has submitted registration application for Mona Lisa to NMPA, which is expected to be approved for launch within 2023.

In terms of commercialization and expansion, Mona Lisa had successfully explored Chinese Taiwan market with its first sale during the Reporting Period, marking that Mona Lisa has gained the trust of customers with its technologically advanced targeted biopsy solution. Relying on the advantages of strong platform resources and technology leadership, the Group further expanded its presence in the field of percutaneous puncture by expanding into and serving a broader market, which is of great significance to the promotion of commercialization of the entire domestic surgical robot.

CUTTING-EDGE TECHNOLOGY

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

The technology of 5G remote surgeries is one of our key R&D directions that we continuously tackle and focus on, which reflects our implementation of and response to the guidance on the construction of regional medical communities under the “Healthy China” strategy. Free from the constraint of physical distance, it is a powerful tool for resolving the difficulties in seeking preliminary healthcare services, and represents our pragmatic approach to our belief of “Make surgery easier, safer and less invasive”. During the Reporting Period, by applying 5G communication technology, Toumai has made a connection between Kizilsu Kirghiz Prefecture in Xinjiang and Jiangsu Nanjing with a distance of nearly 5,000 kilometers, and successfully completed two ultra-remote procedures of urological surgery, realizing the longest-distance 5G remote robotic surgery in the world to date. In February 2023, Toumai successfully completed the first robot-assisted 5G ultra-remote hepatobiliary surgery in China by connecting Zhejiang University School of Medicine (浙大邵逸夫醫院) and Xinjiang Aral Hospital (新疆阿拉爾醫院).

Meanwhile, the Group continued to put efforts in promoting the application of remote technology in robot-assisted surgeries. During the Reporting Period, the world’s first 5G remote precise minimally invasive surgery training center was jointly established by the Group and the 301 Hospital, which provided assistance for the standardized training and promotion of domestic robotic surgery technology, facilitated the flow of advanced diagnosis and treatment technology to lower-tier, and promoted the improvement of primary medical and health service capacity in China. In terms of the clinical application of remote surgery, the Group carried out the demonstration of “Light on the Silk Road” (絲路之光) — 5G robotic remote surgery on animal in Gansu Province, which fully testified Toumai’s stability and reliability in remote surgery on complex environments and thus is of great significance in the intersection including clinical medicine, field emergency rescue, surgical robotic medicine and communication engineering.

Management Discussion and Analysis (Continued)

Leveraging on the rich experience in research and development and excellent innovation capability in the field of remote surgery with surgical robots and in combination with the large-scale application of 5G communication technology, the Group will facilitate the provision of remote medical services and offsite consultation, and promote the flow of quality medical resources to lower-tier. It is believed to have a profound influence on the improvement of medical services in local and remote communities and smart medical services, and has great application prospects.

RESEARCH AND DEVELOPMENT

We have fully mastered the 5 core underlying technologies of surgical robots (i.e. robot ontology, control algorithms, electrical engineering, image-based navigation and precision imaging). Through years of solid accumulation in the five technical fields, the Group has been able to establish an innovative surgical robot platform and maintain the ability to develop new products continuously.

At present, the Group has 2 China R&D centers respectively in Shanghai and Shenzhen. Meanwhile, as part of the globalization strategy, the Group also has established overseas R&D centers in Singapore, the United States and other countries to attract top talents from around the world, aiming at breaking through the core technology of minimally-invasive surgical robots, providing the whole chain of scientific and technological innovation services of surgical robots, and preparing for the Group's R&D, upgrade and iteration of the products in the future.

The Group also made full advantages of medical and engineering integration, and has reacted promptly to clinical needs. We have vigorously carried out multi-center clinical trials led by clinicians, promoted industrial upgrading and product iteration, and realized the transformation of underlying research results. Our Shanghai Engineering Research Center of Minimally Invasive Surgical Robots (上海微创手术机器人工程技术研究中心) has successfully built an open service platform covering research and development, verification, clinical and industrialization support through the cooperation between the industry, universities and research institutions.

CAPABILITY OF COMMERCIALIZATION

The Group has established a well-trained and fully responsible consultant marketing team to provide hospitals with comprehensive services, such as training, surgery support, maintenance, as well as equipment adjustment and testing and so on. During the Reporting Period, as the flagship products of the Group successively obtained approval and officially launch for sales, we expanded our marketing team accordingly, which helped the Group continuously improve its product marketing system, further optimize service capabilities and continuously enhance brand influence.

During the Reporting Period, despite the multiple challenges brought by the COVID-19, the Group still achieved leapfrog development in commercialization. Boosted by diverse and comprehensive marketing and physician training activities, the Group made the first sale of the Core Product, Toumai, during the Reporting Period and secured multiple bids/sales orders in relation to Toumai and SkyWalker as of the date of this report. During the Reporting Period, the Group has established accumulated over 40 clinical application and training centers across the country. Besides, through a wide range of doctor trainings and clinical trial surgeries, the Group has built its brand reputation, laying a solid foundation for further enhancing the recognition of the Group's innovative products, as well as their subsequent large-scale sales. With the help of those trainings and communication, we have collected ample feedback from doctors, thereby providing critical clinical support for the continuous upgrading of the Group's products and improving product's functions.

Management Discussion and Analysis (Continued)

MedBot Mobile Demonstration & Training Center (微創機器人移動培訓展示平台) developed by the Group is equipped with Toumai and SkyWalker surgical robot systems. During the Reporting Period, through continuous promotion and application of those systems, we promoted the surgical robot technology of “Intelligent Manufacturing in China” across the country, providing a platform for more healthcare professionals to access and experience surgical robots without having to travel long distances, which would help alleviate current shortage of domestic surgical robot training resources, and accelerate the development of affordable robotic surgeries.

MANUFACTURING AND SUPPLY CHAIN

The Group’s internal manufacturing and supply team is responsible for managing our manufacturing, supply and transportation. We currently have 2 production bases in China, located in Shanghai and Suzhou respectively. During the Reporting Period, we established a multi-level supply chain system covering precision parts, consumables, core components and system integration to quickly achieve production capacity at scale for a number of marketed products. The Group engaged in system integration and hierarchical assembly and testing of core components through its subsidiary Shanghai MicroPort Shuzhi Technology Co., Ltd. (上海微創樞知科技有限公司), and expedited the research and development of core parts prototype and the products iteration through its subsidiary Shanghai Weizhuo Technology Co., Ltd. (上海微琢科技有限公司). Through strategic and refined procurement management as well as the effective measures, the Group continuously optimizes sampling and product iteration efficiency and improves product delivery rate. During the Reporting Period, the Group’s production and logistics were temporarily affected by the recurrence of the COVID-19 pandemic in China. During the Reporting Period, supply chain related works have been fully resumed.

HUMAN RESOURCES AND PERSONNEL TRAINING

After years of accumulation, we have a surgical robot industrialization team that involves in the full cycle of surgical robot development covering R&D, clinical trial and registration, supply chain management and commercialization and marketing. As at 31 December 2022, the Group had around 1,200 employees, mainly based in China, Singapore, United States etc..

As a unique internal talent growth platform of the Group, “Stellar Academy (恒星學堂)” accurately fits the business and solves the pain points and difficulties of learning. It has formed a diversified curriculum system of basic knowledge, management knowledge, professional knowledge and project experience category and focuses on practical courses, delivering professional courses on an ongoing basis. Besides, the Group has adopted a management pyramid model to guide the behaviors of the management and implement management practice to further identify and develop talents.

INTELLECTUAL PROPERTY

As at 31 December 2022, we have filed 948 patents application worldwide, of which 263 patents have been granted in China or overseas, including 190 Chinese patents and 73 overseas patents. The remaining 685 patents are still under application, covering cutting-edge areas such as clinical applications, automated surgery and AI technology. During the Reporting Period, the Group was granted 103 new patents, including 32 overseas patents for inventions, completing the overseas deployment of core technologies. According to the branding, marketing and compliance protection strategy, we have completed the layout of domestic and foreign trademarks, and applied for 183 trademarks during the Reporting Period, having established the trademark system of launched products and corporate brands.

Management Discussion and Analysis (Continued)

OUTLOOK

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

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

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

2. Accelerate the commercialization, and improve the market penetration

With the continuous surgical robot products launch, we will leverage our extensive training and education centers for surgical robots, strengthen communication with doctors and patients, improve clinical application experience, standardize robot operation processes and standards, to accelerate the popularization of surgical robots, empower the total solution of high-quality medical robots assisted surgery to lower-tier medical institutions all over China, and realize our belief of “Make surgery easier, safer and less invasive”.

3. Continue to Promote globalization strategy

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

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW

Overview

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

Revenue

The Group recorded revenue of RMB21.6 million for the year ended 31 December 2022, representing an increase of 904.8% as compared to RMB2.2 million for the year ended 31 December 2021, which was mainly due to the fast growth in revenue of DFVision, a flagship product of the Group and the sales breakthrough of the Core Product, Toumai, made by the Group in the same year of its approval for launch.

Selling and Marketing Expenses

Selling and marketing expenses increased by 132.4% from RMB79.2 million for the year ended 31 December 2021 to RMB184.0 million for the year ended 31 December 2022. The increase was primarily attributable to the commercialization progress of our products which consisted of: (i) increase in staff costs including salaries, bonus and welfare, as well as share-based payment expenses due to increase in number of employees for the commercial team; and (ii) increase in consumption of materials for doctor trainings and clinical validation.

Administrative Expenses

Administrative expenses increased by 58.6% from RMB107.5 million for the year ended 31 December 2021 to RMB170.5 million for the year ended 31 December 2022. The increase was primarily in line with the business advancement which mainly consists of (i) the increase in staff costs including salaries, bonus and welfare and share-based payment expenses, due to the increasing number of management and administrative employees; and (ii) the increase in office rental and other expenses.

Research and Development Costs

Research and development costs increased by 92.5% from RMB392.6 million for the year ended 31 December 2021 to RMB755.8 million for the year ended 31 December 2022. The increase was primarily due to (i) the increase in staff costs including salaries, bonus and welfare and share-based payment expenses, due to the increasing number of research and development employees; (ii) the increase in costs of materials and consumables for research and development activities, brought by the registration and verification for Toumai and SkyWalker and the progression of the development of our other pipeline products; and (iii) the increase in rental and other expenses related to R&D.

Management Discussion and Analysis (Continued)

The following table provides information regarding the breakdown of the research and development costs of the Group for the periods indicated:

	For the year ended December 31	
	2022 RMB'000	2021 RMB'000
Staff costs	384,361	190,015
Cost of materials and consumables	240,325	110,923
Contracting costs	58,491	56,635
Depreciation and amortization	44,006	8,311
Clinical trial expenses	8,689	15,833
Others	19,930	10,932
Total	755,802	392,649

Other Operating Expenses

Other operating expenses was RMB6.6 million for the year ended 31 December 2022. For the year ended 31 December 2021, other operating expenses represented expenses of RMB43.5 million in relation to the Listing.

Other Net Income

For the year ended 31 December 2022, the Group recorded RMB42.1 million of other net income, compared to RMB24.7 million for the year ended 31 December 2021, which primarily consisted of (1) RMB26.7 million of interest income on financial assets measured at amortised cost; and (2) RMB11.6 million of government grants, primarily including government subsidies to support our research and development activities on surgical robots.

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

For the year ended 31 December 2022, the Group recorded a net loss of RMB27.0 million on financial instruments carried at FVPL as compared to a net gain of RMB45.5 million for the year ended 31 December 2021, which was primarily due to the decrease in fair value of our investment in NDR.

Finance Costs

The finance costs of the Group increased from RMB5.4 million for the year ended 31 December 2021 to RMB11.4 million for the year ended 31 December 2022, primarily due to the increase in the interest on lease liabilities.

Share of Losses of Equity-Accounted Investees

Share of losses of equity-accounted investees increased by 44.8% from RMB27.4 million for the year ended 31 December 2021 to RMB39.7 million for the year ended 31 December 2022. The Group had four equity-accounted investees. Share of losses of equity-accounted investees was mainly attributable to the above mentioned investees which are still in research and development stage, and recorded net loss during the Reporting Period.

Management Discussion and Analysis (Continued)

Non-HKFRS Measures

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

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Loss for the year	(1,146,284)	(584,507)
Add:		
Share-based payment expenses ⁽¹⁾	136,919	91,199
Listing expenses ⁽²⁾	—	40,526
Adjusted net loss for the year	(1,009,365)	(452,782)

Notes:

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

Inventories

Inventories of the Group consist of raw materials, work-in-process and low value consumables. Our inventories increased from RMB109.9 million as at 31 December 2021 to RMB250.5 million as at 31 December 2022, which is primarily due to the Group commenced commercialization of products and commercial scale production during the year.

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

Management Discussion and Analysis (Continued)

Lease Liabilities

As at 31 December 2022, the Group's lease liabilities was RMB186.9 million, which were primarily related to the Group's leasing of properties for office premises, manufacturing and R&D.

Capital Expenditure

Our capital expenditure amounted to RMB267.8 million during the Reporting Period, including the payments for property, plant and equipment and external equity investment.

Contingent Liabilities

As at 31 December 2022, the Group did not have any contingent liabilities.

Employees and remuneration policies

As of 31 December 2022, the Group had around 1,200 employees. During the Reporting Period, the staff cost recognised as expenses of the Group amounted to RMB612.9 million (2021: RMB285.8 million). The increase in staff costs was mainly due to the increase in the number of employees from 2021 to 2022.

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

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

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL MANAGEMENT

Cash Position

The cash and cash equivalents of the Group decreased from RMB1,940.8 million as at 31 December 2021 to RMB748.0 million as at 31 December 2022, primarily due to ongoing R&D activities and increasing marketing activities.

Management Discussion and Analysis (Continued)

Capital Management

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

Exposure to Foreign Exchange Fluctuation

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

As at 31 December 2022, the Group had cash and bank balances denominated in United States dollars and Hong Kong dollars of RMB0.7 million and RMB7.2 million (31 December 2021: RMB6.5 million and RMB191.1 million), respectively, all of which are subject to fluctuations in exchange rates.

Borrowings and Gearing Ratio

As at 31 December 2022, the total interest-bearing borrowings of the Group amounted to RMB33.1 million, increased by RMB33.1 million as compared to nil as at 31 December 2021. As at 31 December 2022, the Group's net gearing ratio (as calculated by total interest-bearing bank borrowings as at the end of respective periods divided by total equity as at the same date) was 2.4%, as compared to nil as at 31 December 2021.

Net Current Assets

The Group's net current assets as of 31 December 2022 were RMB773.5 million, as compared to RMB1,859.8 million as of 31 December 2021. Such decrease was mainly attributable to a decline in the Group's cash position resulting from its continued expenditures on research and development, clinical registration, and commercialization activities.

Charge on Assets

As of 31 December 2022, there was no material charge on assets of the Group.

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

Initial Public Offering on the Stock Exchange

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

Management Discussion and Analysis (Continued)

The Group intends to utilize the net proceeds raised from the Listing according to the plans set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus. All the net proceeds from the Listing were remitted to the PRC and completed the foreign exchange settlement procedures in January 2022. As at 31 December 2022, the Company has utilized the net proceeds from the Listing for the following purposes:

The following table sets forth details of the net proceeds as at 31 December 2022:

	Planned use of net proceeds as stated in the Prospectus and taking into account the net proceeds received from the full exercise of the over-allotment option		Unutilized net proceeds as at 1 January 2022	Actual use of net proceeds for the year ended 31 December 2022	Unutilized net proceeds as at 31 December 2022	Expected timeline of the intended use of proceeds
	HK\$'million	Approximate				
		percentage				
For Toumai	588.91	35.0	588.27	485.92	102.35	by the first half of 2023
— ongoing R&D activities of Toumai	336.52	20.0	335.88	302.51	33.37	by the first half of 2023
• for further refinement	33.65	2.0	33.01	32.97	0.04	by the first half of 2023
• for application expansion to gynecologic, thoracic and general surgeries	100.96	6.0	100.96	83.71	17.25	by the first half of 2023
• for product refinement per clinical feedback and product upgrade toward the next generation of Toumai	201.91	12.0	201.91	185.83	16.08	by the first half of 2023
— the commercialization of Toumai	252.39	15.0	252.39	183.41	68.98	by the first half of 2023
For orthopedic surgical robots	353.35	21.0	353.35	135.24	218.11	by the first half of 2023
— ongoing R&D of SkyWalker	168.26	10.0	168.26	66.91	101.35	by the first half of 2023
• for application expansion to other joint replacement procedures	92.54	5.5	92.54	43.32	49.22	by the first half of 2023
• for continuous refinements and upgrades	75.72	4.5	75.72	23.59	52.13	by the first half of 2023
— commercialization of SkyWalker	107.69	6.4	107.69	44.20	63.49	by the first half of 2023
— research and development of other orthopedic surgical robots	77.40	4.6	77.40	24.12	53.28	by the first half of 2023
For the Group's other product candidates	319.69	19.0	319.41	223.75	95.66	by the first half of 2023
— (i) the development of our other pipeline products in other surgical specialties, including our trans-bronchial surgical robot and TAVR surgical robot and (ii) the development of new robotic technologies and products to replenish our pipeline	235.56	14.0	235.56	223.75	11.81	by the first half of 2023
— the development and commercialization of the surgical robots under our collaboration with international partners, including R-ONE with Robocath, ANT with NDR and Mona Lisa with Biobot	84.13	5.0	83.85	—	83.85	by the first half of 2023
Enhance our manufacturing capacities and supply chain management capabilities	84.13	5.0	84.13	58.30	25.83	by the first half of 2023
Expand our product portfolio with innovative robotic technologies and products	168.26	10.0	168.26	85.89	82.37	by the first half of 2023
Working capital and general corporate purposes	168.26	10.0	168.26	102.75	65.51	by the first half of 2023

Management Discussion and Analysis (Continued)

The Directors were not aware of any material change to the planned use of proceeds as of 31 December 2022. The unutilized net proceeds and its following intended timeframe for utilization will be applied in the manner consistent with that mentioned in the Prospectus. Further details of the breakdown and description of the use of proceeds are set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

Proposed Issuance of A Shares and Listing on The STAR Market of The Shanghai Stock Exchange

On 1 June 2022, the Company announced that it proposed to apply to the relevant PRC regulatory authorities for the allotment and issuance of not more than 116,062,930 A shares of the Company (“**A Shares**”), and proposed to apply to the Shanghai Stock Exchange for the listing and trading of A Shares on the STAR Market of the Shanghai Stock Exchange (the “**STAR Market**”). On 21 June 2022, the Shareholders considered and approved the issuance of no more than 116,062,930 A Shares and the application to the Shanghai Stock Exchange for the listing and trading of A Shares on the STAR Market and relevant matters in the 2022 third extraordinary general meeting, the 2022 third domestic shares’ class meeting and the 2022 third H shareholders’ class meeting of the Company. The proposed issuance of A Shares is subject to, amongst other things, approval from the Shanghai Stock Exchange and registration with the China Securities Regulatory Commission.

Save as disclosed in this report the Group did not have any other immediate plans for material investments and capital assets as at 31 December 2022.

Directors, Supervisors and Senior Management

DIRECTORS

Executive Director

Dr. He Chao (何超), aged 38, was appointed as the Director on 18 October 2017 and re-designated as the executive Director on 10 June 2021. He is the president and is mainly responsible for overseeing the research and development and day-to-day management and strategic development of the Group. He is also a member of the nomination committee of the Company (the “**Nomination Committee**”) and the strategy and development committee of the Company (the “**Strategy and Development Committee**”).

Dr. He Chao has over 15 years of experience in the research and development of surgical robots. He joined the Group as the general manager of the Company in May 2015 and has been serving as the president since December 2020, primarily responsible for the business operations of the Company. Dr. He Chao also holds various directorships and management positions in the Group companies, including but not limited to the executive director of Suzhou MicroPort OrthoBot Co., Ltd. (蘇州微創暢行機器人有限公司) (the “**OrthoBot Suzhou**”) since July 2019, the representative of the Beijing branch of the Company since November 2020 and the representative of the Shanghai branch of OrthoBot Suzhou since July 2022.

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

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

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

Directors, Supervisors and Senior Management (Continued)

Non-executive Directors

Mr. Sun Hongbin (孫洪斌), aged 48, was appointed as the Director on 3 April 2020 and re-designated as the non-executive Director on 10 June 2021. He is serving as the chairman of the Board and is primarily responsible for overseeing the management and operations of the Group. He is also the chairperson of the Strategy and Development Committee and a member of the remuneration and appraisal committee of the Company (the “**Remuneration and Appraisal Committee**”).

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

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

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

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

Mr. Sun Xin (孫欣), aged 42, was appointed as the Director on 17 September 2020 and was re-designated as the non-executive Director on 10 June 2021, where he is primarily responsible for overseeing the management and operations of the Group. He is also a member of the Audit Committee.

Mr. Sun Xin is currently a managing director at Hillhouse investment Management and has been a member of the healthcare private equity team since 2017. He has more than 10 years of experience in financial service and healthcare industries. Prior to joining Hillhouse Capital Management, he worked at the Investment Banking Division of Goldman Sachs in New York, with a focus on healthcare M&A and financing and he was a vice president at Affinity Equity Partners, an Asia-focused private equity fund. He started his career in pharmaceutical and biotech industry as a research scientist at Boehringer Ingelheim and Genentech, respectively. He has been serving as a non-executive director of Luye Pharma Group Limited (綠葉製藥集團有限公司) (stock code: 2186) since February 2021.

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

Directors, Supervisors and Senior Management (Continued)

Mr. Chen Chen (陳琛), aged 39, was appointed as the Director on 17 September 2020 and was re-designated as the non-executive Director on 10 June 2021. He is primarily responsible for overseeing the management and operations of the Group.

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

Mr. Chen Chen is currently also serving as a director of several other companies, including, a non-executive director of Shanghai Hanyu Medical Technology Co., Ltd. (上海捍宇醫療科技股份有限公司), a director of Spectrum Dynamics Medical Group Limited and a non-executive director of Acotec Scientific Holdings Limited (先瑞達醫療科技控股有限公司) from December 2020 to February 2023.

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

Independent non-executive Directors

Dr. Li Minghua (李明華), aged 71, was appointed as an independent Director on 30 December 2020, and was redesignated as the independent non-executive Director on 10 June 2021. He is also the chairperson of the Remuneration and Appraisal Committee and a member of the Audit Committee and the Strategy and Development Committee.

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

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

Directors, Supervisors and Senior Management (Continued)

Mr. Yao Haisong (姚海嵩), aged 49, was appointed as the independent Director on 30 December 2020, and was redesignated as the independent non-executive Director on 10 June 2021. He is also the chairperson of the Nomination Committee and a member of the Remuneration and Appraisal Committee.

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

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

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

Mr. Mui Wing Hong (梅永康), aged 51, was appointed as the independent non-executive Director on 21 June 2022. He is also the chairperson of the Audit Committee and a member of the Nomination Committee.

Mr. Mui Wing Hong has more than 25 years' experience in managing various finance and accounting activities that included financial reporting, budgeting, internal control, fund raising and taxation of listed company.

Mr. Mui Wing Hong is a fellow of The Hong Kong Institute of Certified Public Accountants, a member of the American Institute of Certified Public Accountants, and is a fellow of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators). Mr. Mui Wing Hong graduated from The Chinese University of Hong Kong with a bachelor's degree in business administration majoring in accounting in December 1994 and further completed a chief financial officer (CFO) program at China Europe International Business School (中歐國際工商學院) in November 2008 and the Northwestern University (Kellogg School of Management) and The Hong Kong University of Science and Technology Executive MBA in December 2020.

From 1994 to 1997, Mr. Mui Wing Hong served as an audit senior at BDO Limited. From to 1997 to 2003, Mr. Mui Wing Hong served as an audit manager at the KPMG Hong Kong branch. From 2004 to 2007, Mr. Mui Wing Hong served as the group finance manager of the Global Beauty Group. From October 2007 to December 2020, Mr. Mui Wing Hong served as the general manager (group corporate finance) of Shui On Land Limited (瑞安房地產有限公司) (stock code: 272), a company listed on the Stock Exchange. From January 2021 to February 2022, Mr. Mui Wing Hong served as the deputy general manager (finance) of K. Wah International Holdings Limited (嘉華國際集團有限公司) (stock code: 173), a company listed on the Stock Exchange. From April 2022 to July 2022, Mr. Mui Wing Hong served as the director of Max Advisory Limited. Since August 2022, he has been serving as the chief financial officer of South Asia Real Estate Group Co., Ltd. (南益地產集團有限公司).

Directors, Supervisors and Senior Management (Continued)

SUPERVISORS

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

Mr. Zhang Jie (張劼), aged 44, was appointed as the chairman of the board of Supervisors on 30 December 2020. He is primarily responsible for supervising and providing independent advice to the Board.

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

Mr. Zhang Jie graduated from the Zhejiang University of Technology in the PRC with a bachelor's degree in communication principles in 2002. He received his master's degree in measuring and testing technologies and instruments from the University of Shanghai for Science and Technology in the PRC in March 2007, and received his doctoral degree in biomedical engineering from University of Shanghai for Science and Technology in the PRC in August 2021.

Ms. Zhang Lihong (張麗紅), aged 46, was appointed as the Supervisor on 30 December 2020. She is primarily responsible for supervising and providing independent advice to the Board.

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

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

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

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

Directors, Supervisors and Senior Management (Continued)

Mr. Yuan Shuai (袁帥), aged 34, was appointed as the staff representative Supervisor on 30 December 2020 and is primarily responsible for supervising and providing independent advice to the Board. Mr. Yuan Shuai joined the Group in May 2015 and successively served as R&D engineer and system engineer of the Company. He is currently serving as the advanced director and is primarily responsible for research and development of the products.

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

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

SENIOR MANAGEMENT

Mr. Liu Yu (劉雨), aged 53, joined the Group on 1 December 2020 as the chief commercial officer and vice president. From March 2021 to May 2022, Mr. Liu Yu served as the chief commercial officer and senior vice president of the Group, and since June 2022, he has been serving as the chief commercial officer and executive vice president of the Group primarily responsible for sales and marketing, and clinical and medical affairs. He has also been serving as the executive director and manager of 1.1 Medical (Beijing) Health Technology Co., Ltd. (易達醫(北京)健康科技有限公司), since September 2020, where he is primarily responsible for its operations and management.

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

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

Directors, Supervisors and Senior Management (Continued)

Mr. Li Shuxiang (李叔祥), aged 41, joined the Group on 21 October 2019 as a quality director of the Company. Since March 2021, Mr. Li Shuxiang has been serving as a vice president of the Company, primarily responsible for planning, development and execution of the Group's industrial operation.

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

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

Ms. Cui Xiaoyu (崔曉煜), aged 43, joined the Group in April 2020 and was appointed as the financial controller on 1 June 2022.

Ms. Cui has nearly 20 years of relevant experience in finance. Prior to joining the Group, from August 2002 to April 2008, Ms. Cui served as an assistant manager of KPMG Huazhen Certified Public Accountants. From April 2008 to December 2008, she worked as the senior internal auditor of Tyco Electronics (泰科電子). From March 2009 to October 2013, she also worked as the financial manager of SCA (China) Holding Co., Ltd. (愛生雅(中國)投資有限公司). From October 2013 to April 2019, she was the senior financial manager of Shanghai Roche Pharmaceutical Co., Ltd. (上海羅氏製藥有限公司).

Ms. Cui received her bachelor's degree in economics from Shanghai University of Finance & Economics in 2002.

Ms. Fang Cong (房聰), aged 34, joined the Group in June 2021 and was appointed as the Board secretary on 28 September 2021. She is primarily responsible for the board matters of the Group.

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

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

Directors, Supervisors and Senior Management (Continued)

COMPANY SECRETARY

Ms. Hui Yin Shan (許燕珊), aged 54, was appointed as the company secretary on 10 June 2021.

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

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

Report of the Directors

The board (the “**Board**”) of directors (the “**Directors**”) of Shanghai MicroPort MedBot (Group) Co., Ltd. (the “**Company**”) and together with its subsidiaries, the “**Group**”) presents this report to the shareholders of the Company (the “**Shareholders**”) together with the audited consolidated financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

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

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

FINANCIAL STATEMENTS

The financial performance of the Group for the financial year ended 31 December 2022 and the state of the Group’s affairs as at that date are set out in the consolidated financial statements on pages 139 to 212 of this annual report.

BUSINESS REVIEW

Overview

A review of the business of the Group during the year ended 31 December 2022, which includes an analysis of the Group’s performance, is set out in the section headed “Management Discussion and Analysis” on pages 9 to 27 of this report. An analysis of the Group’s performance indicators, is set out in the section headed “Financial Highlights” on page 4 of this report. The compliance with relevant laws and regulations which have significant impact on the Group is set out in this Report of the Directors. The reviews form part of this statement.

Environmental Policies and Performance

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

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

A comprehensive review of the Company’s environmental policies and performance during the year of 2022 is provided in the “Environment, Social and Governance Report” from page 74 to page 133 of this annual report.

Report of the Directors (Continued)

Compliance with Laws and Regulations

The Company recognizes the importance of compliance with legal and regulatory requirements, as well as the risk of non-compliance. The Company has allocated system and staff resources to ensure ongoing compliance with applicable laws, rules and regulations including but not limited to, those laws, rules and regulations promulgated by the NMPA, the Ministry of Commerce, State Administration for Market Regulation, the government of the Hong Kong Special Administrative Region, and such regulators' global counterparts in countries/regions where the Group conducts business. The Group maintains cordial working relationships with regulators through effective communications. Throughout the year ended 31 December 2022, the Group have strived to conduct business in accordance with all applicable laws, rules and regulations in all material respects and there is no investigation, disciplinary proceeding or inquiry by, or order, decree, decision or judgment of any authority outstanding, or, to the best of the Company's knowledge, threatened or expected to be issued against any member of the Company or its respective assets or any person for whose acts or defaults it may be vicariously liable, and which is of a material nature.

PRINCIPAL RISKS AND UNCERTAINTIES

Risks Relating to the Development and Commercialization of Pipeline Products

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

Risks Relating to Financial Position and Need for Additional Capital

As the Group was a pre-revenue innovative medical device company before its products enter the commercialization stage, investments in the development of innovative medical devices such as the Group's surgical robots are highly speculative. It entails substantial upfront capital expenditure and will continue to incur significant research and development and other expenses related to the Group's ongoing operations. The Group has incurred significant expenses related to the research and development of its pipeline products in the past. For the year ended 31 December 2022, The Group's research and development costs amounted to RMB755.8 million, which was one of major reasons for our significant net losses.

Report of the Directors (Continued)

Risks Relating to Intellectual Property Rights

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

RELATIONSHIPS WITH KEY STAKEHOLDERS

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

Employees

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

As at 31 December 2022, the Group had 1,230 employees (31 December 2021: 898 employees).

Customers

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

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

Report of the Directors (Continued)

Shareholders

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

FUTURE BUSINESS DEVELOPMENTS

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

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2022, purchases from the Group’s largest supplier and the five largest suppliers in aggregate accounted for 6.4% and 18.8% respectively of the Group’s total purchase for the year. Sales to the Group’s largest customer and the five largest customers in aggregate accounted for 25.6% and 59.2% respectively of the Group’s total revenue for the year.

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2022 are set out in note 28 to the consolidated financial statements.

Report of the Directors (Continued)

DISTRIBUTABILITY OF RESERVES

As at 31 December 2022, the Company did not have distributable reserves. (2021: nil).

GROUP FINANCIAL SUMMARY

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

DIRECTORS AND SUPERVISORS

Directors and Supervisors during the year ended 31 December 2022 and up to the date of this report were:

Executive Director

Dr. He Chao

Non-Executive Directors

Mr. Sun Hongbin

Mr. Sun Xin

Mr. Chen Chen

Independent Non-Executive Directors

Dr. Li Minghua

Mr. Yao Haisong

Mr. Mui Wing Hong (appointed in June 2022)

Ms. Lee Kit Ying (resigned in June 2022)

Supervisors

Mr. Zhang Jie

Ms. Zhang Lihon

Mr. Yuan Shuai

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACT

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

Report of the Directors (Continued)

COMPETING BUSINESS INTERESTS OF DIRECTORS AND SUPERVISORS

During the year ended 31 December 2022, none of the Directors or Supervisors were interested in any business apart from the Company's business, which competed or was likely to compete, either directly or indirectly, with the businesses of the Company and its subsidiaries pursuant to Rule 8.10 of the Listing Rules.

EMOLUMENT POLICY

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

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

REMUNERATION OF SENIOR MANAGEMENT

Pursuant to the Code Provision E.1.5 of Part 2 of the CG Code, the remuneration of the members of the senior management (other than the Directors and Supervisors) whose particulars are contained in the section headed "Directors, Supervisors and Senior Management" in this annual report for the year ended 31 December 2022 by band is set out below:

Remuneration Band (RMB)	Number of individuals
1,000,001 to 1,500,000	2
1,500,001 to 2,000,000	1
11,500,001 to 12,000,000	1

REMUNERATION OF DIRECTORS, SUPERVISORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

PENSION SCHEME

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

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

Report of the Directors (Continued)

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

As at 31 December 2022, interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) held by the Directors, Supervisors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) as set out in Appendix 10 to the Listing Rules were as follows:

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

Name	Class of Shares	No. of Shares	Notes	Capacity	Nature of interest	Approximate percentage of interest in the relevant class of Shares
Dr. He Chao	H Shares	620,928,412	1, 2, 3	Interest in a controlled corporation	Long position	65.22%
Mr. Yuan Shuai	H Shares	556,023,374	2, 3, 4	Interest in a controlled corporation	Long position	58.41%

- (1) Dr. He Chao was the general partner of Shanghai Qingmin. Shanghai Qingmin held 96,013,252 Shares as at 31 December 2022. 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 24,184,153 Shares as at 31 December 2022. 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. As at 31 December 2022, Shanghai Qingzhen held 16,963,831 Shares and Shanghai Latent held 483,767,176 Shares. 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 35.78% interest in Shanghai Qingxing, which held 31,108,214 Shares as at 31 December 2022. By virtue of the SFO, Mr. Yuan Shuai was deemed to be interested in the Shares held by Shanghai Qingxing.

Report of the Directors (Continued)

Interests and Short Positions in Shares, Underlying Shares and Debentures of the Associated Corporations

Name	Name of associated corporation	No. of shares	Notes	Capacity	Nature of interest	Approximate percentage of interest in the associated corporation
Dr. He Chao	MicroPort	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 13.08% interest in MicroPort Vision Power, an indirect non-wholly owned subsidiary of MicroPort and therefore an associated corporation of our Company under the SFO. By virtue of the SFO, Mr. Zhang Jie was deemed to be interested in the interest in which Shanghai Maitian and Shanghai Lantian are interested.
- (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 31 December 2022, none of the Directors, Supervisors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of the Directors (Continued)

Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares of the Company

As at 31 December 2022, so far as is known to the Directors, the following persons (not being a Director, Supervisors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which would need to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Interests and Short Position in the Shares

Names of Shareholder	Class of Shares	No. of Shares	Note	Capacity	Nature of interest	Approximate percentage of interest in the relevant class of Shares	Approximate percentage of interest in the total issued Shares
Shanghai Latent	H Shares	500,731,007	1, 2	Beneficial owner	Long position	52.60%	52.24%
				interest held jointly with another person			
MicroPort Sinica	H Shares	500,731,007	1	Interest in a controlled corporation	Long position	52.60%	52.24%
MicroPort	H Shares	500,731,007	1	Interest in a controlled corporation	Long position	52.60%	52.24%
Shanghai Qingzhen	H Shares	500,731,007	2	Beneficial owner	Long position	52.60%	52.24%
				interest held jointly with another person			
Shanghai Qingmin	H Shares	96,013,252		Beneficial owner	Long position	10.09%	10.02%
Ms. Ji Shufang	H Shares	620,928,412	3	Interest of spouse	Long position	65.22%	64.77%
Ms. Wu Kaili	H Shares	556,023,374	4	Interest of spouse	Long position	58.41%	58.00%
Zhuhai Gao Ling Chongheng Equity Investment LLP (珠海高瓴崇恒股權投資合夥企業(有限合夥)) ("Gao Ling Chongheng")	H Shares	71,972,764	5	Beneficial owner	Long position	7.56%	7.51%
Shenzhen Gao Ling Muqi Equity Investment Fund LLP (深圳高瓴慕祺股權投資基金合夥企業(有限合夥)) ("Gao Ling Muqi")	H Shares	71,972,764	5	Interest in a controlled corporation	Long position	7.56%	7.51%
Xiamen Gao Ling Ruiqi Equity Investment Fund LLP (廈門高瓴瑞祺股權投資基金合夥企業(有限合夥)) ("Gao Ling Ruiqi")	H Shares	71,972,764	5	Interest in a controlled corporation	Long position	7.56%	7.51%
Shenzhen Gao Ling Tiancheng Phase III Investment Co., Ltd. (深圳高瓴天成三期投資有限公司) ("Shenzhen Gao Ling")	H Shares	73,772,755	5, 6	Interest in a controlled corporation	Long position	7.75%	7.70%

Report of the Directors (Continued)

Notes:

- (1) Shanghai Latent is wholly owned by MicroPort Sinica, which in turn is wholly owned by MicroPort. By virtue of the SFO, MicroPort and MicroPort Sinica are deemed to be interested in the Shares held by Shanghai Latent.
- (2) Shanghai Latent and Shanghai Qingzhen are parties acting-in-concert pursuant to a concert party agreement. Shanghai Qingzhen holds 16,963,831 Shares and Shanghai Latent holds 483,767,176 Shares as at 31 December 2022.
- (3) Ms. Ji Shufang is the spouse of Dr. He Chao. By virtue of the SFO, Ms. Ji Shufang is deemed to be interested in the Shares held by Dr. He Chao.
- (4) Ms. Wu Kaili is the spouse of Mr. Yuan Shuai. By virtue of the SFO, Ms. Wu Kaili is deemed to be interested in the Shares held by Mr. Yuan Shuai.
- (5) By virtue of the SFO, Shenzhen Gao Ling (as general partner) and Gao Ling Muqi and Gao Ling Ruiqi (as relevant limited partners) are deemed to be interested in the Shares held by Gao Ling Chongheng. As such, by virtue of the SFO, each of Shenzhen Gao Ling, Gao Ling Muqi and Gao Ling Ruiqi is deemed to be interested in the Shares held by Gao Ling Chongheng.
- (6) Shenzhen Gao Ling is also the general partner of Zhuhai Gao Ling Jiangheng Equity Investment LLP (珠海高瓴緯恒股權投資合夥企業(有限合夥)) (“**Gao Ling Jiangheng**”). Gao Ling Jiangheng held 1,799,991 Shares as at 31 December 2022. By virtue of the SFO, Shenzhen Gao Ling is deemed to be interested in the Shares held by Gao Ling Jiangheng.

Save as disclosed above, as at 31 December 2022, the Directors of the Company were not aware of any persons (who were not Directors, Supervisors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would need to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

MANAGEMENT CONTRACT

During the year ended 31 December 2022, no contract concerning the management and administration of all or any substantial part of the business of the Company was entered into or existed.

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

Save as disclosed in the section headed “Continuing Connected Transactions”, there were no other transactions, arrangements or contracts of significance in relation to the Group’s business to which the Company or any of its subsidiaries was a party and in which a Director or Supervisor or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the financial year 2022 or at any time during the year ended 31 December 2022.

SIGNIFICANT CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save as disclosed in the section headed “Continuing Connected Transactions” and the material related party transactions as disclosed in note 31 to the consolidated financial statement, no contract of significance was entered into between any member of the Group and a controlling shareholder of the Company or any of its subsidiaries or contract of significance for the provision of services to any member of the Group by a controlling shareholder or any of its subsidiaries subsisted during the year ended 31 December 2022.

Report of the Directors (Continued)

PERMITTED INDEMNITY PROVISION

The Company has maintained directors' liability insurance which provides appropriate cover for the Directors during the year ended 31 December 2022.

ARRANGEMENTS TO ENABLE DIRECTORS OR SUPERVISORS TO ACQUIRE SHARES AND DEBENTURES

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

CONTINUING CONNECTED TRANSACTION

(I) Master Products Procurement Agreement

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

The maximum transaction amounts for the procurement of the Products for each of the three years ending 31 December 2023 will not exceed RMB10.8 million, RMB9.5 million and RMB8.1 million, respectively. For the year ended 31 December 2022, the actual transaction amount under the Master Products Procurement Agreement was approximately RMB2.1 million.

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

Report of the Directors (Continued)

(II) Master Services Procurement Agreement

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

The maximum transaction amounts in relation to the procurement of the Services for each of the three years ending 31 December 2023 will not exceed RMB11.1 million, RMB27.2 million and RMB24.9 million, respectively. For the year ended 31 December 2022, the actual transaction amount under the Master Services Procurement Agreement was approximately RMB12.4 million.

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

(III) Catering Services Framework Agreement

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

The maximum transaction amounts under Catering Services Framework Agreement for each of the three years ending 31 December 2024 will not exceed RMB7.6 million, RMB10.8 million and RMB13.5 million, respectively. For the year ended 31 December 2022, the actual transaction amount under the Catering Services Framework Agreement was approximately RMB1.9 million.

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

Report of the Directors (Continued)

(IV) Property Management Services Framework Agreement

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

The maximum transaction amounts under Property Management Services Framework Agreement for each of the three years ending 31 December 2024 will not exceed RMB5.3 million, RMB5.3 million and RMB5.3 million, respectively. For the year ended 31 December 2022, the actual transaction amount under the Property Management Services Framework Agreement was approximately RMB1.9 million.

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

(V) Sales Framework Agreement

On 6 December 2022, the Company and MicroPort entered into the sales framework agreement (the “**Sales Framework Agreement**”), pursuant to which, the Group agreed to sell and the MicroPort Group agreed to purchase certain products, for the purposes of the commercialization and distribution of the products in the relevant target markets, which includes (i) surgical robot equipment (namely SkyWalker); and (ii) surgical robot equipment supporting accessories and consumables.

The maximum transaction amounts under Sales Framework Agreement for each of the three years ending 31 December 2025 will not exceed RMB80 million, RMB150 million and RMB215 million, respectively.

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. For further details, please refer to the announcement of the Company dated 6 December 2022 and the circular of the Company dated 13 December 2022.

Report of the Directors (Continued)

The independent non-executive Directors have reviewed the continuing connected transactions mentioned above and confirmed that such transactions have been entered into:

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

The Company's auditor was engaged to report on the Group's continuing connected transactions conducted for the year ended 31 December 2022 in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

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

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

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

Save as the aforesaid, there were no discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules for the year ended 31 December 2022.

Save as aforesaid, none of the "Material Related Party Transactions" as disclosed in Note 31 to the consolidated financial statements for the year ended 31 December 2022 constituted discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules.

To the extent of the above "Material Related Party Transactions" constituted connected transactions or continuing connected transactions as defined in the Listing Rules, the Company had complied with the relevant requirements under Chapter 14A of the Listing Rules for the year ended 31 December 2022.

Report of the Directors (Continued)

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

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

The Company has no significant investments or material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as the guidelines for the Directors' and Supervisors' dealings in the securities of the Company. Following specific enquiries to each of the Directors and Supervisors, all the Directors and Supervisors have confirmed their compliance with the required standards set out in the Model Code for the year ended 31 December 2022.

The Company has also established written guidelines (the "**Employees Written Guidelines**") no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company during the Reporting Period.

SHARE AWARD SCHEME

The Company has adopted an H share award scheme on its extraordinary general meeting held on 10 February 2022 (the "**Share Award Scheme**") as a means of recognising the contributions of certain eligible participants. A summary of the Share Award Scheme was set out in the circular of the Company dated 19 January 2022.

Purpose and Objectives of the Share Award Scheme

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

Participants of the Share Award Scheme

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

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

Report of the Directors (Continued)

Duration

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

Scheme Limits

The Board shall not make any further award of H Shares which will result in the number of H Shares awarded by the Board under the Share Award Scheme exceeding 10% of the issued H Shares from time to time, being 95,199,428 H Shares, represented approximately 9.93% of the issued share capital of the Company as at the date of this report.

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

Operation

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

No Award Shares have been granted since the date of adoption of the Share Award Scheme to the year ended 31 December 2022. As at 1 January 2022 and 31 December 2022, the number of awards available for grant under the Share Award Scheme is 95,199,428 H Shares. As at the date of this report, the remaining life of the Share Award Scheme is approximately eight years and 10 months.

SHARE OPTION SCHEMES

In order to provide incentives or reward to certain eligible persons for their contribution to, and continuing efforts to promote the interests of, the Group and for such other purposes as the Board may approve from time to time, the Company had adopted a share option scheme (the "**Share Option Schemes**") in accordance with Chapter 17 of the Listing Rules. For details, please refer to the announcement of the Company dated 10 February 2022 and circular of the Company dated 28 February 2022.

Report of the Directors (Continued)

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

Pursuant to the Share Option Scheme, the aggregate number of H shares of the Company (the "**H Shares**") which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options schemes of the Company (the "**Other Schemes**") must not in aggregate exceed 10% of the total number of H Shares in issue as at the date of adoption of the Share Option Scheme (being 95,199,428 H Shares, represents 10% of total number of H Shares and 9.93% of the issued share capital of the Company as at the date of this report) or the Other Schemes (as the case may be).

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

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

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

Report of the Directors (Continued)

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

During the period from the date of adoption of the Share Option Scheme to 31 December 2022, no option had been granted or agreed to be granted under the Share Option Scheme. As at 1 January 2022 and 31 December 2022, the number of options available for grant under the Share Option Scheme is 95,199,428 H Shares.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the year ended 31 December 2022.

PUBLIC FLOAT

From the information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public at all times during the Reporting Period as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

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

DONATION

During the year ended 31 December 2022, the Group made no donations.

ANNUAL GENERAL MEETING

The Company will further determine the date, time and place of the 2022 AGM. The details of the 2022 AGM, the period of closure of the register of members during the 2022 AGM and the notice of convening the 2022 AGM will be published and dispatched in the manner prescribed by the Listing Rules and the Articles of Association as soon as possible.

Report of the Directors (Continued)

FINAL DIVIDEND

The Directors do not recommend a final dividend for the year ended 31 December 2022 (2021: nil).

TAX RELIEF AND EXEMPTION (H SHAREHOLDERS)

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

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

The Company did not have any distributable profit in 2022. The Company did not pay any dividend. Accordingly, the shareholders of the Company (including the holders of H Shares) are not subject to income tax.

CORPORATE GOVERNANCE

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

SUBSEQUENT EVENTS

As at the date of this annual report, the Group did not have any significant subsequent events after 31 December 2022.

AUDITOR

KPMG has acted as auditor of the Company for the financial year ended 31 December 2022. There has been no change in auditor since the Listing Date. KPMG shall retire at the forthcoming AGM and, being eligible, will offer themselves for re-appointment. A resolution may be proposed at the forthcoming AGM to re-appoint KPMG as auditor of the Company.

By Order of the Board

Shanghai MicroPort MedBot (Group) Co., Ltd.

Mr. Sun Hongbin

Chairman

Shanghai, the PRC
29 March 2023

Corporate Governance Report

The Board is pleased to report to the shareholders of the Company on the corporate governance of the Company for the year ended 31 December 2022.

CORPORATE GOVERNANCE CULTURE

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that Shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure the satisfactory and sustainable returns to Shareholders.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to achieving high corporate governance standards to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and to enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the CG Code as the basis of the Company's corporate governance practices, and the CG Code has been applicable to the Company throughout the period ended 31 December 2022.

Throughout the period ended 31 December 2022, so far as the Directors are aware, the Company has complied with all the code provisions as set out in the CG Code. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

THE BOARD/BOARD OF DIRECTORS

Roles and Responsibilities

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

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

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

Corporate Governance Report (Continued)

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

Board Composition

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

As at 31 December 2022, the Board comprises seven members, consisting of one executive Director, three non-executive Directors and three independent non-executive Directors.

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

The Board comprises the following Directors as of 31 December 2022:

Executive Director

Dr. He Chao (*President*)

Non-executive Directors

Mr. Sun Hongbin (*Chairman*)

Mr. Sun Xin

Mr. Chen Chen

Independent Non-executive Directors

Dr. Li Minghua

Mr. Yao Haisong

Mr. Mui Wing Hong (Appointed on 21 June 2022)

Ms. Lee Kit Ying (Resigned on 21 June 2022)

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

Throughout the period ended 31 December 2022, the Board at all time met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise, and the Board at all times met the requirement of the Listing Rules in regard of independent non-executive directors to constitute one-third of an issuer's board.

Corporate Governance Report (Continued)

Chairman and Chief Executive Officer

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

Independence of Non-Executive Directors

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

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

Mechanisms to Ensure Independent Views and Input Are Available to the Board

During the Reporting Period, the Company has established mechanisms to ensure independent views and input are available to the Board, which set out the processes and procedures to ensure a strong independent element on the Board, these mechanisms allow the Board effectively exercises independent judgment to better safeguard Shareholders' interests. All the Directors, including the independent non-executive Directors, are given equal opportunity and channels to communicate and express their views to the Board and have separate and independent access to the management of the Group in order to make informed decisions. To facilitate proper discharge of their duties, all the Directors are entitled to seek advice from the company secretary of the Company or, upon reasonable request, seek independent professional advice at the Company's expense. The chairman of the Board will hold meetings with the independent non-executive Directors without the involvement of other Directors at least annually to discuss any issues and concerns.

Any Director or his/her associate who has a conflict of interest in a matter to be considered by the Board will be dealt with by a physical Board meeting rather than by written resolutions. Such Director will be required to declare his/her interests before the meeting and abstain from voting and not counted towards the quorum on the relevant resolutions. Independent non-executive Directors who, and whose associates, have no interest in the matter should attend the Board meeting.

Pursuant to these mechanisms, the Board will conduct annual review on its independence, and the Board will collectively discuss the results and the action plan for improvement, if appropriate. The Board will also review the implementation and effectiveness of such mechanisms on an annual basis.

During the year ended 31 December 2022, the Board has reviewed the implementation and effectiveness of the mechanisms to ensure independence views and input are available to the Board and the results were satisfactory.

Appointment and Re-Election of Directors

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

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

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

Corporate Governance Report (Continued)

Induction and Continuing Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

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

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

During the Reporting Period, the Company organized training sessions for each of the Directors. Such training sessions cover a wide range of relevant topics including directors' duties and responsibilities/corporate governance etc. In addition, relevant reading materials including directors' manual/legal and regulatory update/seminar handouts have been provided to each of the Directors for their reference and studying.

BOARD MEETINGS

Functions

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

Board Practices and Conduct of Meetings

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

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

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

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

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

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

Corporate Governance Report (Continued)

Directors' Attendance Records

During the financial year ended 31 December 2022, 9 Board meetings were held for, among other things, appointing non-executive Director and reviewing term of reference of Remuneration and Appraisal Committee, adopting of the new Articles of Association; an annual general meeting was held on 21 June 2022 for, among others, reviewing financial statements, approving election of non-executive directors and appointment of auditors. In addition, four extraordinary general meetings were held on 10 February 2022, 17 March 2022, 21 June 2022 and 30 December 2022 respectively.

The attendance records of each Director at the Board meetings, the annual general meeting and the extraordinary general meeting during the term of office as a Director during the year ended 31 December 2022 are set out below:

Name of Directors	Attendance/ Number of Board meetings held during the term of office of the Director concerned	Attendance/ Number of annual general meeting held during the term of office of the Director concerned	Attendance/ Number of extraordinary general meetings/ class meetings held during the term of office of the Director concerned ⁽³⁾
Executive Director			
Dr. He Chao (<i>President</i>)	9/9	1/1	10/10
Non-executive Directors			
Mr. Sun Hongbin (<i>Chairman</i>)	9/9	1/1	10/10
Mr. Sun Xin	9/9	1/1	10/10
Mr. Chen Chen	9/9	1/1	10/10
Independent non-executive Directors			
Mr. Mui Wing Hong ⁽¹⁾	4/4	—	1/1
Dr. Li Minghua	9/9	1/1	10/10
Mr. Yao Haisong	9/9	1/1	10/10
Ms. Lee Kit Ying ⁽²⁾	5/5	1/1	9/9

Notes:

(1) The appointment was effective from 21 June 2022

(2) The resignation was effective from 21 June 2022

(3) During the Reporting Period, the Company held 4 extraordinary general meetings, and 3 domestic shareholders' class meetings and 3 H shareholders' class meetings.

Directors reviewed the documents of Board meetings provided by the Company in advance. For the year ended 31 December 2022, the chairman of the Board held one meeting with independent non-executive Directors without the presence of other Directors.

Corporate Governance Report (Continued)

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

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' and Supervisors' securities transactions throughout the period ended 31 December 2022.

Specific enquiry has been made with all the Directors and Supervisors, who have confirmed that they have complied with the Model Code for transactions in the Company's securities throughout the period ended 31 December 2022.

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

During the Reporting Period, no incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

DELEGATION BY THE BOARD

Board Committees

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

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

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

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

Corporate Governance Functions

The Board is responsible for performing the functions set out in the Code Provision A.2 of Part 2 of the CG Code. Throughout the period ended 31 December 2022, the Board has considered the corporate governance policies and practice and its relevant disclosures; the compliance of the Model Code and the Employees Written Guidelines; and policies and practices on compliance with legal and regulatory requirements as required under the applicable requirements of the Listing Rules.

Corporate Governance Report (Continued)

Audit Committee

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

As at 31 December 2022, the Audit Committee comprises three members:

Mr. Mui Wing Hong (*Chairperson*)

Dr. Li Minghua

Mr. Sun Xin

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

The main duties of the Audit Committee include the following:

- review and supervise the financial reporting process and internal control system of the Group, risk management and internal audit;
- provide advice and comments to the Board in respect of financial, risk management and internal control matters;
- perform other duties and responsibilities as may be assigned by the Board.

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

During the year ended 31 December 2022, the Audit Committee reviewed, inter alia, the financial reporting and compliance procedures, the Company's internal control and risk management systems and processes, and the re-appointment of the external auditors.

On 29 March 2023, the Audit Committee held a meeting to review (i) the Group's annual results, annual consolidated financial statements and annual reports for the year ended 31 December 2022, (ii) the Company's relationship with the external auditor, discussed with the Company's external auditor on the tasks performed by them including the nature and scope of their audit and reporting obligations, and reviewed the terms of engagement and their remuneration; (iii) the appropriateness and effectiveness of the risk management and internal control systems of the Group and make relevant recommendations to the Board; (iv) the effectiveness of the internal audit function of the Group.

Corporate Governance Report (Continued)

The Audit Committee held 7 meetings during the year ended 31 December 2022. The attendance records of each member at the Audit Committee meetings during the year ended 31 December 2022 are set out below:

Name of Members concerned	Number of meeting(s) attended/held
Mr. Mui Wing Hong (Appointed on 21 June 2022)	4/4
Dr. Li Minghua	7/7
Mr. Sun Xin	7/7
Ms. Lee Kit Ying (Resigned on 21 June 2022)	3/3

Remuneration and Appraisal Committee

The Company has established the Remuneration and Appraisal Committee prior to Listing and revised its written terms of reference in compliance with the CG Code in November 2021 and November 2022 respectively.

As at 31 December 2022, the Remuneration and Appraisal Committee comprises three members:

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

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

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

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

During the year ended 31 December 2022, the Remuneration and Appraisal Committee reviewed and made recommendations to the Board on, among other things, the year end bonus of senior management and the related remuneration policy.

Corporate Governance Report (Continued)

On 29 March 2023, the Remuneration and Appraisal Committee held a meeting to discuss and make recommendations to the Board on the Company's policy and structure for all senior management's remuneration.

The Remuneration and Appraisal Committee held 3 meetings during the year ended 31 December 2022. The attendance records of each member at the Remuneration and Appraisal Committee meetings during the year ended 31 December 2022 are set out below:

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

Nomination Committee

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

As at 31 December 2022, the Nomination Committee comprises three members:

Mr. Yao Haisong (*Chairperson*)
Mr. Mui Wing Hong
Dr. He Chao

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

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

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

Corporate Governance Report (Continued)

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

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

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

During the year ended 31 December 2022, the Nomination Committee reviewed the current composition of the Board and discussed the Board structure to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. Furthermore, Ms. Lee Kit Ying resigned as an independent non-executive Director, chairperson of the Audit Committee and a member of the Nomination Committee of the Company, and Mr. Mui Wing Hong appointed as an independent non-executive Director, chairperson of the Audit Committee and a member of the Nomination Committee of the Company, both effective from 21 June 2022.

On 12 January 2023, the Nomination Committee held a meeting to (i) review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board; and (ii) assess the independence of independent non-executive Directors.

During the financial year ended 31 December 2022, Nomination Committee held 2 meetings. The attendance records of each member at the Nomination Committee meetings during the year ended 31 December 2022 are set out below:

Name of Members concerned	Number of meeting(s) attended/held
Mr. Yao Haisong	2/2
Mr. Mui Wing Hong (Appointed on 21 June 2022)	2/2
Dr. He Chao	2/2
Ms. Lee Kit Ying (Resigned on 21 June 2022)	Not applicable*

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

Corporate Governance Report (Continued)

Strategy and Development Committee

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

The Strategic and Development Committee comprises three members:

Mr. Sun Hongbin (*Chairperson*)

Dr. He Chao

Dr. Li Minghua

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

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

During the year ended 31 December 2022, Strategic and Development Committee has reviewed the strategic plan of capital market activities of the Company.

During the year ended 31 December 2022, the Strategic and Development Committee held one meeting. The attendance records of each member at the Strategic and Development Committee meetings during the year ended 31 December 2022 are set out below:

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

BOARD DIVERSITY POLICY

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

Corporate Governance Report (Continued)

Board has a balanced mix of knowledge, skills and experience, including but without limitation to research and development of surgical robots, medical device, medical engineering, investment management, medicine, securities and derivatives, and legal industry. Members of the Board have obtained degrees in various majors including mechanical engineering, economics, mechanical and electronics, science, molecular genetics and microbiology, business administration, accountancy, financial engineering, medicine, diagnostic radiology, jurisprudence and international business law. The Company has three independent non-executive Directors from different industry backgrounds, including accounting, neuro-imaging and legal industry. Furthermore, The Directors are of a wide range of age, from 38 years old to 71 years old.

With regard to gender diversity on the Board, the Company recognizes the particular importance of gender diversity. As at the end of the Reporting Period, the Board comprises seven male Directors.

As at 31 December 2022, the full-time employees of the Group (including senior management) comprise about 68.4% male and 31.6% female.

The Board has taken and will continue to take steps to promote and enhance gender diversity at all levels of the Company, including but without limitation at the Board and senior management levels, and wishes to achieve at least 1 female Directors by the end of 2024. The board diversity policy provides that the Board should aim to increase the proportion of female members over time after Listing where possible when selecting and making recommendations on suitable candidates for Board appointments. The Company will also ensure that there is gender diversity when recruiting staff at mid to senior level so that it will have a pipeline of female senior management and potential successors to the Board going forward. It is the objective to maintain an appropriate balance of gender diversity with reference to the expectations of stakeholders and international and local recommended best practices.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Reporting in Respect of Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the financial year ended 31 December 2022.

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

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

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Company's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements. The Board is of the view that they give a true and fair view of the financial position, performance and cash flow of the Company for the year ended 31 December 2022, and the disclosure of other financial information and report therein complies with relevant legal requirements.

Corporate Governance Report (Continued)

Audit Committee

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

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

The activities carried out by the Audit Committee during the year ended 31 December 2022 are set out in this Corporate Governance Report on pages 61 to 62 of this annual report.

Risk Management and Internal Controls

The Board acknowledges its responsibility for the risk management and internal control systems, reviewing their effectiveness at least once a year through Audit Committee. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. During the year of 2022, the Audit Committee has reviewed the Group's internal control and risk management systems and processes which covered the whole financial year.

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

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

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

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

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

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

Corporate Governance Report (Continued)

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

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

The Company has in place the whistleblowing policy for employees of the Company and those who deal with the Company to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matters related to the Company.

The Company has also in place the anti-corruption policy to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company to report any suspected corruption and bribery. Employees can also make anonymous reports to the internal audit function, which is responsible for investigating the reported incidents and taking appropriate measures. The Company continues to carry out anti-corruption and anti-bribery activities to cultivate a culture of integrity, and actively organizes anti-corruption training and inspections to ensure the effectiveness of anti-corruption and anti-bribery.

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

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" on pages 134 to 138 in this annual report.

For the financial year ended 31 December 2022, the fees for audit services and non-audit services rendered by the external auditor of the Company, KPMG were as follows:

	Year ended 31 December 2022 RMB'000
Audit and related service:	5,389
Non-audit service	16
Total:	5,405

During the year ended 31 December 2022, the non-audit services performed by KPMG are primarily in relation to tax service of subsidiaries incorporated in Hong Kong.

Corporate Governance Report (Continued)

COMPANY SECRETARY

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

Ms. Hui Yin Shan had complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training during the year ended 31 December 2022. During the year ended 31 December 2022, the primary contact person is Ms. Fang Cong, the Board secretary of the Company. The biography of Ms. Hui is set out in the “Biographies of Directors, Supervisors and Senior Management” section on pages 28 and 35 of this report.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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

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

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

The Board has reviewed the shareholders’ communication policy of the Company. After considering the implementation of the above mechanisms, the Board is of the view that the shareholders’ communication policy is effective for the year ended 31 December 2022.

Corporate Governance Report (Continued)

SHAREHOLDER RIGHTS

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

Convening an Extraordinary General Meeting

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

Putting Forward Proposals at Extraordinary General Meetings

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

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

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

Putting Forward Enquiries to the Board

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

CONTACT DETAILS

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

For H Shareholders

Tel: (852) 2980 1344

Fax: (852) 2861 0285

Address: 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong

For Domestic Shareholders

Tel: (86)(21) 3895 4600-6796

Fax: (86)(21) 5080 1305

Address: 1601 Zhangdong Road China (Shanghai) Pilot Free Trade Zone Shanghai PRC

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

Corporate Governance Report (Continued)

DIVIDEND POLICY

No dividend was paid or declared by our Company during the year ended 31 December 2022. There is no assurance that the Company will be able to declare or distribute any dividend. The Company has adopted a dividend policy on payment of dividends. When proposing dividend payment, various elements would be taken into consideration including but not limited to the Company's strategic development objectives, operation plan, profitability, cash flow and financing. The policy sets out the factors in consideration, procedures, methods and intervals of the payment of dividends with an objective to provide the Shareholders with continuing, stable and reasonable returns on investment while maintaining the Company's business operation and achieving its long-term development goal.

CONSTITUTIONAL DOCUMENTS

The Articles of Association was approved for amendment by the Shareholders at the extraordinary general meetings of the Company held on 10 February 2022, 17 March 2022 and 21 June 2022. The changes were pursuant to the law and regulations of the PRC, the Listing Rules and the actual situation of the Company.

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

By order of the Board

Shanghai MicroPort MedBot (Group) Co., Ltd.

Mr. Sun Hongbin

Chairman

Shanghai, China

29 March 2023

Work Report of the Supervisory Committee

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

MEETINGS OF SUPERVISORY COMMITTEE IN 2022

During the Reporting Period, the Company held seven meetings of the Supervisory Committee to consider regular reports, equity incentives, capital operation, financial matters, connected transactions and other major matters of the Company.

OPINION OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS OF THE COMPANY IN 2022

Operation Compliance of the Company

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

Financial Position

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

Connected Transactions

The connected transactions of the Company are in line with the actual needs of the Company's production and operation. The framework agreements executed in respect of our connected transactions have been considered and reviewed in accordance with the law. The transaction price was fair and in compliance with the requirements of laws and regulations. There is no circumstance where the interests of the shareholders of the Company are damaged due to connected transactions.

Work Report of the Supervisory Committee (Continued)

Implementation of Internal Control

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

The Supervisory Committee of the Company is satisfied with the operation and development of the Company and the work of the Directors and senior management in 2022, and has full confidence in the future development and prospects of the Company.

The Supervisory Committee of

Shanghai MicroPort MedBot (Group) Co., Ltd.

Shanghai, the PRC
29 March 2023

ABOUT THIS REPORT

This report is the second Environmental, Social and Governance (“ESG”) Report (the “Report”) issued by Shanghai MicroPort MedBot (Group) Co., Ltd. (“MedBot”, “we” or the “Company”). This Report focuses on the disclosure of the relevant information relating to the ESG performance of the Company and its subsidiaries (together, the “Group”). This Report covers the financial year from 1 January 2022 to 31 December 2022 (the “Reporting Period”). Some information cases may be beyond the Reporting Period.

Reporting Scope and Boundary

The policies and information disclosed in this Report cover the Company and its subsidiaries and the reporting scope is consistent with the Annual Report. The information and cases in this Report are mainly derived from the Group’s statistical reports and relevant documents. Historical information quoted in this Report is the final statistical information. Unless otherwise specified, the financial information in this Report is denominated in RMB.

Reporting Guideline and Principle

This Report is prepared in accordance with the requirements of the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) set out in Appendix 27 to the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited (the “HKEX”).

This Report is prepared in accordance with the reporting principles in the ESG Reporting Guide, including:

Materiality: The Group identifies ESG issues that have significant impacts on stakeholders through communication with stakeholders and materiality assessment, and discloses them in this Report.

Quantitative: Key performance indicators at the environmental and social aspects in this Report are disclosed in a quantitative way, accompanying with a narrative which explains their purposes and impacts, with comparative data provided as well.

Balance: This Report follows the principle of balance and objectively presents the Group’s ESG management.

Consistency: This Report adopts methodologies for information disclosure and data statistics that are consistent with those used in the ESG Report 2021 to ensure the comparability.



BOARD STATEMENT

The Board of Directors attaches great importance to ESG management, and follows the requirements of the ESG Reporting Guide. As the highest responsible body for ESG management and information disclosure, the Board vigorously explores and improves MedBot's ESG management framework. Through more strict supervision on and active engagement in ESG management, the Board strives to integrate the ESG concept into the business strategy and daily operation.

The Board constantly pays attention to the development trend of and peer performance on ESG issues. Taking the corporate strategy and stakeholders' concerns into consideration, the Board is responsible for discussing about and making decisions on material ESG issues. In December 2022, all directors received training on how to improve ESG management.

This Report was approved by the Board on 29 March 2023 upon confirmation by the management. The Board undertakes that there are no false records or misleading statements in this Report and is responsible for the truthfulness, accuracy and completeness of its contents.





ESG MANAGEMENT

ESG Management

Fueled by Innovation

Operational Compliance

Quality Assurance

People Oriented

Being a Responsible Citizen

Environment Protection





“

Upholding the mission of “Reshaping and prolonging life through a robotic intelligent surgical total solution”, the Group integrates sustainability into daily operation and business development. Focusing on six major areas, i.e., compliant corporate governance, innovation-driven smart surgery, product quality control, people-centred workplace, low-carbon operation, and social responsibilities. We are committed to “Making surgery easier, safer, and less invasive” and creating values for the economy, environment, and society.

”

ESG
Management

Fueled by
Innovation

Operational
Compliance

Quality
Assurance

People
Oriented

Being a
Responsible
Citizen

Environment
Protection

ESG Governance Structure

MedBot firmly believes that a scientific and effective governance structure is the cornerstone of the Group’s sustainable development. For this purpose, we have established a three-level ESG governance structure comprising the Board of Directors, management, and ESG working group for top-down ESG management.

Board of Directors

As the highest responsible body for the Group’s ESG management and public disclosure, the Board of Directors has the ultimate responsibility for MedBot’s ESG management policies, ESG-related goals formulation and progress review, and ESG performance. Through regular meetings, the Board reviews and approves the Group’s ESG goals, supervises and reviews the Group’s ESG-related policies, management, performance and target completion progress. The Board is also responsible for assessing and supervising the Group’s risks and countermeasures, and making decisions on the public disclosure of ESG-related performance.



Management

The Group’s management is responsible for implementing ESG risk management and internal control systems, coordinating the annual ESG management, and the Board Affairs Department is responsible for reporting the progress and achievements in ESG to the Board on a regular basis.



ESG working group

We have established an ESG working group with direct participation from major functional departments to implement the ESG strategy. We have also designated dedicated personnel to manage and report ESG issues so that the ESG strategy can be fully implemented in daily operation.



ESG Management

Fueled by Innovation

Operational Compliance

Quality Assurance

People Oriented

Being a Responsible Citizen

Environment Protection

Stakeholder Engagement

The concerns and expectations of stakeholders are important for the decision-making on sustainable development. The Group’s major stakeholders include governments and regulatory authorities, shareholders and investors, customers, employees, suppliers, communities and media. We always keep close interaction with them in various ways so that we could address their concerns and expectations of ESG issues in a timely manner and disclose relevant information in the ESG report. In doing so, we can figure out how we could manage ESG issues more effectively and to meet stakeholders’ expectation.

Category of Stakeholders

Stakeholders

Issues of Concern

Communication Channels

<p>Governments and Regulatory Authorities</p>	<p>National and local governments, market, taxation, environmental protection, and industry regulators, etc.</p>	<p>Compliant operation Risk management Environmental management system Anti-corruption Product safety and quality</p>	<p>Institutional visits Official correspondence Policy implementation Information disclosure</p>
<p>Shareholders and Investors</p>	<p>Investor of equity investment in the Group</p>	<p>Technology innovation Intellectual property Product safety and quality</p>	<p>Investor relations website General meetings of shareholders Online exchange meetings Strategy meetings Correspondence Conference calls Company research Roadshow</p>

Continued with the table below

ESG Management

Fueled by Innovation

Operational Compliance

Quality Assurance

People Oriented

Being a Responsible Citizen

Environment Protection

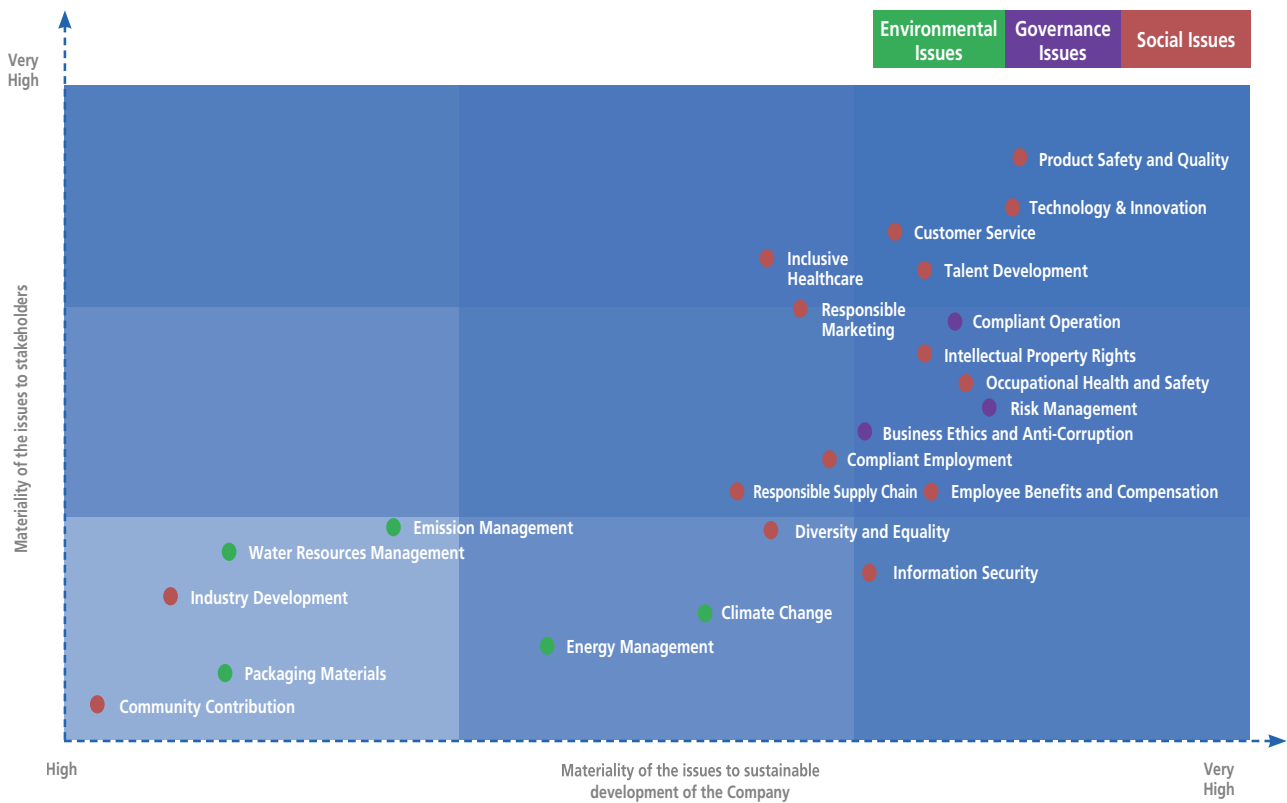
Continued from the table above

Category of Stakeholders	Stakeholders	Issues of Concern	Communication Channels
Customers	Global distributors, hospitals, physicians and surgeons	Information security Product safety and quality Customer service Responsible marketing	Distributor meetings Customer surveys and technical discussion meetings Customer service hotline Customer satisfaction surveys
Employees	Employees	Talent development Employee compensation and benefits Diversity and equality Occupational health and safety	Staff Management Committee Employee activities Employee surveys Staff training Internal publications
Suppliers	Raw material suppliers	Product safety and quality Responsible supply chain	Supplier assessment Supplier communication and training
Communities and Media	Local communities, public, media, etc.	Community contribution Product safety and quality	Volunteering Community activities Media communication and interviews



Materiality Assessment

Taking the latest developments of MedBot and the assessment results of stakeholders into account for potential issues, we have identified and summarised 22 ESG issues with reference to the ESG Reporting Guide and the material ESG issues of peers, including product technology and innovation, quality and safety, talent development, inclusive healthcare, and climate change mitigation and adaptation. Based on peer’s matrices, expert enquiries and management feedback, we have defined the following materiality matrix by ranking the issues material to our business development and stakeholders, which serves as an important basis and guideline for the ESG management and information disclosure:



Materiality Matrix of Medbot

ESG Management

- Fueled by Innovation
- Operational Compliance
- Quality Assurance
- People Oriented
- Being a Responsible Citizen
- Environment Protection

Honours and Awards in 2022

MedBot was rated as A-level in the Wind ESG rating, leading the industry

SkyWalker Orthopedic Surgical Robot won the "Excellence Award" in the design category at the 10th "Silver Pigeon Award" ceremony

February 2022



Toumai Laparoscopic Surgical Robot

March 2022

Toumai Laparoscopic Surgical Robot won the Red Dot Design Award 2022

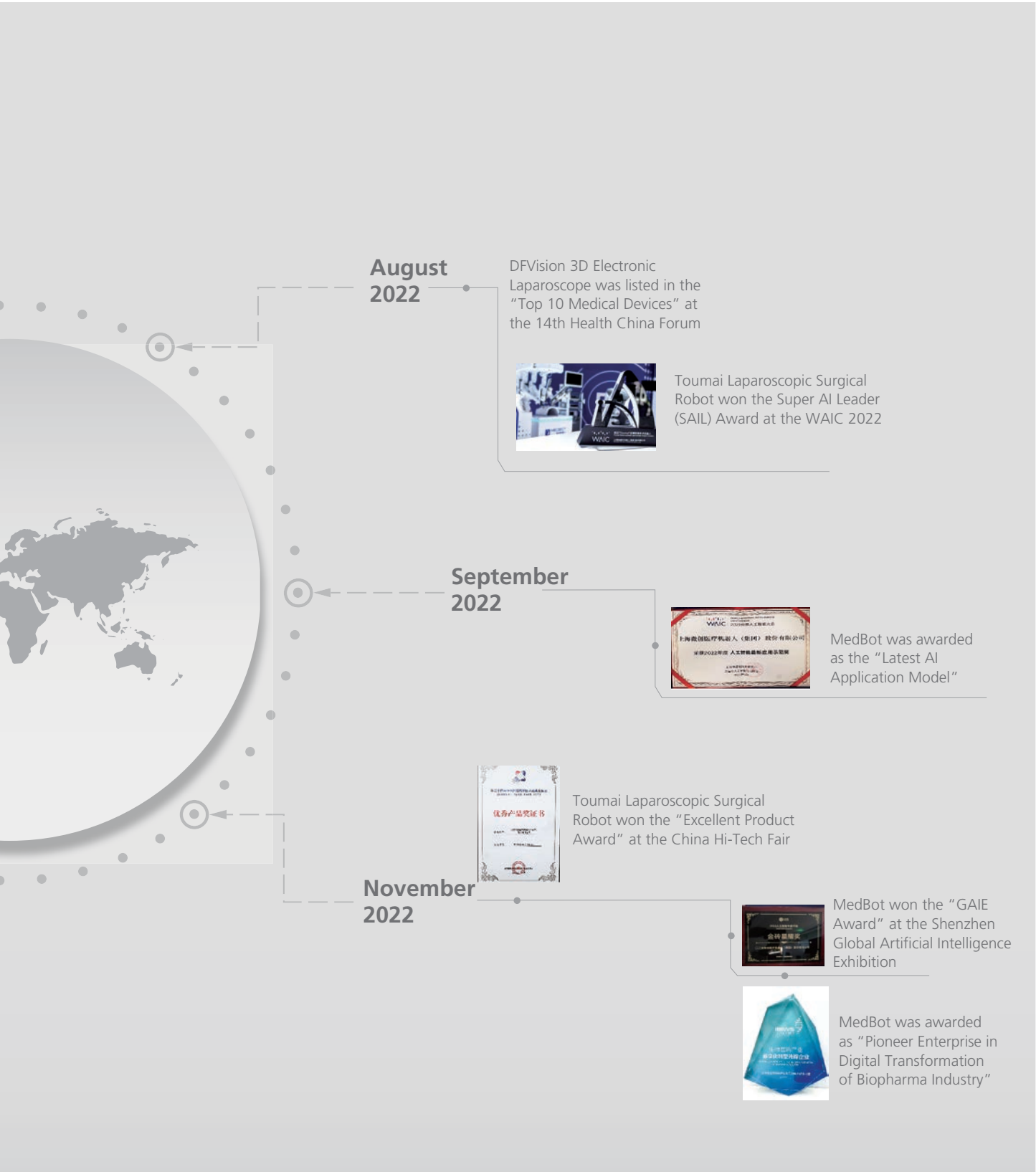


SkyWalker Orthopedic Surgical Robot won the iF Design Award 2022

MedBot was selected as a standing director of the 7th Council of the China Association of Medical Equipment

April 2022







DRIVING

SMART SURGERY

THROUGH INNOVATION



ESG
Management

Fueled by
Innovation

Operational
Compliance

Quality
Assurance

People
Oriented

Being a
Responsible
Citizen

Environment
Protection

Driving Smart Surgery Through Innovation

85



“

MedBot, as a surgical robot company with trailblazing R&D and most diversified products in China, insists on exploring the unknown. We are redoubling efforts in R&D enhancement and technical innovation, with the aim of driving the smart transformation from traditional surgery to robotic surgery as an industry leader, and shaping the era of super-smart surgery.

”

ESG
Management

Fueled by
Innovation

Operational
Compliance

Quality
Assurance

People
Oriented

Being a
Responsible
Citizen

Environment
Protection

Making Concerted Efforts in Business Expansion

Since the incorporation in 2015, MedBot, with the vision of “Build a globalized medical robots total solution innovation platform”, has been devoting itself to business expansion. While digging into the surgical robot market in China, we have vigorously collaborated with overseas research institutes and set up overseas R&D centres for global operation.

1

Establish a super-smart surgery centre, supported by 5G tele-robotic surgery and artificial intelligence, to promote widely beneficial surgical robots, and empower primary medical institutions in PRC and even globally

7

Establish a multidisciplinary surgery platform to diversify product portfolios and deliver robotic intelligent surgical total solutions, covering soft-tissue laparoscopic robots, hard-tissue navigation robots, vascular minimally invasive robots, transluminal minimally invasive robots, noninvasive and energy ablation robots, microrobots and micro-nano robots, and cosmetic medicine and smart medical services

5

Industrialise resources, strengthen robotics innovation, create a flexible supply chain, provide lifecycle supports, and pursue efficient and smart operation and maintenance

In response to the cutting-edge clinical and development needs of minimally invasive surgery, we make constant efforts in implementing the “1+7+5” strategy. On the one hand, we focus on technical innovation and industrialised operation to expand our portfolio of various surgical robots. On the other hand, we deepen the industry-university-research cooperation to drive the globalization of our products and services. In July 2022, our SkyWalker Orthopedic Surgical Robot passed the FDA 510 (k) certification, and then obtained CE certification in December, making it the first and the only one of Chinese domestic products certified in China, the United States and Europe as of the date of the announcement. Taking this as a key milestone for the Group's globalization, we have started CE certification for other key products to expand our global presence.

It is our firm belief that only independent innovation can drive China to make breakthroughs in core technology for high-end medical devices, and only innovation and inclusiveness can ensure the health of the medical industry. While refining the R&D of core technologies and featured products, we strengthen research, development and application of cutting-edge technology, and put in efforts in 5G tele-surgery and smart surgery. In 2022, Toumai Laparoscopic Surgical Robot successfully completed the world's first longest-range 5G tele-robotic surgery as of the date of the announcement, promoting the widely beneficial of surgical robots, and empowering medical institutions nationwide and even globally to improve the quality and level of their diagnosis and treatment services. We also organise diversified training sessions and exchanges for doctors and patients. Their feedback can provide clinic support for product improvement and upgrade. Meanwhile, our innovative products, such as Toumai and SkyWalker, are further recognised by doctors and patients, laying a solid foundation for subsequent large-scale commercialisation.

While we explore the “smart manufacturing”, our innovative products have been widely recognised in 2022. In March 2022, Toumai Laparoscopic Surgical Robot became the first Asian robot to win the Red Dot Design Award 2022. In July 2022, MedBot became the first Chinese surgical robot company listed in the “50 Smartest Companies 2021” by MIT Technology Review. In August 2022, Toumai Laparoscopic Surgical Robot won the “SAIL Award”, the highest honour of the WAIC 2022.

Enhancing Quality and Efficiency Through Innovation

Optimising R&D Management

With R&D and innovation as the driving force for development, we invest heavily in optimising R&D management. Under the product lifecycle quality management system, we stick to improving R&D management. To ensure efficiency, we have formulated a series of internal standard operating procedures (SOP) and documents, such as the R&D Tooling Procedure, the R&D Testing Process and the Detailed Rules for Design Review.

In 2022, we carried out technique sharing through the Technical Committee and the general parts library. We optimised our digital systems by establishing a reliability system for R&D testing of seven laboratories, including the vibration lab, multifunctional lab, electromechanical lab and in vitro tissue lab, to facilitate delicate R&D, cost reduction and efficiency improvement.

We are concerned about animal protection. In animal testing, we strictly abide by all applicable national or local regulations for animal experiments. Taking into account the 3R principle, we have developed a series of standards such as the Policy on the Access Management of Animal Operating Rooms. In collaboration with qualified institutions, we have standardised animal experiment procedures to safeguard animal welfare.

3R principle

The 3R principle is a widely recognised standard to balance animal suffering and scientific research, that is, reduction, refinement and replacement. **Reduction:** Reduce the number of animals as many as possible during the testing design, with minimum single-sex animals involved. **Refinement:** Reduce the pain of animals as much as possible on the condition of meeting testing requirements. **Replacement:** Adopt other testing approaches, instead of animal testing, for testing or other research purposes



Cultivating Top Talents

As an outstanding R&D team can drive the company becoming an industry leader, we are committed to cultivating top innovative talents. By the end of the Reporting Period, the Group had 407 R&D personnel, accounting for 33.09% of the total workforce, among which 53.32% had master's degree or above. With the support of these talents, we are able to deliver various robotic products and technologies.

To cultivate top talents and dig into innovation, we have built the "Geek Academy" as a training base for experts and talents. In doing so, we have formed a three-in-one training system covering practices, research projects and vocational education based on the concept of consistent statements and actions, aiming to cultivate high-tech talents who are ecology-conscious, tech-savvy and creative. In addition, we recognise and reward outstanding talents in a timely manner. In the 2022 "Stella Cloud Talent" selection program, 51 employees were nominated and awarded, of which 12 employees were awarded the title of "Main Sequence Talents" and 39 employees were awarded the title of "Protostar Talents".

ESG Management

Fueled by Innovation

Operational Compliance

Quality Assurance

People Oriented

Being a Responsible Citizen

Environment Protection

Protecting Intellectual Property Rights

Intellectual property is important for MedBot to succeed and stay competitive. We strictly observe laws and regulations of the countries/regions of operation, such as the Trademark Law of the People's Republic of China, the Patent Law of the People's Republic of China, and the Anti-Unfair Competition Law of the People's Republic of China. Additionally, we have formulated internal management policies, including the Intellectual Property Rights Manual, the Regulations on the Management of Intellectual Property Rights, and the Regulations on the Management of Intellectual Property Rights Protection for Technological Innovation Achievements. With zero tolerance for infringement, we have established an effective intellectual property management system to protect our intellectual property rights and respect others'.

To improve the patent management efficiency and data accuracy, we have introduced the Wade Intellectual Property Management System for whole-process management from submission to maintenance. To prevent risks related to intellectual property rights, we have taken various actions, such as conducting feasibility analysis before project approval, infringement analysis after design is finalised, and coordinating external resources. In addition, through intellectual property analysis at each key stage of R&D, we manage infringement risks to safeguard our intellectual property rights.

We implement classified management in order to protect business secrets. In specific, for business information at different confidentiality levels, we clarify secret-related personnel, access authority, prescribed confidentiality period, and requirements for data transfer and storage. Besides, all new employees are required to sign the Confidentiality and Intellectual Property Ownership Agreement, which would stipulate employees' confidentiality obligations. During the Reporting Period, we provided a series of training sessions on intellectual property rights to enhance R&D personnel's awareness of protecting patents.

During the Reporting Period, we had no cases of any patents, trade secrets or trademarks infringement. As at 31 December 2022, we have filed 948 patents application worldwide, of which 263 patents have been granted in China or overseas, including 190 Chinese patents and 73 overseas patents. The remaining 685 patents are still under application, covering cutting-edge areas such as clinical applications, automated surgery and AI technology. During the Reporting Period, the Group was granted 103 new patents, including 32 overseas patents for inventions, completing the overseas deployment of core technologies. According to the branding, marketing and compliance protection strategy, we have completed the layout of domestic and foreign trademarks, and applied for 183 trademarks during the Reporting Period, having established the trademark system of launched products and corporate brands.



Driving Smart Surgery Through Innovation

Strengthening Exchange for Development

MedBot cherishes the opportunities of interaction and cooperation with partners, and actively participate in technical seminars and specialised conferences to share our R&D concepts and achievements, and strive to jointly resolve technical bottlenecks. In doing so, we are committed to driving the industrial innovation and the rapid development of high-end medical devices.



MedBot shone at the WAIC



Award Picture

During 1-3 in September 2022, the World Artificial Intelligence Conference (WAIC) was held in Shanghai. MedBot attended the conference with flagship products and won the highest honour SAIL Award, the Treasure of the Town Hall, and the Latest AI Application Model. We had also been invited in relevant forums, at which we delivered our fresh insights on smart healthcare, drawing much attention from other participants and the press.



MedBot attended the World Robot Conference 2022 with flagship products



Children Experiencing the Use of Surgical Robots

During 18-21 in August 2022, MedBot attended the World Robot Conference 2022 with a number of flagship products, demonstrating our robust strength as a “robotic intelligent surgical total solutions provider”. Mr. Liu Yu, Executive Vice President and Chief Business Officer of the Group, was invited to deliver a wonderful speech titled “Exploring the Unknown, Shaping the Era of Super-smart Surgery” at the prime forum, blueprinting a bright future to the audience. The concept of linking surgical robots to cutting-edge technology has been unanimously recognised by experts.

While striving to improve products and operation management, MedBot is also committed to promoting the healthy and sustainable development of the industry. We participate in the drafting and implementation of various national industry standards, including YY/T 1686-2020 Medical Electrical Equipment Employing Robotic Technology — Classification and YY/T 1712-2021 Assisted Surgical Medical Equipment and Assisted Surgical Medical System Employing Robotic Technology, and contribute to the standardisation and high-quality development of the industry.

ESG Management

Fueled by Innovation

Operational Compliance

Quality Assurance

People Oriented

Being a Responsible Citizen

Environment Protection

OPTIMISING

CORPORATE GOVERNANCE TO ENSURE COMPLIANCE

ESG
Management

Fueled by
Innovation

Operational
Compliance

Quality
Assurance

People
Oriented

Being a
Responsible
Citizen

Environment
Protection



Optimising Corporate Governance to Ensure Compliance

“

Always adhering to the principle of compliance operations, MedBot attaches importance to the standardised governance of enterprises, and abides by the highest professional ethics and code of conduct. We keep improving corporate compliance governance by perfecting the compliance management system, formulating compliance policy system, and strengthening staff awareness of compliance. We promote the Group's sound development while creating maximum value for patients, and share the business results with various stakeholders.

”

ESG
ManagementFueled by
InnovationOperational
ComplianceQuality
AssurancePeople
OrientedBeing a
Responsible
CitizenEnvironment
Protection

Monitoring Potential Risks on an Ongoing Basis

To ensure that the Group achieves its operational and strategic development objectives, MedBot has established and continuously improving the internal control system and risk management system to reasonably and effectively prevent strategic risks, financial risks, market risks, operational risks and legal risks in the course of business of the Company

We attach great importance to the development of a risk management-oriented internal control system. We set up the Audit Committee to establish and improve the internal control management system of the Group, and promote the development and operation of the internal control system. The Internal Audit Department is responsible for overseeing and evaluating the construction and operation of the internal control system. We published a series of internal control policies and procedures such as the Internal Control Manual, Risk Assessment Management Process regulations, Internal control project review process regulations, and Special audit process regulations to clear the responsibilities of each department and guide the Group's internal control in a scientific and systematic manner so as to improve the operation.

In 2022, the Internal Audit Department audited the design and operation of the Group's whole-process internal control and carried out comprehensive communication and rectification training with the process owners and relevant departments on deficiencies identified, and continuously followed up on the improvement, so as to further preventing and controlling risks. In addition, we conducted an annual risk assessment through interview with senior management and frontline department to rate and analyse the identified potential risks of key businesses, and conduct specific analysis, continuously monitoring and control measures for high-risk items such as raw material supply, quality system supervision and human resources, and published 2022 Annual Risk Assessment Report so as to better respond to risks in an orderly manner and reduce possible losses.



Optimising Corporate Governance to Ensure Compliance

Upholding Integrity and Honesty

The Group upholds integrity and trustworthiness, and strictly abides by all applicable laws and regulations such as the Criminal Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, the Anti-Monopoly Law of the People's Republic of China, and the Foreign Corrupt Practices Act of the United States in the places where it operates, adopt a zero-tolerance attitude towards corruption bribery, extortion, fraud and money laundering. During the reporting period, the Group has no litigation cases related to corruption and money laundering.

We integrate integrity and ethics into every aspect of our business operations, formulate and implement the Compliance Management System and the Employee Integrity Management System, and set strict regulations for employees in terms of unfair competition, corruption, bribery and corporate integrity. In 2022, we introduced the Standard on Service Fees for Services Provided by Health Care Professionals (HCPs) to clarify additional requirements for fees related to HCP services, and to gradually standardise and improve the Group's business ethics management system. We require employees of relevant departments, such as procurement, to sign the Compliance Pledge and the Employee Integrity Agreement. In addition, we require suppliers to sign compliance, integrity and business ethics related agreements before engaging in cooperation, in a bid to jointly build a clean and honest environment with employees and external partners.

In order to better supervise possible corruption, we have established a reporting mechanism, and set up an integrity mailbox, an integrity e-mailbox and a compliance hotline. For complaints and reports of corruption, the Internal Audit Department, under the authority of the management party of the Company, is responsible for auditing and inspection. The Internal Audit Department and the Legal and Compliance Department form an investigation team to put forward opinions on the results

of auditing and inspection and report to the management of the Company for approval before implementation. We strictly protect the safety of complainants and whistle-blowers who assist us in the investigation, prohibit any retaliation against whistle-blowers or employees involved in the investigation and severely punish those found to have committed retaliation.

Every employee and business partner of MedBot is obliged to understand and uphold our ethical standards. We require all employees and distributors to participate in the annual online compliance training and examination, which covers business conduct and ethics, anti-bribery, and anti-corruption. These informative courses effectively enhance participants' integrity and the awareness of compliance in a lively and interactive manner. During the Reporting Period, compliance training covered all employees in the Group. The members of the Board of Directors are responsible for overseeing the Group's business activities and are also required to behave in accordance with ethical standards. To improve their ability of supervising business conduct and ethics, we actively provide them with training resources. During the Reporting Period, we provided training on laws and regulations related to anti-commercial bribery for all members of the Board of Directors.



Integrity Mailbox
No.1601, Zhangdong Road, Zhangjiang Hi-Tech park,
Pudong New Area, Shanghai



Integrity E-mailbox
MedBotcompliance@microport.com



Compliance Hotline
021-38954600 ext. 52245

ESG
ManagementFueled by
InnovationOperational
ComplianceQuality
AssurancePeople
OrientedBeing a
Responsible
CitizenEnvironment
Protection

Insisting on Compliance Publicity and Responsible Marketing



MedBot strictly controls the compliance and accuracy in marketing and product promotion, and abides by laws and regulations like the Advertising Law of the People’s Republic of China, the Law of the People’s Republic of China on the Protection of Consumer Rights and Interests in the places where it operates. We formulate the Management Process for External Information Release, the Responsibility and Reporting Process for External Publicity and Promotion, the Management Policy for the Application of Social Media Accounts and the Hierarchical Control System and Assessment Standards. We classify the information released by the Group into different categories according to the definition, type, module and channel to standardise the external publicity and promotion behaviours of relevant departments in the ordinary course of business. In doing so, we strive for marketing and publicity practices that comply with laws and regulations, social norms and ethics standards.

We divide external publicity content into three categories, namely press releases, promotional materials and brand promotion. We have set up different review procedures for different types of information, divided review responsibilities and worked with each department to review information to ensure that the external publicity content is reliable and accurate.

For overseas publicity, we organise relevant employees of the Marketing Department to learn relevant national laws and regulations while developing the overseas publicity matrix. This helps to ensure that employees are kept up to date with the latest audit requirements and changes in laws and regulations, thus reducing compliance risks.

In order to strengthen the review ability of relevant personnel and improve employees’ awareness of compliance publicity, we organised multiple training on advertising laws during the Reporting Period. The training is designed to help business departments understand the compliance issues of medical device advertising and standardise external publicity process, thus creating a cultural atmosphere of compliance publicity.

Optimising Corporate Governance to Ensure Compliance

Preventing Data Leakage and Protecting Privacy



We have adopted various measures focusing on environment encryption and user access management to achieve information security.

Environment encryption

Encryption of staff computers and files involving R&D information

When browsing outgoing encrypted files, a request for decryption should be filed according to the process, and the decrypted file will be edited and encrypted again

The network of R&D, Testing, Production, Warehousing, Office and other functional departments is strictly separated

Access to critical system servers is only allowed via the fortress machine over the Company's intranet

User Access

USB ports on user PCs are disabled by default and a PC USB port application process has been designed

The Company's intranet is divided into office network and visitor network, and unauthorised users have no access to the office network

VPN settings is required to access internal system from outside the Company

MedBot strictly abides by the Cybersecurity Law of the People's Republic of China, the Administrative Measures for the Graded Protection of Information Security and the General Data Protection Regulation (GDPR) of the European Union and other relevant laws and regulations. Realising the increasing importance of information security and data privacy protection, MedBot promotes the development of information and cybersecurity system and guards against the personal privacy leakage of the Company and its customers. We follow the MicroPort's Information Security Policy, formulate and release the Information and Data Security Management System, the Cybersecurity Management Standards and other relevant policies to continuously strengthen our data security management capabilities. In 2021, the official website of MedBot passed the system security assessment by the National Quality Supervision and Testing Centre for Information Network Products and the system security was rated to Level 2. As of the date of the announcement, the Group passed the dual system certification of ISO 27001 information security management system and ISO 27701 privacy information management system.

During the Reporting Period, we revisited and adjusted the user access rights such as system access, software, and access control hardware, and conducted network compliance inspection for safe operation of the Company's system during telecommuting. In addition, hospital users information we used in the product development phase is desensitised and encrypted to protect patients' privacy.

In 2022, we conducted training on information security and privacy management which covered all employees to improve their awareness of information and data security as well as personal privacy protection, so as to reduce the risk of information leakage. During the reporting period, the Group has no information security risk related events.





STRENGTHENING PRODUCT LIFECYCLE MANAGEMENT WITH QUALITY-ORIENTED CONCEPT

ESG
Management

Fueled by
Innovation

Operational
Compliance

Quality
Assurance

People
Oriented

Being a
Responsible
Citizen

Environment
Protection



Strengthening Product Lifecycle Management with Quality-oriented Concept

97

“

MedBot upholds the spirit of craftsmanship. Firmly staying committed to product quality, we continuously improve our quality management system, enhance customer services and practice responsible procurement. Meanwhile, we take various measures to provide customers with minimally invasive medical solutions that are precise, safe and efficient to create better customer experiences.

”

ESG
ManagementFueled by
InnovationOperational
ComplianceQuality
AssurancePeople
OrientedBeing a
Responsible
CitizenEnvironment
Protection

Focusing on Product Quality

Refining the Quality Management System

Adhering to the principle of quality first, we established and continuously improved a quality management system covers the full lifecycle of our products. We strive for standardised quality management by introducing a series of internal regulations and procedures, including the Quality Manual and the Product Lifecycle Control Procedure. To ensure quality control, we also set up an independent team special for quality management, which is responsible for quality management at each key stage of product lifecycle. During the Reporting Period, MedBot was certified to the ISO 13485 Medical Device Quality Management System, obtained the certificate of filing for Class II medical devices and the business license for medical devices.

The Dedicated Quality Management Team at MedBot



During the Reporting Period, we continued to strengthen the development of quality management system. In addition to incorporating EU MDR medical device regulations into the quality management system, we also created a quality management system and a post-market surveillance system for medical device operations, improving quality management in terms of effectiveness and reach.

Strengthening Product Lifecycle Management with Quality-oriented Concept

Keeping on Improving Product Quality

In pursuit of excellence in quality, we implement a variety of quality control and improvement measures, covering design, development, production management and other stages of product lifecycle. We establish a bio-safe material library and a digital quality management system to ensure safety and purchase efficiency of raw materials, help process inspection and post-market management, and keep striving for perfection on product quality.

In 2022, we were regularly inspected and reviewed by external regulators, as well as internal unannounced inspections. We also consciously carried out self-inspections at key stages of product lifecycle, strictly fulfilled the quality requirements, and promoted continuous quality management improvement.

Cultivating a Quality Culture

We are actively developing a quality training system for MedBot. We offer various training courses in the "Stella School", which is our staff training platform. We also organise skill competitions, quality month activities and other interesting activities to support the Company's quality and cultural dissemination, and subtly implant quality awareness into the hearts of every employee, so as to build a foundation for the overall improvement of product quality.



MedBot Quality Month



The Second MedBot Quality Month

During the Quality Month from September to November 2022, MedBot held a series of activities themed on "staying grounded in foundational management and steadily improving product quality". All employees participated in activities including industry regulations training, skill evaluation and knowledge competition, collection of opinions on quality improvement. With such extensive participation of employees, the quality awareness of all staff was effectively enhanced.

ESG
Management

Fueled by
Innovation

Operational
Compliance

Quality
Assurance

People
Oriented

Being a
Responsible
Citizen

Environment
Protection

Serving Customers Wholeheartedly

Implementing Product Recall Management

We strictly abide by the relevant laws and regulations in the regions of operation such as the Measures for the Administration of Medical Device Adverse Event Monitoring and Re-evaluation, extend product quality risk management system to after-sales management of the client. We have formulated the Product Recall Management System, which clearly defines the conditions for starting a recall, clarifies the recall work process and sets a time limit for implementing a recall to ensure that a recall is efficient and rapid to minimise the potential adverse impacts. During the Reporting Period, the Group had no product recalls of safety and health reasons.

Safeguarding Customers' Rights and Interests

We attach great importance to our customers' opinions, maintain close communication with customers, understand market demands in a timely manner, and continuously improve our service quality. In accordance with relevant internal system processes, such as the Feedback Control Procedures, the Complaint Control Procedures and After-sales Service Hotline Management System, we established communication channels for customer product consultation, product repair and complaint and collect customer feedback by hotline, email, WeChat official account and visit. After analysis and screening, we process the feedback according to the type in a timely manner to ensure that the customer's needs are quickly responded to and adequately resolved. During the Reporting Period, the Group received 1 complaint relating to products and services, which was promptly addressed to the extent that customer's needs were resolved.

Strengthening Product Lifecycle Management with Quality-oriented Concept



To meet the technical needs of engineers and further improve customer service level, we have established a technical engineer training system providing training for personnel based on their professions and ranks. Focus on three major sections which are basic theory, simulation practice and ability improvement, the training comprehensively improve the professional ability of technical engineers, help them better adapt to the work requirements and successfully complete service tasks.



Technical Engineers Training at MedBot

- ESG Management
- Fueled by Innovation
- Operational Compliance
- Quality Assurance
- People Oriented
- Being a Responsible Citizen
- Environment Protection

Practising Responsible Purchasing for Resilience Development

MedBot is well aware that creating a sustainable supply chain and carrying out responsible procurement are important for business resilience. We set up a supplier lifecycle management system to safeguard the quality and stability of products and services provided by suppliers from multiple dimensions, including selection, daily and annual audits, and integrate environmental and social risks into the supplier management system. We regularly communicate with suppliers to reach common development with our business partners.

Supplier Management

MedBot has formulated and implemented internal supply chain management systems such as the Procurement Management System and the Supplier Management System, which stipulate the management of entire procurement process. We strictly control the supplier selection process, and established a multi-dimensional supplier selection evaluation including material performance evaluation, commercial evaluation, quality evaluation and comprehensive evaluation. We ensure that products and services purchased meet our quality requirements through qualification audit and on-site audit. At the same time, suppliers are divided into three categories, namely A, B and C, based on the importance of raw materials provided. Critical (Class A) and major (Class B) suppliers are required to pass the comprehensive evaluation of suppliers including performance evaluation, commercial evaluation and quality evaluation before they can be included in the List of Qualified Suppliers of MedBot. Prior to the cooperation, we require essential suppliers to sign the Supplier Quality Assurance Agreement and provide relevant qualification certificates to ensure product quality.

For suppliers included in the supplier list and who we are cooperating with, we carry out daily management, communicate with them and follow up on product delivery and service quality in the procurement process, and require them to carry out rectification if any non-compliance is identified. In addition, we have set up an annual supplier evaluation mechanism to comprehensively evaluate whether to retain cooperation with a supplier based on their annual performance in supply, service, procurement inspection and others. Only suppliers who passed the evaluation can be retained in the List of Qualified Suppliers of the new year, and suppliers rated as unqualified upon evaluation will be required to carry out rectification and will be removed from the list if they are still unqualified upon re-evaluation.

including **655 suppliers** located in PRC and **9 suppliers** overseas.

By the end of the Reporting Period, MedBot had a total of **664 suppliers**

Strengthening Product Lifecycle Management with Quality-oriented Concept

Responsible Procurement

We also integrate ESG management requirements such as environmental responsibility, business ethics and social responsibility into supply chain management. We take social and environmental risks of suppliers into account during supplier selection and require suppliers to sign the Business Ethics Agreement and abide by the principles of integrity and honesty. To minimise the environmental impact of our business operations, we require our suppliers to sign a Notice to Relevant Parties and comply with our environmental protection requirements. We reasonably monitor and control supply chain risks and build supply chain resilience through responsible procurement.

Supplier Communication

We actively share industry knowledge and best practices with suppliers to promote suppliers and develop their own management function, improve the quality of materials and services, and thus improve the overall supply chain stability of MedBot. We expect to collaborate with the upstream and downstream industries to jointly promote innovative and advanced industry practices to create a sustainable supply chain system that drives the progress of both the Company and the industry.



Environmental protection requirements for suppliers

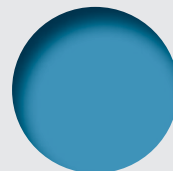


Guarantee up-to-standard emissions from vehicles and no oil dripping nor leakage.

Hazardous chemicals are transported by qualified transport companies



Be responsible for proper disposal of wastes, without causing secondary pollution to the environment.



ADOPTING

AN EMPLOYEE-CENTRIC APPROACH FOR MUTUAL DEVELOPMENT

ESG
Management

Fueled by
Innovation

Operational
Compliance

Quality
Assurance

People
Oriented

Being a
Responsible
Citizen

Environment
Protection



Adopting an Employee-Centric Approach for Mutual Development

105



“

MedBot regards employees as the valuable assets of the enterprise, as well as the foundation and core driving force for the long-term stable development of the Group. Consistently putting people first, we respect and protect the legitimate rights and interests of employees. In this regard, we have built an innovative and well-established training system to facilitate employees' career development, comprehensively safeguard employees' occupational health and safety, and create a dedicated and happy workplace, in an effort to release their potentials and achieve win-win success.

”

ESG
Management

Fueled by
Innovation

Operational
Compliance

Quality
Assurance

People
Oriented

Being a
Responsible
Citizen

Environment
Protection

Implementing Compliant Employment and Fostering Diversified and Inclusive Culture

Protecting Employees' Legitimate Rights and Interests

MedBot adheres to compliant employment and strictly abides by relevant domestic and overseas labor laws and regulations like the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Fair Labor Standards Act of the United States to effectively protect the legitimate rights and interests of employees. We have formulated the MedBot Recruitment Policy and a series of other employment policies, and revised the Employee Handbook during the Reporting Period to standardise the recruitment and dismissal, working hours, employee holidays and other processes, and clearly stipulate legal and equal employment and prohibit any form of discrimination, harassment or infringement of the dignity of others. We resolutely resist forced labor, explicitly prohibit the employment of child labor and take strict inspection measures such as information collection and verification to prevent the occurrence of child labor during the recruitment process. If any violation of employment policies is found, we will take timely measures to maintain a legal employment environment.

Recruiting Talents Based On "Collective Wisdom"

As the core value of MedBot, "Collective Wisdom" is also integrated into our corporate recruitment culture. We adopt diversified recruitment strategies, and introduce an interview evaluation system with the participation of multi-functional departments to improve interview accuracy and enhance candidates' interview experience.

We continue to expand recruitment channels and increase recruitment coverage through campus recruitment, social recruitment, overseas recruitment and internal recommendation channels to search for domestic and overseas talents who are interested in the medical robot industry. In 2022, we optimised our recruitment channels and revised the Internal Referral Reward System to improve the efficiency of recruitment. Campus recruitment and school-enterprise joint training are important channels for MedBot's talent recruitment. We carry out online and offline campus presentations, set up joint training programs of excellent doctors and masters and other forms to communicate with students closely and accurately match potential talents, building a communication channel between campus and the Company. By the end of the Reporting Period, we had successively established cooperation with well-known domestic universities such as Nanjing University of Aeronautics and Astronautics, Huazhong University of Science and Technology, Xi'an Jiaotong University and Southern University of Science and Technology.

MedBot Geek Project

In 2022, we held the first MedBot Geek Innovation Competition, "Damai Cup", to collect technical solutions related to robot applications submitted by participants from universities and scientific research institutions who are interested in medical robots across the country. While disseminating products of MedBot brand, we also took the chance to explore technical talents who have enthusiasm and interest for the field of robotics and related technologies, so as to create MedBot as a diversified and innovative employer.



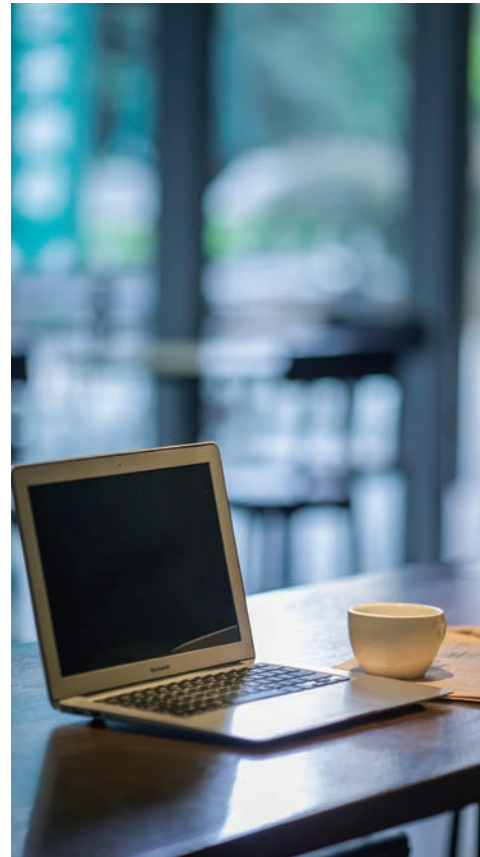
2022 MedBot Geek Innovation Competition

Adopting an Employee-Centric Approach for Mutual Development

Establishing Diversified and Fair Workplace

MedBot firmly believes that employees with different backgrounds can bring added value to the enterprise and drive development. We provide fair development opportunities in recruitment and appointment and create a diverse, inclusive and fair workplace which ensure that employees are not discriminated against due to age, gender, ethnicity and religion, nationality, race, etc.

As an important part of a diverse and inclusive culture, we have been upholding the concept of gender equality and issued the Management System for the Protection of Female Employees and Minors during the Reporting Period, promising to implement equal pay for equal work, and to provide benefits and care for female employees during pregnancy and breastfeeding in accordance with the law. Meanwhile, we have set up nursing rooms in the office to create convenience for employees during breastfeeding. In addition, we have established a Women's Federation and held a series of workplace communication activities for female employees to help them achieve long-term career development and personal growth.



Poster of the "Cultural Sharing and Exchange on Female Engineers" activity

Thursday talk — Cultural sharing and communication on female engineers

On 27 October 2022, the Women's Federation invited more than 10 female engineers of the Group to participate in the "Cultural Sharing and Communication on Female Engineers" activity. The sharing discussed how female engineers balance their work and family, whether there are differences between male and female engineers, and how female engineers find themselves in busy work. Colleagues participated listened to and participated in the sharing attentively and actively throughout the meeting. The activity provided a good communication platform for the career development of female employees.

ESG
Management

Fueled by
Innovation

Operational
Compliance

Quality
Assurance

People
Oriented

Being a
Responsible
Citizen

Environment
Protection

By the end of the Reporting Period, MedBot had a total of 1,230 full-time employees. The composition of employees is as follows:

Category		Number of employees	Proportion
By Gender	Male	841	68.4%
	Female	389	31.6%
By Age	At or under 30 years of age	383	31.1%
	31-50 years of age	829	67.4%
	Above 50 years of age	18	1.5%
By Region	China	1,205	98.0%
	US	19	1.5%
	Rest of the world	6	0.5%
By Academic Qualification	Bachelor's degree	518	42.1%
	Master's degree	330	26.8%
	Doctoral degree	31	2.5%
	Others	351	28.6%

During the Reporting Period, the employee turnover rate was 14.47%, details of which are as follows:

Category		Number of employees
By Gender	Male	14.39%
	Female	14.65%
By Age	At or under 30 years of age	12.53%
	31-50 years of age	15.44%
	Above 50 years of age	11.11%
By Region	China	14.61%
	US	10.53%
	Rest of the world	0%

Adopting an Employee-Centric Approach for Mutual Development

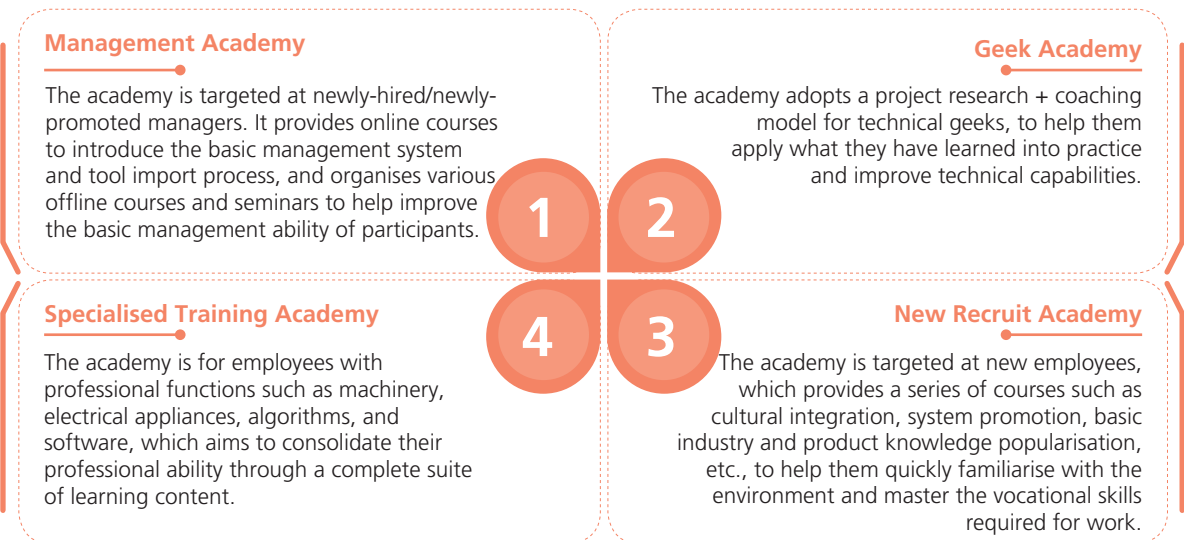
Cultivating Talents with Incentive Mechanism



Establishing Innovative Training System

MedBot attaches great importance to the improvement of employees' capabilities, and has built multiple paths to empower employees' development. We have formulated the Training Management System, established and continuously improved a scientific talent training system, developed and designed training courses for employees in various professional fields, and organised online and offline training to support the career growth of employees. Based on our training system "Stella Academy", we have designed four categories of training content based on employees' functions, including general, professional, management and project, to ensure improvement of employees' professional quality.

During the Reporting Period, we launched the Management Academy, Geek Academy, Specialised Training Academy, and New Recruit Academy. By enhancing training investment and support, we aim to strengthen basic talent skills, improve the creativity of specialised talents and enhance the competence of management talents, enabling employees to better release their potentials and integrate into MedBot.



- ESG Management
- Fueled by Innovation
- Operational Compliance
- Quality Assurance
- People Oriented
- Being a Responsible Citizen
- Environment Protection

Adopting an Employee-Centric Approach for Mutual Development

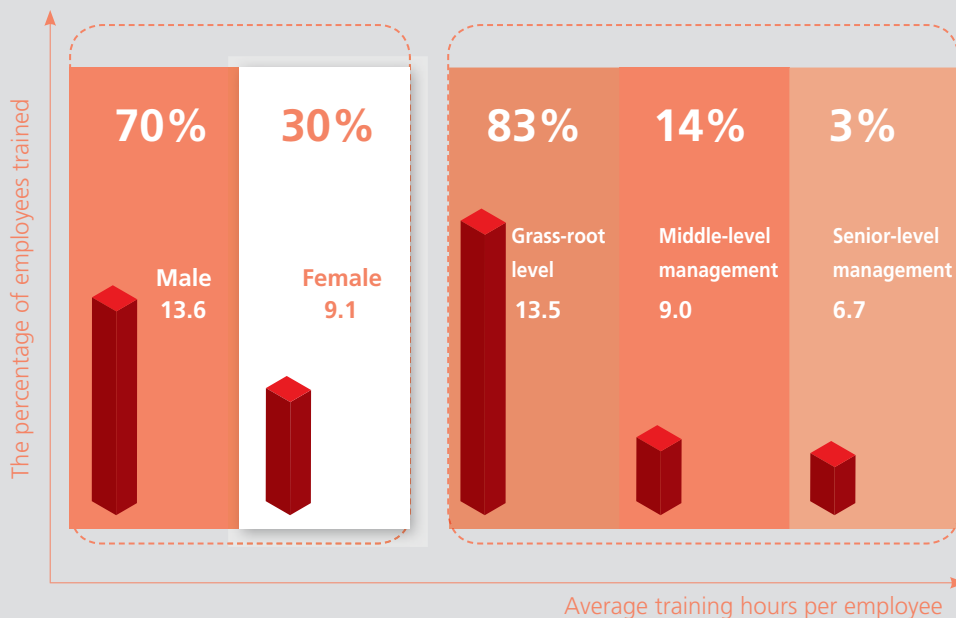


Training activities in Geek Academy

In addition, we have launched the “MedBot Quantum Program (Small Quantum System)”. By selecting suitable on-the-job employees who have passed the training and assessment (known as Small Quantum) as the companions of new employees, we provide opinions and guidance to new employees and help them quickly adapt to and integrate into the team.

During the Reporting Period, MedBot recorded 12.2 hours of training per employee on average and the trainees accounted for 95% of all employees. The details of the training are as follows:

The Training Statistics for 2022



Adopting an Employee-Centric Approach for Mutual Development



Providing Smooth Career Development Paths

MedBot has developed a clear career development path for employees and clarified the qualification standards and promotion channels for each position at different levels, helping employees have a clear career planning at different stages of their careers. We have implemented a “two-path, 18-level” promotion system, which divides different ranks into three categories, with six types of jobs in each category, laying a management and engineering dual-channel career path for the two core types of employees, namely “management talents” and “technical talents”. We have also formulated internal policies and systems such as Professional Channel (Engineer) Promotion System to encourage all employees to give full play to their expertise and realise the synchronised development of career and individual value.

Setting up Sound Talent Incentive Mechanism

We have a standardised and comprehensive performance management system. By formulating the Quarterly Performance Appraisal System for MedBot and Performance Appraisal System for Management Positions, we achieve scientific performance management. To further stimulate the tenacity and focus of employees, we have formulated Instant Incentive Management System, Mega-matrix R&D Project Performance Appraisal and Incentive System, Project Incentive System, etc., to demonstrate our recognition of the personal contribution and value of employees in R&D and other functional departments. By these efforts, we aim to motivate the enthusiasm of project management teams and members, and share the returns brought by business growth. In addition, we also implement a long-term equity incentive plan to motivate qualified employees who have made constant contributions to the development of MedBot.

Providing Unimpeded Communication Opportunities and Earnest Care

Implementing Comprehensive Compensation and Benefits System

We fully recognise and appreciate our employees' contributions to MedBot and constantly enrich the welfare benefits to convey our care. We have formulated the Compensation Management System, committed to providing employees with a fixed salary no lower than the minimum wage standard of Shanghai, as well as bonuses, subsidies and additional company benefits. In addition to national statutory benefits, we additionally provide a number of humanised benefits, such as supplementary housing provident fund, talent subsidy, meal subsidy and vocational education subsidy, flexible parental leave, additional insurance, health examination for employees and their parents to enhance employee cohesion and shape a harmonious and friendly workplace culture. For employees with young children, we have set up flexible working hours to meet their childcare needs. In addition, during the special period, we provided IT security and other conveniences to ensure the efficiency of employees working from home. During the Reporting Period, we formulated the Talent Apartment Application Management System and carried out qualification review and application processing in strict accordance with the process to effectively address employees commuting and housing needs.

Delivery of warmth during the special period

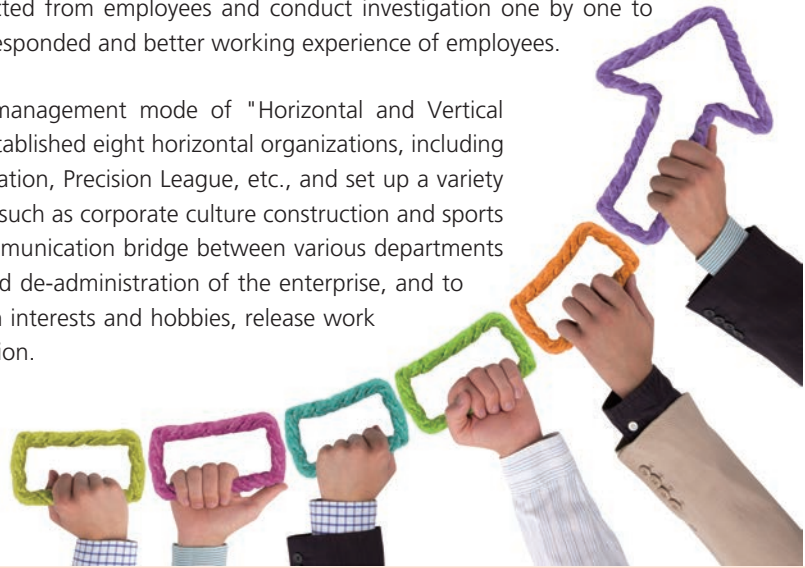
During the special period, our prevention and control team also paid attention to the living needs and physical and mental health of employees. We distributed several batches of emergency supplies to employees, and utilised relevant resources to communicate with and help all employees in need. In April 2022, in the context of shortage of medical resources, we received help request from a critically ill employee suffering from liver and kidney diseases. After overnight efforts and communication, we successfully arranged hospitalisation for the employee to accept standardised treatment, and finally the employee successfully recovered and discharged from the hospital with health.

Adopting an Employee-Centric Approach for Mutual Development

Organising Diverse Communications and Activities

We listen to the voices of employees and encourage them to speak out by building multiple communication channels, so as to ensure that employees' suggestions and opinions are effectively conveyed and understood. In order to help senior officers to understand the voices of grassroots employees in a timely manner and break down communication barriers between ranks, we have set up a luncheon named "Appointment with Senior Management". At the same time, we have set up the "Employee Suggestion Box" to collect opinions and suggestions from employees. The Company will summarise the opinions collected from employees and conduct investigation one by one to ensure that every delivery can be responded and better working experience of employees.

Relying on the Group's unique management mode of "Horizontal and Vertical Alliance", MedBot currently has established eight horizontal organizations, including Women's Federation, Sports Federation, Precision League, etc., and set up a variety of different characteristic activities such as corporate culture construction and sports competitions, so as to build a communication bridge between various departments to achieve real democratisation and de-administration of the enterprise, and to help employees cultivate their own interests and hobbies, release work pressure, and enhance team cohesion.



Featured Events Held by Horizontal Organizations

ESG
ManagementFueled by
InnovationOperational
ComplianceQuality
AssurancePeople
OrientedBeing a
Responsible
CitizenEnvironment
Protection

Practising Safety-centric Health Protection

Refining Management System

Providing a safe and healthy working environment is a primary commitment to our employees. We strictly abide by relevant laws and regulations such as the Production Safety Law of the People’s Republic of China and the Law of the People’s Republic of China on the Prevention and Control of Occupational Diseases. We have established an internal occupational health and safety management system in accordance with ISO 45001 standards and set up a Production Safety Committee chaired by the Group president and participated by representatives of various functional departments. We have also set up an environmental safety window in each department to carry out daily training, communication and management to supervise and promote the efficient implementation of the system within the Group.

To standardize the Group's occupational health and safety management, we have formulated internal systems and management procedure documents such as Environmental and Occupational Health and Safety Management Manual, Occupational Health Management System and Production Safety Responsibility System, which clearly stipulate relevant management structure and process. At the same time, we have also formulated a series of occupational health and production safety related goals and indicators, and our Environment, Health and Safety (EHS) Department tracks the completion of these indicators every month, so as to achieve a systematic and refined health and safety management system. During the Reporting Period, all EHS targets set by the Group have been achieved.



Adopting an Employee-Centric Approach for Mutual Development

Protecting Employees' Health and Safety

To strengthen the safety management for specific positions and comprehensively enhance employees' safety awareness and self-protection ability, we have formulated a number of guidance documents such as the Environmental Factors and Safety Risk Identification Management Procedures and Production Safety Reward and Punishment Management System to promote the standardisation of production safety, help and encourage employees to identify and report potential safety hazards in a timely manner in daily production work, and effectively reduce safety risks.

We have set up a reporting and investigation process for safety incidents in the Accident and Hazard Report Investigation Management System to ensure that safety incidents are properly handled in a timely manner and the causes of the accidents are thoroughly investigated by relevant teams to avoid re-occurrence of similar accidents and protect the health and safety of employees.

With an intention to stabilise our production, and protect the health and safety of our employees and their families amid the public health challenges, we formulated relevant emergency response plan and established a dedicated team to ensure the stability in prevention and control of infectious diseases and logistical support.

Developing Safety Awareness

We firmly believe that it is of great importance to develop and improve employees' safety awareness for avoiding safety accidents. To this end, we establish a production safety training system, and arrange mandatory safety training at company, department and position levels for all new joiners to familiarise them with the internal policies and basic knowledge on production safety. In this way we can make sure that our new employees take "safety first" as their core work principle.

In addition, to enable employees to better protect themselves and deal with crisis, we actively conduct publicity and education on safety tips at daily life and workplace, and regularly organise fire drills and other hands-on activities.

From 2020 to 2022, the Group had no work-related fatalities. During the Reporting Period, the number of working days lost due to work-related reason was 70, the number of work-related incidents was 1, a total of 4 safety drills were organised, and the number of safety training participants reached 1,177.



- ESG Management
- Fueled by Innovation
- Operational Compliance
- Quality Assurance
- People Oriented
- Being a Responsible Citizen
- Environment Protection



TAKING

RESPONSIBILITY TO CREATE A BETTER FUTURE

ESG
Management

Fueled by
Innovation

Operational
Compliance

Quality
Assurance

People
Oriented

Being a
Responsible
Citizen

Environment
Protection



Taking Responsibility to Create a Better Future

117



“

MedBot takes into full consideration the health and life quality of the people when developing business, and makes full use of our medical resources and advantages to vigorously promote inclusive healthcare. Meanwhile, MedBot works together with stakeholders to improve the availability of high-quality medical resources. By taking active part in building civilised city and other volunteer service activities to advance the sustainable development of communities where we operate, MedBot takes action to fulfil its social responsibilities.

”

ESG
Management

Fueled by
Innovation

Operational
Compliance

Quality
Assurance

People
Oriented

Being a
Responsible
Citizen

Environment
Protection

Promoting Inclusive Healthcare to Enhance Well-being

As a leader in the surgical robot industry, we adhere to our belief of “make surgery easier, safer, and less invasive”, and promote the advancement of the medical industry to benefit people’s livelihood. As medical robots require prudence in use due to their complexity and preciseness, it is necessary to standardise the clinical training and clinical use of related products. As the demand for robotic surgery-related medical training and clinical training increases, we work with a number of hospitals to build clinical training centers where training, scientific research and collaboration can be achieved.

Gathering professional trainers with rich clinical experience in robotic surgery, the clinical training centers provide healthcare professionals with professional online and offline training sessions to help them master operating essentials and techniques and, at the same time, to reserve and develop talents for the medical industry. During the Reporting Period, we launched a vehicle-mounted training platform to carry out a campaign named “MedBot Tour in China”. The convenient mobile platform allows more healthcare professionals to access, experience and understand domestic surgical robots without having to travel long distances. By providing easier access to training, we hope to contribute to the upskilling of a large number of Chinese surgeons who are skilled in operating domestic surgical robots. This will promote the standardisation of surgical procedures, catalysing a change in medical technologies and the medical service model, and thus will accelerate the development of affordable robotic surgeries. In 2022, we had set up more than 40 clinical training centers across China, and conducted about 1,500 training surgeries, attracting more than 400 doctor participants, which made great breakthroughs in clinical verification surgery and training activities.

Training Sites



had set up **40+** clinical training centers



had conducted about **1,500** training surgeries



had attracted **400+** doctor participants

Taking Responsibility to Create a Better Future

To address such problems as the imbalance of medical resources in different regions across China, we cooperated extensively with hospitals in Guangxi, Guizhou, Zhejiang, Sichuan and other regions to promote the accessibility and popularity of high-quality medical resources there. With cloud services and other emerging technologies, we make it possible for hospitals in remote areas to perform high-end and complex surgeries, in a bid to effectively solve the inconvenience of patients travelling long distance for medical treatment. We also allocate remote medical resources to enable patients to enjoy remote surgical treatment performed by top-level medical professionals without going out of the city.



Signing strategic cooperation agreement with West China Hospital of Sichuan University



The opening ceremony of the “West China Hospital - MicroPort® MedBot® Robotic Surgery Training Center” co-built by MedBot and West China Hospital of Sichuan University was successfully held on 18 October 2022. The establishment of the Center will facilitate the 5G remote surgery technology to reach more primary-level hospitals for the benefit of more patients, thereby accelerating the process of intelligence medicine in Southwest China. Besides, the two parties will explore a new system and new mode of collaborative innovation between industry, universities, research institutes, and medical establishments, thus contributing their own wisdom and strength to the “Healthy China” initiative.



Doctors Experiencing 5G Test Drive

ESG Management

Fueled by Innovation

Operational Compliance

Quality Assurance

People Oriented

Being a Responsible Citizen

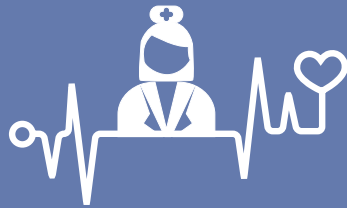
Environment Protection



We also explore multilateral cooperation. In particular, we carry out core technology research with suppliers to accelerate domestic production of materials and improve product reliability. Besides, by making best of the national policy of providing discount loans for medical device renovation projects, we work with medical institutions to promote the development of smart healthcare in China, and thus create more affordable surgical solutions for patients and bring the benefit of medical achievements to all people.

Based on our competitive products, we strengthen our cooperation with clinical experts and strive to provide patients with high-end and affordable medical services and intelligent surgical solutions. During the Reporting Period, MicroPort® Honghu orthopedic surgery robot embarked on its "Journey to Yunnan", covering 14 hospitals in 9 prefectures in Yunnan Province. We provided training for nearly 30 local doctors to teach them how to perform clinical surgeries with the assistance of robot SkyWalker, which eventually performed domestic robot-assisted knee arthroplasty for 50 local patients. As a demonstration of our ambition to fulfil our social responsibilities as a domestic medical device company, this free clinical tour not only helped doctors better practise their duty of curing diseases and saving lives, but also gave patients chance to get rid of diseases and back to healthy life.

ESG
ManagementFueled by
InnovationOperational
ComplianceQuality
AssurancePeople
OrientedBeing a
Responsible
CitizenEnvironment
Protection



covering **14 hospitals** in **9 prefectures** in Yunnan Province. We provided training for nearly **30 local doctors** to teach them how to perform clinical surgeries with the assistance of robot SkyWalker, which eventually performed domestic robot-assisted knee arthroplasty for **50 local** patients.



SkyWalker Journey to Yunnan - Performing the first robot-assisted total knee arthroplasty in Zhenxiong County, a national key county receiving assistance for rural revitalisation

In March 2022, our SkyWalker Robot successfully completed the first robot-assisted manual knee arthroplasty in Zhenxiong People's Hospital in Yunnan Province. As a national key county receiving assistance for rural revitalisation, Zhenxiong County was still in lack of sufficient medical and health infrastructure and medical technology, and there were still people "falling into or returning to poverty due to illness". Responding to national call, MedBot visited Zhenxiong, and brought advanced orthopedic surgery solutions for a 68-year-old patient who had been suffering from pains in both knees for years. Besides, this clinical surgery was also performed in an attempt to comprehensively push forward medical assistance for local poverty alleviation and benefit more patients.

ESG
Management

Fueled by
Innovation

Operational
Compliance

Quality
Assurance

People
Oriented

Being a
Responsible
Citizen

Environment
Protection

PROMOTING LOW-CARBON AND ECO-FRIENDLY OPERATION TO PROTECT OUR ENVIRONMENT

ESG
Management

Fueled by
Innovation

Operational
Compliance

Quality
Assurance

People
Oriented

Being a
Responsible
Citizen

Environment
Protection



Promoting Low-carbon and Eco-friendly Operation to Protect our Environment

123

“

It has become a global consensus to achieve sustainable development through green transformation. Taking green manufacturing as the cornerstone of the Company's sustainable development, MedBot integrates the concept of environmental protection into its business operation, and actively undertakes its environmental governance responsibilities. Focusing on various environmental issues such as energy management, water resource management, waste management and air pollution prevention and control, and responding to a series of medium and long-term national goals and plans for coping with global climate change, we endeavour to pursue sustainable and coordinated development of environment and economic growth, and promote harmonious coexistence between human and nature.

”

ESG
Management

Fueled by
Innovation

Operational
Compliance

Quality
Assurance

People
Oriented

Being a
Responsible
Citizen

Environment
Protection

Enhancing Management and Promoting Green Operation

In strict compliance with relevant laws and regulations like the Environmental Protection Law of the People’s Republic of China, the Environmental Impact Assessment Law of the People’s Republic of China, as well as the environmental protection regulations of the regions and industries where we operate, we have gradually established an environmental management system according to the ISO 14001 standard to strengthen environmental management and reduce the negative impact on environment during our production and operation.

We have set up the EHS Management Committee to coordinate and supervise the environmental management of the Company. Each functional department and factory is responsible for minimizing waste and maximise compliance. With reference to the List of Identification and Control of Environmental Factors, the Logging List of Material Environmental Factors and other documents, we have also formulated internal policies such as the Environmental and Occupational Health and Safety Management Manual and the Environmental Factors and Safety Risk Identification Management Procedures to ensure the sound operation of the environmental management system.

MedBot follows sustainability goals, and strives to achieve resource saving, pollution reduction, low-carbon business, and green development.



Promoting Low-carbon and Eco-friendly Operation to Protect our Environment

Responding to Climate Change

In the face of global warming, it has become a consensus for major nations and territories to reduce greenhouse gas emission and actively respond to climate change. As China has announced that it would aim to peak its carbon dioxide emissions before 2030 and achieve carbon neutrality before 2060, it is extremely urgent for enterprises to constantly reinforce climate change management while ensuring economic growth. We have formulated the Emergency Plan for Environmental Emergencies to effectively reduce the adverse impact of extreme weather. The Task Force on Climate-related Financial Disclosures (TCFD) develops a set of climate-related disclosure recommendations. Based on this, we have identified and analyzed risks and opportunities related to climate change along with their potential impact on MedBot by taking into comprehensive consideration the policy and legal, technology, market, reputation risks in transition risks and the acute and chronic risks in physical risks. This will help us accurately identify the impact of climate change on MedBot’s business and thus better respond to the accompanying risks and opportunities. In doing so, we can know how to manage energy and emission and how to address climate change more effectively. The specific identification is as follows:

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

ESG Management

Fueled by Innovation

Operational Compliance

Quality Assurance

People Oriented

Being a Responsible Citizen

Environment Protection

Reducing Energy Consumption and Improving Energy Efficiency

Energy and Carbon Emission Management

Abiding by the Energy Conservation Law of the People's Republic of China and relevant laws and regulations in regions where we operate, MedBot has established an energy management system with low energy consumption as the operational goal, in a bid to constantly improve energy efficiency to respond to climate change risks on the basis of compliant energy consumption.

To achieve the long-term goal of negative growth of carbon emission, we take various energy management measures including monthly investigation and analysis on energy consumption. In November 2022, to respond to the national call of "promoting low-carbon life through energy conservation and emission reduction", and to encourage employees to develop the good habit of reducing cost and emission and saving power, we carried out an action themed on green development and energy conservation to inspect the energy consumption of each functional department. We also actively practise paperless and green office measures such as posting power-saving signs and strengthening online data management, so as to promote the energy conservation and environmental protection mindset in our daily work.

Power-saving Signs



Category	Unit	2022	2021
Indirect energy consumption			
Purchased electricity	kWh	4,592,201.00	2,101,705.50
Direct energy consumption			
Natural gas	kWh	20,746.95	19,927.27
Gasoline	kWh	2,639.42	/
Diesel	kWh	147,722.20	/
Comprehensive energy consumption	kWh	4,763,309.57	2,121,632.77
Comprehensive energy consumption intensity	kWh/sq.m.	89.27	52.77
Greenhouse gas emissions			
Scope 1 greenhouse gas emissions	Tonnes	44.23	4.81
Scope 2 greenhouse gas emissions	Tonnes	3,230.61	1,478.55
Total greenhouse gas emissions	Tonnes	3,274.84	1,483.36
GHG emission intensity	Tonnes/sq.m.	0.06	0.04

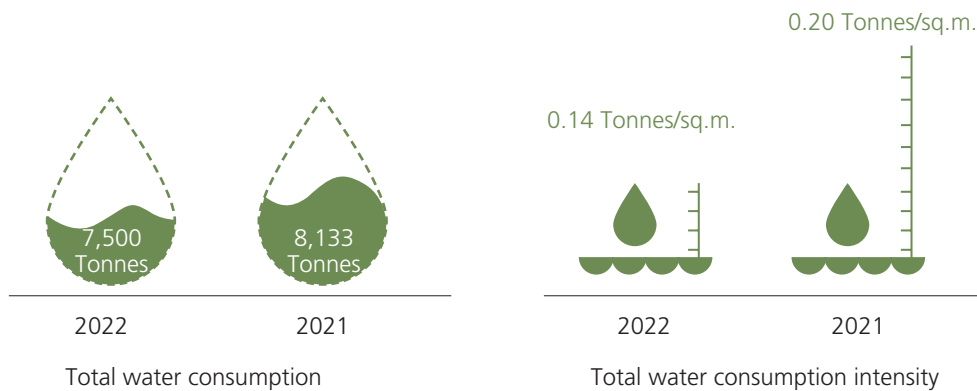
Note: 1. For calculation of the comprehensive energy consumption, please refer to the General Rules for Calculation of the Comprehensive Energy Consumption (GB/T 2589-2020) promulgated by the State Administration for Market Regulation and the Standardisation Administration.
2. The emission of greenhouse gas is calculated with reference to the Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions of Other Industrial Enterprises (Trial Implementation) published by the National Development and Reform Commission in 2015. The emission of electricity is calculated with reference to the emission factors of each region.



Promoting Low-carbon and Eco-friendly Operation to Protect our Environment

Water Management

We strictly abide by the Water Law of the People’s Republic of China and other water-related laws and regulations in all places around the globe where we conduct business and have formulated the Water Management System to continuously monitor and manage the compliant use of water resources. Recognising the importance of addressing water resource issues, we strive to reduce water resource consumption and take actions to protect water resources. The water used by the Company is sourced from municipal water, and our water consumption mainly consists of process, cleaning and domestic water consumption generated from R&D and production. To avoid waste of water resources, we encourage our employees to reasonably use water, and post water-saving signs in public areas.



水資源績效表現

Optimising the Use of Packaging Materials

With the intention to reduce material waste by optimising the design and use of packaging materials, we have formulated the Management Policies on Packaging Design, requiring the use of reusable shipping packaging for certain products with separate sales packaging, so as to reduce the waste of general cardboard boxes. During the transportation, we encourage suppliers to recycle the material pallets for reusing. Together with Shanghai Packaging Technology Association, we promote the project approval for the association standard of the Guidance on Packaging Design for Medical Surgery Robots. This move aims to provide instructive packaging design standard for the long-term development of the industry, and thus to adapt to the product diversity of medical surgical robot system, and ensure that the product packaging can meet the requirements of the whole supply chain and its diverse operating environment.



The Use of Packaging Materials

Managing Emissions to Reduce Impact

MedBot strictly abides by relevant laws and regulations including the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, the Law of the People's Republic of China on the Prevention and Control of Water Pollution, and has formulated internal management systems such as the Solid Waste Pollution Control Procedures, the Chemicals Safety Management System and the Water Pollution Prevention and Control Management System. We also actively take measures to reduce all kinds of emissions, including monitoring and control of waste in the whole process covering production, storage, transportation and treatment. As our production process did not generate exhaust gases, there was no exhaust gas emission during the Reporting Period.

In terms of solid waste, we have formulated internal systems such as the Solid Waste Pollution Control Management System and the Hazardous Chemicals Management System to unify and standardise the procedures for waste collection and treatment, so as to ensure that the discharge of waste meets the relevant national environmental emission standards. Wastes generated by MedBot are classified into hazardous waste and general waste. For liquid, solid and medical wastes and other hazardous wastes generated from R&D and production, we strictly regulate the procedures of production, collection, classification, storage and disposal. Hazardous wastes are collected by the production department and transferred to the hazardous waste warehouse as required and placed in the designated containers in the designated area by category and will be transferred to qualified third-party companies for disposal on a regular basis. General wastes such as solid wastes and domestic wastes generated from R&D and production are classified, recycled, stored and disposed of by relevant departments in accordance with the management requirements of the local government where we operate, and are regularly handed over to the environmental protection department for disposal.

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

Discharge	Unit	2022	2021
Sewage discharge	Tonne	6,750	6,507
Total hazardous waste produced	Tonne	0.09	0.06
Hazardous waste intensity	Tonne/sq.m.	0.0000017	0.0000015
Total solid waste generated	Tonne	82.20	84.77
Total non-hazardous waste disposed	Tonne	82.20	84.77
Non-hazardous waste disposal intensity	Tonne/sq.m.	0.002	0.002



APPENDIX I: HKEX ESG GUIDE INDEX

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

Subject Areas, Aspects, General Disclosures and KPIs		Sections in ESG Report
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Reducing Energy Consumption and Improving Energy Efficiency
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Enhancing Management and Promoting Green Operation Reducing Energy Consumption and Improving Energy Efficiency
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Enhancing Management and Promoting Green Operation Reducing Energy Consumption and Improving Energy Efficiency
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Reducing Energy Consumption and Improving Energy Efficiency
Aspect A3	The Environment and Natural Resources	
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Enhancing Management and Promoting Green Operation
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Enhancing Management and Promoting Green Operation
Aspect A4	Climate Change	
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Responding to Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Responding to Climate Change
B.SOCIAL		
Aspect B1	Employment	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer; relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Implementing Compliant Employment and Fostering Diversified and Inclusive Culture
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Implementing Compliant Employment and Fostering Diversified and Inclusive Culture

Subject Areas, Aspects, General Disclosures and KPIs		Sections in ESG Report
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Implementing Compliant Employment and Fostering Diversified and Inclusive Culture
Aspect B2	Health and Safety	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer; relating to providing a safe working environment and protecting employees from occupational hazards	Practising Safety-centric Health Protection
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Practising Safety-centric Health Protection
KPI B2.2	Lost days due to work injury.	Practising Safety-centric Health Protection
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Practising Safety-centric Health Protection
Aspect B3	Development and Training	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Training refers to vocational training. It may include internal and external courses paid by the employer.	Cultivating Talents with Incentive Mechanism
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Cultivating Talents with Incentive Mechanism
KPI B3.2	The average training hours completed per employee by gender and employee category.	Cultivating Talents with Incentive Mechanism
Aspect B4	Labour Standards	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer; relating to preventing child and forced labour.	Implementing Compliant Employment and Fostering Diversified and Inclusive Culture
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Implementing Compliant Employment and Fostering Diversified and Inclusive Culture
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Implementing Compliant Employment and Fostering Diversified and Inclusive Culture

Subject Areas, Aspects, General Disclosures and KPIs		Sections in ESG Report
Aspect B5	Supply Chain Management	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Practising Responsible Purchasing for Resilience Development
KPI B5.1	Number of suppliers by geographical region.	Practising Responsible Purchasing for Resilience Development
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Practising Responsible Purchasing for Resilience Development
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Practising Responsible Purchasing for Resilience Development
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Practising Responsible Purchasing for Resilience Development
Aspect B6	Product Responsibility	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer; relating to health and safety, advertising, labelling, and privacy matters relating to products and services provided and methods of redress.	Focusing on Product Quality Insisting on Compliance Publicity and Responsible Marketing
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Serving Customers Wholeheartedly
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Serving Customers Wholeheartedly
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Enhancing Quality and Efficiency Through Innovation
KPI B6.4	Description of quality assurance process and recall procedures.	Focusing on Product Quality Serving Customers Wholeheartedly
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Preventing Data Leakage and Protecting Privacy

Subject Areas, Aspects, General Disclosures and KPIs		Sections in ESG Report
Aspect B7	ANTI-CORRUPTION	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer; relating to bribery, extortion, fraud and money laundering.	Upholding Integrity and Honesty
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Upholding Integrity and Honesty
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Upholding Integrity and Honesty
KPI B7.3	Description of anti-corruption training provided to directors and employees.	Upholding Integrity and Honesty
Aspect B8	COMMUNITY INVESTMENT	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Promoting Inclusive Healthcare to Enhance Well-being
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Promoting Inclusive Healthcare to Enhance Well-being
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Promoting Inclusive Healthcare to Enhance Well-being

Independent Auditor's Report



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

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

OPINION

We have audited the consolidated financial statements of Shanghai MicroPort MedBot (Group) Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 139 to 212, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTER

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

Independent Auditor's Report (Continued)

KEY AUDIT MATTER (Continued)

Recognition and measurements of research and development costs

Refer to note 5 to the consolidated financial statements and the accounting policies on page 152

The Key Audit Matter

The Group is currently in the research and development ("R&D") stage of surgical robots and incurred R&D costs of RMB755.8 million for the year ended 31 December 2022, mainly consisting of staff costs, cost of materials and consumables, contracting and clinical trial expenses.

We identified the recognition and measurement of R&D costs as a key audit matter because of the significant amount incurred during the year and the inherent risk of R&D costs not accurately recognised.

How the matter was addressed in our audit

Our audit procedures to assess the recognition and measurement of R&D costs included the following:

- Obtaining an understanding of and testing the design and implementation and the operating effectiveness of the key internal controls related to the Group's R&D recognition and measurement process;
- Evaluating the accrual and allocation in terms of R&D-related staff costs by checking to the working time records maintained by the R&D department;
- Evaluating the R&D-related cost of materials and consumables by inspecting, on a sample basis, materials and consumables purchase contracts, payment slips, invoices and other underlying documents;
- Evaluating the contracting and clinical trial expenses by inspecting key terms set out in the contracts and evaluating the completion status reports from the service providers, on a sample basis, to assess whether these costs were recorded based on the respective contract terms or completion status; and
- Evaluating whether the R&D costs were included in the appropriate period/projects by comparing R&D costs recorded before and after the balance sheet date, on a sample basis, to relevant underlying document such as working time records of staff costs, purchase contracts, payment slips and invoices and completion status reports from the service providers.

Independent Auditor's Report (Continued)

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

Independent Auditor's Report (Continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report (Continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

KPMG

Certified Public Accountants

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

29 March 2023

Consolidated Statement of Profit or Loss

for the year ended 31 December 2022

(Expressed in Renminbi)

	Note	2022 RMB'000	2021 RMB'000
Revenue	3	21,603	2,150
Cost of sales		(15,041)	(1,231)
Gross profit		6,562	919
Other net income	4	42,078	24,675
Selling and marketing expenses		(184,042)	(79,188)
Administrative expenses		(170,472)	(107,477)
Research and development costs		(755,802)	(392,649)
Net (loss)/gain on financial instruments carried at fair value through profit or loss ("FVPL")		(26,984)	45,523
Other operating expenses	5(c)	(6,603)	(43,498)
Loss from operations		(1,095,263)	(551,695)
Finance costs	5(a)	(11,366)	(5,435)
Share of losses of equity-accounted investees		(39,655)	(27,377)
Loss before taxation	5	(1,146,284)	(584,507)
Income tax	6(a)	—	—
Loss for the year		(1,146,284)	(584,507)
Attributable to:			
Equity shareholders of the Company		(1,139,806)	(582,921)
Non-controlling interests		(6,478)	(1,586)
Loss for the year		(1,146,284)	(584,507)
Loss per share	9		
Basic and diluted (RMB)		(1.19)	(0.63)

The notes on pages 147 to 212 form part of the consolidated financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 28(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2022

(Expressed in Renminbi)

	2022 RMB'000	2021 RMB'000
Loss for the year	(1,146,284)	(584,507)
Other comprehensive income for the year, net of nil tax		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations, net of nil tax	9,580	(3,953)
Other comprehensive income for the year	9,580	(3,953)
Total comprehensive income for the year	(1,136,704)	(588,460)
Attributable to:		
Equity shareholders of the Company	(1,130,226)	(586,874)
Non-controlling interests	(6,478)	(1,586)
Total comprehensive income for the year	(1,136,704)	(588,460)

The notes on pages 147 to 212 form part of these financial statements.

Consolidated Statement of Financial Position

(Expressed in Renminbi)

	Note	31 December 2022 RMB'000	31 December 2021 RMB'000
Non-current assets			
Property, plant and equipment	10	491,576	361,000
Intangible assets	11	7,053	3,074
Goodwill	12	1,482	1,482
Equity-accounted investees	14	175,154	123,537
Financial assets measured at FVPL	15	109,602	136,586
Other non-current assets	16	46,436	71,979
		831,303	697,658
Current assets			
Derivative financial assets	17	—	8,958
Inventories	18	250,478	109,881
Trade and other receivables	19	93,725	24,955
Pledged deposits		6,657	9,607
Cash and cash equivalents	20	747,962	1,940,825
		1,098,822	2,094,226
Current liabilities			
Trade and other payables	21	257,649	181,510
Contract liabilities	22	8,489	—
Lease liabilities	23	58,218	52,863
Provisions		958	96
		325,314	234,469
Net current assets		773,508	1,859,757
Total assets less current liabilities		1,604,811	2,557,415
Non-current liabilities			
Interest-bearing borrowings	24	33,100	—
Contract liabilities	22	1,786	102
Lease liabilities	23	128,632	151,813
Deferred income	26	33,018	14,951
Provisions		397	397
		196,933	167,263
NET ASSETS		1,407,878	2,390,152

The notes on pages 147 to 212 form part of the consolidated financial statements.

Consolidated Statement of Financial Position (Continued)

(Expressed in Renminbi)

	Note	31 December 2022 RMB'000	31 December 2021 RMB'000
CAPITAL AND RESERVES			
Share capital	28	958,594	958,594
Reserves		459,064	1,434,548
Total equity attributable to equity shareholders of the Company		1,417,658	2,393,142
Non-controlling interests		(9,780)	(2,990)
TOTAL EQUITY		1,407,878	2,390,152

Approved and authorised for issue by the board of directors on 29 March 2023.

Mr. Sun Hongbin
Chairman

Dr. He Chao
Director

The notes on pages 147 to 212 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2022

(Expressed in Renminbi)

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

The notes on pages 147 to 212 form part of the consolidated financial statements.

Consolidated Statement of Changes in Equity (Continued)

for the year ended 31 December 2022

(Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company						Total	Non-controlling interests	Total equity
		Share capital	Share premium	Capital reserve	Exchange reserve	Other reserve	Accumulated losses			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2022		958,594	2,006,119	106,999	(9,209)	48,628	(717,989)	2,393,142	(2,990)	2,390,152
Changes in equity for 2022:										
Loss for the year		—	—	—	—	—	(1,139,806)	(1,139,806)	(6,478)	(1,146,284)
Other comprehensive income		—	—	—	9,580	—	—	9,580	—	9,580
Total comprehensive income		—	—	—	9,580	—	(1,139,806)	(1,130,226)	(6,478)	(1,136,704)
Net contributions from non-controlling shareholders of subsidiaries	13	—	—	17,953	—	—	—	17,953	(788)	17,165
Equity-settled share-based transactions	27	—	—	136,789	—	—	—	136,789	476	137,265
Balance at 31 December 2022		958,594	2,006,119	261,741	371	48,628	(1,857,795)	1,417,658	(9,780)	1,407,878

The notes on pages 147 to 212 form part of the consolidated financial statements.

Consolidated Cash Flows Statement

for the year ended 31 December 2022

(Expressed in Renminbi)

	Note	2022 RMB'000	2021 RMB'000
Net cash used in operating activities	20(b)	(898,475)	(540,486)
Investing activities			
Payments for the purchase of property, plant and equipment		(188,270)	(130,996)
Payments for the purchase of intangible assets		(6,545)	(2,983)
Investment funds of equity-accounted investees		(70,210)	(175,493)
Loan to equity-accounted investees		(2,800)	—
Payments for the investments in other financial assets		—	(87,103)
Net cash used in investing activities		(267,825)	(396,575)
Financing activities			
Capital element of lease rentals paid	20(c)	(51,833)	(18,681)
Interest element of lease rentals paid	20(c)	(10,383)	(4,568)
Proceeds from interest-bearing borrowings	20(c)	33,100	—
Lease deposits paid		(2,724)	(35,379)
Loans from related parties	20(c)	20,000	—
Repayments of loans from related parties	20(c)	(20,000)	—
Interest paid for interest-bearing borrowings and loans from related parties	20(c)	(260)	—
Capital contributions by investors	28(c)	—	28,650
Net proceeds from the initial public offering (“IPO”) and the exercise of the over-allotment options	28(c)	—	1,422,223
Payments for listing expenses in relation to the IPO		(13,011)	—
Contributions from non-controlling shareholders of subsidiaries		17,165	—
Net cash (used in)/generated from financing activities		(27,946)	1,392,245

The notes on pages 147 to 212 form part of the consolidated financial statements.

Consolidated Cash Flows Statement (Continued)

for the year ended 31 December 2022

(Expressed in Renminbi)

	Note	2022 RMB'000	2021 RMB'000
Net (decrease)/increase in cash and cash equivalents		(1,194,246)	455,184
Cash and cash equivalents at 1 January		1,940,825	1,497,326
Effect of foreign exchange rate changes		1,383	(11,685)
Cash and cash equivalents at 31 December		747,962	1,940,825

The notes on pages 147 to 212 form part of the consolidated financial statements.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

Shanghai MicroPort MedBot (Group) Co., Ltd. (the “Company”) (上海微創醫療機器人(集團)股份有限公司) and its subsidiaries (together referred to as the “Group”) are principally engaged in the research and development, manufacturing and sale of surgical robots.

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2022 comprise the Company and the Group’s interest in equity-accounted investees.

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

- investments in equity securities (see note 1(g)); and
- derivative financial instruments (see note 1(h)).

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

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

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

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

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

(d) Subsidiaries and non-controlling interests

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

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

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

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

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

(e) Associates and joint ventures

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

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

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

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

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Associates and joint ventures (Continued)

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

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

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

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

(f) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

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

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

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

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Investments in equity securities

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

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 29(e). These investments are subsequently accounted for as follows, depending on their classification.

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

(h) Derivative financial instruments

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

(i) Property, plant and equipment

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

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

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Property, plant and equipment (Continued)

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

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

— Equipment and machinery	3–10 years
— Office equipment, furniture and fixtures	1.5–5 years

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

(j) Intangible assets (other than goodwill)

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

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

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

— Software	2–3 years
------------	-----------

Both the period and method of amortisation are reviewed annually.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Leased assets

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

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

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

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

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

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

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

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Leased assets (Continued)

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

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

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments

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

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

Measurement of ECLs

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

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

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

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

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

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Measurement of ECLs (Continued)

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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

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

Significant increases in credit risk

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

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Significant increases in credit risk (Continued)

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

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

Basis of calculation of interest income

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

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

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

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Write-off policy

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

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

(ii) Impairment of other non-current assets

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

- property, plant and equipment, including right-of-use assets;
- intangible assets;
- goodwill;
- investments in equity-accounted investees ; and
- investments in subsidiaries and equity-accounted investees in the Company's statement of financial position.

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

Calculation of recoverable amount

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

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

— *Recognition of impairment losses*

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

— *Reversals of impairment losses*

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

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

(iii) Interim financial reporting and impairment

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

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

(m) Inventories

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

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

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

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

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Inventories (Continued)

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

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

A right to recover returned goods is recognised for the right to recover products from customers sold with a right of return. It is measured in accordance with the policy set out in note 1(w)(i)(a).

(n) Contract liabilities

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

(o) Trade and other receivables

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

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

(p) Cash and cash equivalents

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

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Trade and other payables (other than refund liabilities)

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

Refund liabilities arising from rights of returns and volume rebates are recognised in accordance with the policy set out in note 1(w)(i)(a).

(r) Preference share capital

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

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

(s) Interest-bearing borrowings

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

(t) Employee benefits

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

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

(ii) Share-based payments

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

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Employee benefits (Continued)

(ii) Share-based payments (Continued)

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

(iii) Termination benefits

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

(u) Income tax

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

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

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

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

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

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

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

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

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of fulfilling the contract. The cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that contract.

(w) Revenue and other income

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

The Group is the principal for its revenue transactions and recognises revenue on a gross basis, including the sale of medical devices that are sourced externally. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Revenue and other income (Continued)

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

(i) Revenue from contracts with customers

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

(a) Sale of medical devices

Revenue is recognised when the customer takes possession of and accepts the products, depending on the terms set forth in the customer contract. The payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less.

In certain of the Group's customer contract, the Group participates in arrangements that include multiple performance obligations. The Group accounts for individual products and services as separate performance obligations if they are a distinct product or service that is separately identifiable from other items in the packages and if a customer can benefit from the product or service on its own or with other resources that are readily available to the customer. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis. Generally, the Group establishes standalone selling prices with reference to the observable prices of products or services sold separately in comparable circumstances to similar customers. If the observable stand-alone selling prices are not available, the Group uses an expected costs plus a margin approach to estimate the stand-alone selling price.

(b) Revenue from rendering of services

Revenue from rendering of services is recognised over time by measuring the progress of that performance obligation.

(ii) Revenue from other sources and other income

(a) Dividends

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

(b) Interest income

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

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Revenue and other income (Continued)

(ii) Revenue from other sources and other income (Continued)

(c) Government grants

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

(x) Translation of foreign currencies

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

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

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

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

(y) Borrowing costs

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

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

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(aa) Segment reporting

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

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(aa) Segment reporting (Continued)

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

2 ACCOUNTING JUDGEMENT AND ESTIMATES

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

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

Determining the lease term

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

(b) Sources of estimation uncertainty

Notes 12, 27 and 29(e) contains information about the assumptions and risk factors relating to goodwill impairment assessment, fair value of equity-settled share-based transactions and financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Net realisable value of inventories

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

(ii) Depreciation

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

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

2 ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

(b) Sources of estimation uncertainty (Continued)

(iii) Income tax

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

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

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

(i) Disaggregation of revenue

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

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of medical devices — point in time	21,603	1,780
Others — over time	—	370
	21,603	2,150

In 2022, revenue from the sales of medical devices comprised sales of Toumai Laparoscopic Surgical Robot, DFVision 3D Electronic Laparoscopes and related accessories. In 2022, revenue arose from 2 customers with whom transaction exceeding 10% of the Group's revenue (2021: 3 customers). Details of the credit risk arising from the Group's customers are set out in note 29(a).

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (Continued)

(a) Revenue (Continued)

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2022, the aggregated amount of the transaction price allocated to the remaining performance obligation under the Group's existing contracts was RMB1,828,000 (2021: RMB102,000). This amount represents revenue expected to be recognised in the future from delivering medical devices or rendering post-sales services. The Group will recognise the expected revenue in future when or as the medical devices are accepted by the customers or, in the case of rendering service, when the service is rendered to the customers, which is expected to occur over the next 36 months.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of medical devices that had an original expected duration of one year or less.

(b) Segment reporting

(i) Segment information

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

(ii) Geographical information

All revenue for the years ended 31 December 2022 and 2021 were generated from the customers located in the People's Republic of China (the "PRC").

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

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(ii) Geographical information (Continued)

	Revenues from external customers		Specified non-current assets	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
The PRC (place of domicile)	21,603	2,150	491,096	412,952
United States	—	—	37,729	4,042
France	—	—	146,440	72,099
	21,603	2,150	675,265	489,093

4 OTHER NET INCOME

	2022 RMB'000	2021 RMB'000
Interest income on financial assets measured at amortised cost	26,653	22,073
Government grants	11,568	11,710
Net foreign exchange gain/(loss)	2,039	(9,114)
Others	1,818	6
	42,078	24,675

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

	2022 RMB'000	2021 RMB'000
Interest on interest-bearing borrowings and loans from related parties (note 20(c))	260	—
Interest on lease liabilities (note 20(c))	10,866	5,293
Total interest expense on financial liabilities not at fair value through profit or loss	11,126	5,293
Others	240	142
	11,366	5,435

(b) Staff costs

	2022 RMB'000	2021 RMB'000
Contributions to defined contribution retirement plans	39,772	17,439
Equity-settled share-based payment expenses (note 27(e))	136,919	91,199
Salaries, wages and other benefits	436,195	177,156
	612,886	285,794

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

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

5 LOSS BEFORE TAXATION (Continued)

(c) Other operating expenses

	2022 RMB'000	2021 RMB'000
Listing expenses	—	40,526
Others	6,603	2,972
	6,603	43,498

(d) Other items

	2022 RMB'000	2021 RMB'000
Amortisation of intangible assets ^{#*} (note 11)	1,813	474
Depreciation charge ^{#*} (note 10)		
— owned property, plant and equipment	42,483	7,148
— right-of-use assets	56,410	27,751
	98,893	34,899

	2022 RMB'000	2021 RMB'000
Research and development costs [#]	755,802	392,649
Auditors' remuneration		
— audit services	5,389	5,423
— non-audit services	16	311
	5,405	5,734
Cost of inventories* (note 18(b))	74,651	21,987

[#] Research and development costs includes RMB428,367,000 (2021: RMB200,164,000) relating to staff costs and depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

^{*} Cost of inventories includes RMB10,726,000 (2021: RMB7,053,000) relating to staff costs and depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

6 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

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

	2022 RMB'000	2021 RMB'000
Current tax	—	—
Deferred tax	—	—
	—	—

Pursuant to the Corporate Income Tax ("CIT") Law of the PRC, the Company and its PRC subsidiaries are liable to PRC CIT at a rate of 25%.

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

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

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

	2022 RMB'000	2021 RMB'000
Loss before taxation	(1,146,284)	(584,507)
Notional tax on loss before taxation, calculated at the rates applicable to loss in the countries concerned	(277,045)	(146,127)
Effect of non-deductible expenses	35,179	21,569
Effect of additional deduction on research and development costs	(78,647)	(71,404)
Effect of deductible temporary differences and tax losses not recognised	320,513	195,962
Actual tax expenses	—	—

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

7 DIRECTORS' EMOLUMENTS

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

	2022					Total RMB'000
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Equity-settled share-based payment (Note) RMB'000	
Chairman and non-executive director						
Mr. Sun Hongbin	—	—	—	—	5,588	5,588
Executive director						
Dr. He Chao	—	1,557	939	—	38,032	40,528
Non-executive directors						
Mr. Sun Xin	—	—	—	—	—	—
Mr. Chen Chen	—	—	—	—	—	—
Independent non-executive directors						
Dr. Li Minghua	120	—	—	—	—	120
Mr. Yao Haisong	120	—	—	—	—	120
Mr. Mui Wing Hong (appointed in June 2022)	70	—	—	—	—	70
Ms. Lee Kit Ying (resigned in June 2022)	60	—	—	—	—	60
Supervisors						
Mr. Yuan Shuai	—	356	345	—	11,672	12,373
Ms. Zhang Lihong	—	—	—	—	—	—
Mr. Zhang Jie	—	—	—	—	—	—
	370	1,913	1,284	—	55,292	58,859

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

7 DIRECTORS' EMOLUMENTS (Continued)

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

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

The details of these benefits in kind are disclosed under note 27.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2021: three) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2021: two) individuals are as follows:

	2022 RMB'000	2021 RMB'000
Salaries and other benefits	1,960	1,204
Discretionary bonuses	1,764	1,549
Equity-settled share-based payments	34,024	22,562
	37,748	25,315

The emoluments of the two (2021: two) individuals with the highest emoluments are within the following bands:

	2022 Number of Individuals	2021 Number of Individuals
HK\$12,000,001 to HK\$12,500,000	—	1
HK\$13,000,001 to HK\$13,500,000	1	—
HK\$17,500,001 to HK\$18,000,000	—	1
HK\$28,500,001 to HK\$29,000,000	1	—

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

9 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB1,139,806,000 (2021: RMB582,921,000) and the weighted average number of ordinary shares of 958,594,000 shares (2021: 919,849,000 shares) in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares

	2022 '000	2021 '000
Issued shares at the beginning of the year for the purposes of basic loss per share	958,594	900,000
Effect of capital contributions by investors	—	13,199
Effect of shares issued upon the completion of the IPO and the exercise of the over-allotment option	—	6,650
Weighted average number of shares at the end of the year for the purpose of basic loss per share	958,594	919,849

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The calculation of diluted loss per share amount for the years ended 31 December 2022 and 2021 has not included the potential effects of the warrants and share options issued by an equity-accounted investee of the Group, as they had anti-dilutive effects on the basic loss per share amount for the respective year. Accordingly, diluted loss per share for the years ended 31 December 2022 and 2021 are the same as basic loss per share of the respective years.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

10 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Leasehold improvements RMB'000	Equipment and machinery RMB'000	Office equipment, furniture and fixtures RMB'000	Right-of- use assets RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2021	3,395	8,096	3,991	20,502	10,425	46,409
Transfer from construction in progress	50,254	26,440	14,599	—	(91,293)	—
Additions	3,942	48,395	—	212,647	93,606	358,590
Disposals	—	(1,232)	(286)	—	—	(1,518)
At 31 December 2021 and 1 January 2022	57,591	81,699	18,304	233,149	12,738	403,481
Transfer from construction in progress	31,576	79,937	—	—	(111,513)	—
Additions	242	43,024	15,374	39,750	132,938	231,328
Exchange adjustments	179	184	234	823	116	1,536
Disposals	—	—	(1)	(11,878)	—	(11,879)
At 31 December 2022	89,588	204,844	33,911	261,844	34,279	624,466
Accumulated depreciation and amortisation:						
At 1 January 2021	700	1,603	1,007	4,389	—	7,699
Charge for the year	2,288	2,920	1,940	27,751	—	34,899
Written back on disposals	—	(20)	(97)	—	—	(117)
At 31 December 2021 and 1 January 2022	2,988	4,503	2,850	32,140	—	42,481
Charge for the year	18,397	19,871	4,215	56,410	—	98,893
Exchange adjustments	12	7	11	124	—	154
Written back on disposals	—	—	—	(8,638)	—	(8,638)
At 31 December 2022	21,397	24,381	7,076	80,036	—	132,890
Net book value:						
At 31 December 2022	68,191	180,463	26,835	181,808	34,279	491,576
At 31 December 2021	54,603	77,196	15,454	201,009	12,738	361,000

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

10 PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Right-of-use assets

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

	2022 RMB'000	2021 RMB'000
Properties leased for own use, carried at depreciated cost	181,808	201,009

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

	2022 RMB'000	2021 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset: — Properties leased for own use	56,410	27,751
Interest on lease liabilities (note 5(a))	10,866	5,293
Expense relating to short-term leases	6,737	3,375

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in notes 20(c), 29(b) and 30, respectively.

The Group has obtained the right to use other properties as its manufacturing plants, warehouse and office building through tenancy agreements. The lease typically run for an initial period of 2 to 7 years. None of the lease includes variable lease payments.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

11 INTANGIBLE ASSETS

	Software RMB'000
Cost:	
At 1 January 2021	1,063
Additions	2,983
At 31 December 2021 and 1 January 2022	4,046
Additions	5,792
At 31 December 2022	9,838
Accumulated amortisation:	
At 1 January 2021	498
Charge for the year	474
At 31 December 2021 and 1 January 2022	972
Charge for the year	1,813
At 31 December 2022	2,785
Net book value:	
At 31 December 2022	7,053
At 31 December 2021	3,074

Majority of the amortisation charge for the year is included in "research and development costs" and "administrative expenses" in the consolidated statement of profit and loss.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

12 GOODWILL

	RMB'000
Cost and carrying amount:	
At 31 December 2021 and 31 December 2022	1,482

Impairment tests for cash-generating units containing goodwill

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

	31 December 2022 RMB'000	31 December 2021 RMB'000
MedBot Business	1,482	1,482

The recoverable amount of the CGU is higher of the fair value less costs of disposals and the value in use. The key assumptions used for the calculation of the recoverable amount of the CGU were based on either the past experience or external sources of information, including the compound revenue growth rate during the forecast period and gross margin ratio of 30%. The steady growth rates used in the extrapolation period do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a pre-tax discount rate of 18%.

Management determined that no impairment provision was required based on the impairment assessment performed as at 31 December 2022 and 2021.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES

Details of the subsidiaries at 31 December 2022 are as follows:

Name of company	Place of incorporation and business	Particulars of registered capital/ paid-up capital	Proportion of ownership interest as at 31 December 2022			Principal activities
			Group's interest	Held by the Company	Held by a subsidiary	
MicroPort Navibot (Suzhou) Co., Ltd.* (蘇州微創暢行機器人有限公司) (i) (ii)	The PRC	RMB12.5 million/ RMB10 million	98.44%	98.44%	—	Manufacture, research and development of surgical robot devices
Suzhou MicroPort Shuji Precise Technology Co., Ltd.* (蘇州微創樞機精密科技有限公司) (i)	The PRC	RMB10 million/ RMB10 million	100%	—	100%	Manufacture parts of surgical robot devices
Medical (Beijing) Health Technology Co., Ltd.* (易達醫(北京)健康科技有限公司) (i) (ii)	The PRC	RMB10 million/ RMB6.1 million	60%	60%	—	Distribution, research and development of surgical robot devices
Shanghai MicroPort Shuzhi Technology Co., Ltd.* (上海微創樞知科技有限公司) (i)	The PRC	RMB1 million/ RMB1 million	100%	100%	—	Manufacture of parts of surgical robot devices
Shanghai Weizhuo Technology Co., Ltd.* (上海微琢科技有限公司) (i)	The PRC	RMB10 million/ RMB8 million	80%	80%	—	Manufacture of parts of surgical robot devices
Shenzhen Weimei Robot Co., Ltd.* (深圳微美機器人有限公司) (i) (ii)	The PRC	RMB30 million/ RMB8.965 million	85.89%	85.89%	—	Research and development of surgical robot devices
Shanghai Weimi Medical Co., Ltd.* (上海微覓醫療器械有限公司) (i)	The PRC	RMB35 million/ RMB1 million	100%	100%	—	Research and development of surgical robot devices
Shanghai MicroPort Weihang Robot Co., Ltd.* (上海微創微航機器人有限公司) (i)	The PRC	RMB30 million/ RMB1 million	100%	100%	—	Research and development of surgical robot devices
Shenzhen Xinji Medical Robot Co., Ltd.* (深圳心璣醫療機器人有限公司) (i)	The PRC	RMB20 million/ Nil	100%	100%	—	Research and development of surgical robot devices
MicroPort Medical Corp. Limited	Hong Kong	300 shares	100%	100%	—	Investment
MicroPort NaviBot International Co., Limited	Hong Kong	1,000 shares	100%	—	100%	Investment
MicroPort NaviBot International LLC	United States	100 shares of US\$ 1 each	100%	—	100%	Assembly and distribution of surgical robot devices
MicroPort InterBot Limited	British Virgin Islands	1 share of US\$ 1 each	100%	100%	—	Investment
MicroPort Medbot (Singapore) PTE. LTD.	Singapore	1,500,000 shares of US\$ 1 each	100%	—	100%	Research and development of system

* English translation is for identification purpose only.

(i) These subsidiaries are domestic enterprises in the PRC.

(ii) In 2022, in accordance with the ESPP (defined in note 27(b)) adopted by several subsidiaries of the Group, the partnership firms whose general partner and limited partners consisted of the employees of the Group, contributed a total of RMB17,165,000 in the respective subsidiaries. The transactions were treated as transactions within the shareholders in their capacity as equity holders. Hence, the amount of RMB17,953,000, being the difference between (i) the cash consideration of RMB17,165,000 and (ii) the carrying amount of net assets in the proportion of the deemed disposed equity interests in these subsidiaries as at the date of disposal was credited to capital reserve of the Group.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

14 EQUITY-ACCOUNTED INVESTEEES

As of 31 December 2022, the following list contains only the particulars of material equity-accounted investees, which are unlisted corporate entities that did not have quoted market price:

Name of equity-accounted investees	Form of business structure	Place of incorporation and business	Particulars of issued capital/paid-in capital	Proportion of ownership interest as at 31 December 2022			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
Robocath S.A.S ("Robocath") (Note i)	Incorporated	France	EUR497,699/ EUR439,277	23.68%	—	23.68%	Manufacture, distribution, research and development of surgical robot devices
Cathbot (Shanghai) Robot Co., Ltd. ("Cathbot") 知脈(上海)機器人有限公司 (Note ii)	Incorporated	The PRC	EUR10,000,000/ EUR10,000,000	51%	51%	—	Manufacture, distribution, research and development of surgical robot devices

The above equity-accounted investees are accounted for using the equity method in the consolidated financial statements.

Notes

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

In March 2022, the Group exercised warrants issued by Robocath (note 17) and purchased 40,000 shares of Robocath at a cash consideration of EUR10,000,000 (equivalents to RMB70,210,000). Accordingly, the Group's interest in Robocath increased from 16.03% as at 31 December 2021 to 23.68% as at 31 December 2022.

- ii In October 2020, the Group and Robocath entered into a shareholders agreement, pursuant to which, the Group holds 51% equity interest in Cathbot, while Robocath holds the remaining 49%. As the approval of the resolutions in relation to the relevant activities of Cathbot shall require both approval from the Group and Robocath, the directors of the Company determined that the investment in Cathbot is a joint venture.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

14 EQUITY-ACCOUNTED INVESTEEES (Continued)

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

	Robocath		Cathbot	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Gross amounts				
Current assets	203,099	111,741	36,187	52,415
Non-current assets	121,134	116,192	1,801	3,616
Current liabilities	(27,207)	(23,901)	(2,149)	(2,978)
Non-current liabilities	(174,917)	(90,739)	—	—
Equity	122,110	113,293	35,839	53,053
Revenue	5,162	12,065	—	—
Loss for the year	(74,678)	(59,634)	(17,319)	(25,124)
Other comprehensive income	11,397	(15,593)	—	—
Total comprehensive income	(63,281)	(75,227)	(17,319)	(25,124)
Reconciled to the Group's interests in the equity-accounted investees				
Gross amounts of net assets of the equity-accounted investees	122,110	113,293	35,839	53,053
Group's effective interests	23.68%	16.03%	51.00%	51.00%
Group's share of net assets of the equity-accounted investees	28,916	18,161	18,278	27,057
Goodwill	118,056	53,938	—	—
Dilution effect of share-based payments arrangement of an equity-accounted investee	(532)	—	—	—
Carrying amount in the consolidated financial statements	146,440	72,099	18,451	27,231

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

	2022 RMB'000	2021 RMB'000
Aggregate carrying amount of individually immaterial equity-accounted investees	10,263	24,207
Aggregate amounts of the Group's share of those equity-accounted investees		
Loss for the year	(14,237)	(5,005)
Total comprehensive income	(14,237)	(5,005)

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

15 FINANCIAL ASSETS MEASURED AT FVPL

	2022 RMB'000	2021 RMB'000
Investments in unlisted equity securities	109,602	136,586

The unlisted equity securities represent shares of NDR Medical Technology Private Limited ("NDR") and shares of Biobot Surgical Pte. Ltd. ("Biobot").

Considering the nature of the Group's financial investments in NDR and Biobot, the Group recognised its investments in NDR and Biobot as financial assets measured at FVPL.

Valuation techniques and significant assumptions for determining the fair value of the investments in NDR and Biobot are set out in note 29(e).

16 OTHER NON-CURRENT ASSETS

	2022 RMB'000	2021 RMB'000
Prepayments	10,654	4,011
Value-added tax ("VAT") recoverable (note 19)	236	39,441
Lease and security deposits (Note)	35,546	28,527
	46,436	71,979

Note: In 2021, the Group entered into a 5-year lease agreement with Shanghai Huiqingcheng Investment Management Co., Ltd. (上海回青橙投资管理有限公司) ("Huiqingcheng Investment") in respect of certain leasehold properties for use of manufacturing facilities, warehouses and office buildings.

Balance as at 31 December 2022 included deposits (before discounting) totalling RMB36,664,000 paid to Huiqingcheng Investment, which are refundable after the expiry of the lease.

17 DERIVATIVE FINANCIAL INSTRUMENTS

	2022 RMB'000	2021 RMB'000
Warrants issued by Robocath (note 14)	—	8,958

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

18 INVENTORIES

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

	2022 RMB'000	2021 RMB'000
Raw materials	161,988	95,327
Work in progress	18,263	7,166
Finished goods	62,786	7,333
Goods in transit	7,416	—
Others	25	55
	250,478	109,881

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

	2022 RMB'000	2021 RMB'000
Carrying amount of inventories sold	10,514	924
Cost of inventories directly recognised as research and development costs and distribution costs	64,137	21,063
	74,651	21,987

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

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

19 TRADE AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade debtors, net of loss allowance	—	87
VAT recoverable (Note)	68,244	6,110
Other debtors due from		
— third parties	1,092	73
— related parties	3,997	1,775
Prepayments	20,392	16,910
	93,725	24,955

As at 31 December 2021, the ageing of trade debtors are within 1 month, based on the invoice date. Trade debtors are due within 30 days from the date of billing. Further details of the Group's credit policy and credit risk arising from trade debtors are set out in note 29(a). All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

Note: As at 31 December 2021, the Group had VAT recoverable totalling RMB45,551,000 of which RMB6,110,000 was recorded in "trade and other receivables" and the remaining RMB39,441,000 was recorded in "other non-current assets". During the year ended 31 December 2022, in accordance with the related policies of the PRC, the Group applied the refund of VAT recoverable and received RMB53,484,000 in total.

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2022 RMB'000	2021 RMB'000
Cash at bank	747,962	1,940,825

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(b) Reconciliation of profit before taxation to cash generated from operations

		2022 RMB'000	2021 RMB'000
Loss before taxation		(1,146,284)	(584,507)
Adjustments for:			
Amortisation and depreciation	5(d)	100,706	35,373
Finance costs	5(a)	11,126	5,293
Interest income		(1,419)	(674)
Changes in fair value of financial instruments carried at FVPL		26,984	(45,523)
Net gain on disposal of property, plant and equipment		(1,918)	—
Share of losses of equity-accounted investees		39,655	27,377
Equity-settled share-based payment	5(b)	136,919	91,199
Exchange loss in relation to the proceeds from the IPO		—	11,685
Changes in working capital:			
Increase in inventories		(140,597)	(109,881)
Increase in trade and other receivables		(65,970)	(8,213)
Increase in trade and other payables		85,105	82,086
Increase in pledged deposits		(54)	(8,625)
Increase/(decrease) in deferred income		18,067	(7,450)
Decrease/(increase) in other non-current assets		39,205	(28,626)
Net cash used in operating activities		(898,475)	(540,486)

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(Continued)

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Interest-bearing borrowings and loans from related parties RMB'000 (notes 21 and 24)	Lease liabilities RMB'000 (note 23)	Total RMB'000
At 1 January 2022	356	204,676	205,032
Changes from financing cash flows:			
Loans from related parties	20,000	—	20,000
Proceeds from interest-bearing borrowings	33,100	—	33,100
Repayments of loans from related parties	(20,000)	—	(20,000)
Interest paid for interest-bearing borrowings and loans from related parties	(260)	—	(260)
Capital element of lease rentals paid	—	(51,833)	(51,833)
Interest element of lease rentals paid	—	(10,383)	(10,383)
Total changes from financing cash flows	32,840	(62,216)	(29,376)
Other changes:			
Interest charge	260	10,866	11,126
Increase in lease liabilities from entering into new leases during the year	—	39,184	39,184
Effect of lease modification	—	(5,563)	(5,563)
Exchange adjustments	—	(97)	(97)
Total other changes	260	44,390	44,650
At 31 December 2022	33,456	186,850	220,306

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(c) Reconciliation of liabilities arising from financing activities (Continued)

	Loans from related parties RMB'000 (note 21)	Lease liabilities RMB'000 (note 23)	Total RMB'000
At 1 January 2021	356	18,881	19,237
Changes from financing cash flows:			
Capital element of lease rentals paid	—	(18,681)	(18,681)
Interest element of lease rentals paid	—	(4,568)	(4,568)
Total changes from financing cash flows	—	(23,249)	(23,249)
Other changes:			
Interest charge (note 5)	—	5,293	5,293
Increase in lease liabilities from entering into new leases during the year	—	203,751	203,751
Total other changes	—	209,044	209,044
At 31 December 2021	356	204,676	205,032

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2022 RMB'000	2021 RMB'000
Within operating cash flows	6,737	3,375
Within financing cash flows	62,216	23,249
Lease rentals paid	68,953	26,624

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

21 TRADE AND OTHER PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables due to		
— third-party suppliers	118,991	78,493
— related parties	5,553	5,108
Total trade payables	124,544	83,601
Accrued payroll	64,094	39,412
Amounts due to related parties (Note)	13,250	7,950
Other payables and accrued charges	55,761	50,547
Financial liabilities measured at amortised cost	257,649	181,510

Note: As at 31 December 2022, the balance of loans from related parties included in "Amounts due to related parties" was RMB356,000 (2021: RMB356,000).

All trade and other payables (including amounts due to related parties) are expected to be settled or recognised as income within one year or are repayable on demand. As of the end of the reporting period, the ageing analysis of the trade payables based on invoice date is as follows:

	2022 RMB'000	2021 RMB'000
Within 1 month	113,649	80,320
Over 1 month but within 3 months	2,834	420
Over 3 months but within 6 months	2,751	520
Over 6 months but within 1 year	3,531	2,212
Over 1 year	1,779	129
	124,544	83,601

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

22 CONTRACT LIABILITIES

	2022 RMB'000	2021 RMB'000
Current		
Advanced receipts from customers for sales of medical devices	8,447	—
Extended warranty	42	—
	8,489	—
Non-current		
Extended warranty	1,786	102

Movements in contract liabilities

	2022 RMB'000	2021 RMB'000
Balance at 1 January	102	—
Increase in contract liabilities as a result of receiving advance payments during the year	10,173	102
Balance at 31 December	10,275	102

The amount of contract liabilities expected to be recognised as income after more than one year is RMB10,275,000 (2021: RMB102,000). All of the other contract liabilities are expected to be recognised as income within one year.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

23 LEASE LIABILITIES

At 31 December 2022, the lease liabilities were repayable as follows:

	2022 RMB'000	2021 RMB'000
Within 1 year or on demand	58,218	52,863
After 1 year but within 2 years	47,061	48,289
After 2 years but within 5 years	78,055	101,826
More than 5 years	3,516	1,698
	128,632	151,813
	186,850	204,676

As at 31 December 2022, lease liabilities include the lease payable due to Shanghai MicroPort Medical (Group) Co., Ltd. (上海微創醫療器械(集團)有限公司) ("Shanghai MicroPort") of RMB nil (2021: RMB7,089,000) and due to Suzhou MicroPort Orthopaedics Scientific (Group) Co., Ltd. (蘇州微創骨科學(集團)有限公司) ("Suzhou Orthopaedics") of RMB2,101,000 (2021: RMB3,324,000).

24 INTEREST-BEARING BORROWINGS

As of the end of the reporting period, all of the interest-bearing borrowings were unsecured bank loans and repayable as follows:

	2022 RMB'000	2021 RMB'000
After 1 year but within 2 years	33,100	—

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

25 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB2,345,922,000 (2021: RMB1,094,095,000) and other temporary differences of RMB149,127,000 (2021: RMB42,888,000) at 31 December 2022 due to the unpredictability of future taxable profits in the relevant tax jurisdiction and entity.

The unused tax losses of the Group were mainly from the subsidiaries incorporated in the PRC, where the accumulated tax losses will normally expire within 5 years. The Company was qualified as Small and Medium-sized Technological Enterprises (“SMTE”) in 2018. Pursuant to the relevant regulations on extension for expiries of unused tax losses of High and New Technology Enterprise and SMTE issued in August 2018, the accumulated tax losses which did not expire from 2018 will have expiries extending from 5 years to 10 years.

26 DEFERRED INCOME

	Government subsidies for research and development projects RMB'000
At 1 January 2021	22,401
Additions	1,540
Government grant recognised as other income	(8,990)
At 31 December 2021 and 1 January 2022	14,951
Additions	27,519
Government grant recognised as other income	(9,452)
At 31 December 2022	33,018

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

27 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

(a) Share award scheme granted by the ultimate controlling party

Pursuant to a share award scheme approved by the Board of MPSC, the ultimate controlling party of the Group, in 2011, MPSC may purchase its own shares and grant such shares to certain employees of the Group at nil consideration.

The fair value of the employee services received in exchange for the grant of shares is recognised as staff costs in profit or loss with a corresponding increase in other payable to MPSC, which is measured based on the grant date share price of MPSC.

For the year ended 31 December 2022, MPSC did not grant any shares to the Group's executives (2021: nil).

(b) Employee share purchase plan (the "ESPP")

Since 2017, the Group adopted several ESPPs, pursuant to which, the partnership firms, whose limited partners consisted of employees of the Group and employees of the Group's equity-accounted investees, invested in the Company or its subsidiaries (together, the "Target Companies") by way of subscribing newly issued equity interests of the Group, or acquiring equity interests from the Group. All participants of the ESPPs have purchased equity interests in respective partnership firms at amounts specified in the respective partnership agreements.

During the year ended 31 December 2022, several subsidiaries of the Group also adopted the ESPPs, pursuant to which, the partnership firms, consisting of the eligible employees of Group, invested in the abovementioned subsidiaries.

All ESPPs contain a service condition. Employees participating in the plan have to transfer out their equity interests if their employments with the Group were terminated within the vesting period, to a person or a party nominated by the general partners of the partnership firms at a price no higher than the amounts specified in the respective partnership agreements. The fair value of the ESPP at the grant date, being the difference between the considerations and the fair value of the equity interests subscribed shall be spread over the vesting period and recognised as staff costs in the profit or loss.

The fair value of the equity interests subscribed was measured by reference to either (i) the price at which third party investors made contributions to these Targeted Companies or (ii) the valuation reports prepared by the external valuers and reviewed and approved by the management.

For the year ended 31 December 2022, the total expenses recognised in the consolidated statement of profit or loss for the above transactions are RMB137,161,000 (2021: RMB89,649,000).

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

27 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

(c) Share incentive plan granted by the Company

Pursuant to a labour contract signed in July 2018 between the Company and the employees of an ESPP of the Company, upon the achievement of certain milestone in relation to research and development activities, the Company will issue additional shares at the agreed consideration to the ESPP so as to maintain the equity interests of the ESPP in the Company will not be less than 15%. In March 2021, the above share incentive plan was cancelled prior to the vesting and a new ESPP has been granted instead. On the date of the cancellation, the Company recognised in profit or loss the amount that otherwise would have been recognised over the remainder of the vesting period if the cancellation had not occurred.

The total expenses recognised in the consolidated statement of profit or loss for the above transaction are RMB nil for the year ended 31 December 2022 (2021: RMB1,446,000).

(d) Share options granted by the ultimate controlling party

MPSC granted certain share options to the employee of the Group. Each option gives the holder the right to subscribe for one ordinary share of MPSC, while the Group did not have an obligation to settle such transaction.

Up to 31 December 2022, MPSC has granted 160,757 share options in aggregate to the employee of the Group, which were not exercisable at 31 December 2022. These share options are vested over five years. The contractual life of the options is ten years.

The total expenses recognised in the consolidated statement of profit or loss for the share options granted by the ultimate controlling party are RMB104,000 for the year ended 31 December 2022 (2021: RMB104,000).

(e) Equity-settled share-based payment expenses recognised in the consolidated statement of profit or loss during the current and prior years:

	2022 RMB'000	2021 RMB'000
Research and development costs	89,899	56,225
Selling and marketing expenses	18,023	12,693
Administrative expenses	28,997	22,281
	136,919	91,199
Add: Impact recognised in share of losses of equity-accounted investees	346	—
Total impact of share-based payment recognised in equity during the year	137,265	91,199

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

28 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's equity between the beginning and the end of the year are set out below.

	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2021		900,000	618,752	15,800	48,628	(105,389)	1,477,791
Changes in equity for 2021							
Loss and total comprehensive income		—	—	—	—	(543,074)	(543,074)
Capital contributions by investors	28(c)	16,964	11,686	—	—	—	28,650
Shares issued upon the completion of initial public offering, net of transaction costs	28(c)	36,200	1,196,257	—	—	—	1,232,457
Shares issued upon exercise of the over-allotment option, net of transaction costs	28(c)	5,430	179,424	—	—	—	184,854
Equity-settled share-based transactions		—	—	91,199	—	—	91,199
Balance at 31 December 2021 and 1 January 2022		958,594	2,006,119	106,999	48,628	(648,463)	2,471,877
Changes in equity for 2022							
Loss and total comprehensive income		—	—	—	—	(831,858)	(831,858)
Equity-settled share-based transactions		—	—	115,919	—	—	115,919
Balance at 31 December 2022		958,594	2,006,119	222,918	48,628	(1,480,321)	1,755,938

(b) Dividends

The directors of the Company did not propose the payment of any dividend during the year ended 31 December 2022 (2021: nil).

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

28 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Share capital and share premium

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

	Note	Ordinary share Number of shares '000	Amount RMB'000
Ordinary shares, issued and fully paid:			
Balance at 1 January 2021		900,000	900,000
Capital contributions by investors	(i)	16,964	16,964
Share issued upon the completion of initial public offering, net of transaction costs	(ii)	36,200	36,200
Share issued upon exercise of the over-allotment option, net of transaction costs	(iii)	5,430	5,430
Balance at 31 December 2021 and 31 December 2022		958,594	958,594

- (i) On 22 March 2021, the Company entered into the capital allotment agreement with Shanghai Qingzhen Enterprise Management Consultation Center (LLP) (上海擎禎企業管理諮詢中心(有限合夥)) (“Shanghai Qingzhen”), pursuant to which, Shanghai Qingzhen subscribed for 16,964,000 ordinary shares of the Company at a consideration of RMB28,650,000. The excess of the consideration over the nominal value of the ordinary shares of RMB11,686,000 was credited to the Company’s share premium. The consideration was fully paid in April 2021.
- (ii) On 2 November 2021, the Company was listed on the Main Board of the Stock Exchange (the “Listing”). The Company issued 36,200,000 ordinary shares at the price of HK\$43.2 per share and received the net proceeds of HK\$1,513 million (equivalent to RMB1,236,729,000), after deducting all capitalised listing expenses. Out of the net proceeds from the Listing, RMB36,200,000 and RMB1,196,257,000 were credited to the Company’s share capital and share premium account, respectively.
- (iii) On 14 November 2021, the over-allotment options in connection with the Listing were exercised by the underwriters of the Company, pursuant to which, an aggregate of 5,430,000 additional ordinary shares of the Company were issued at HK\$43.2 per share and the Company received the net proceeds of HK\$227 million (equivalent to RMB185,494,000), after deducting all capitalised listing expenses. Out of the net proceeds from the exercise of the over-allotment options, RMB5,430,000 and RMB179,424,000 were credited to the Company’s share capital and share premium account, respectively.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

28 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves

(i) Capital reserve

The capital reserve comprises the following:

- the portion of the grant date fair value of unexercised share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for share based payments in note 1(t)(iii); and
- gain/loss on acquisition or dilution of interests in subsidiaries where the Group's interest in a subsidiary is increased/decreased without losing control (note 1(d)).

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of certain subsidiaries within the Group. The reserve is dealt with in accordance with the accounting policies set out in note 1(x).

(iii) Other reserve

The other reserve primarily comprises the following:

- exempted interest payable to investors due to the termination of financial instruments with preferred rights in 2020; and
- the liabilities of the Group waived by related parties.

(e) Capital management

The Group's objectives in the aspect of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group defines "capital" as equity as at the end of each of the reporting period and "debt" as lease liabilities and interest-bearing borrowings. The debt-to-capital ratio is 16% and 9%, respectively for the years ended 31 December 2022 and 2021.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practises used by the Group to manage these risks are described below.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to other receivables and other non-current assets. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are state-owned banks or reputable commercial banks for which the Group considers to have low credit risk. The Group's exposure to credit risk arising from refundable rental deposits is considered to be low, taking into account (i) the landlords' credit rating and (ii) the remaining lease term and the period covered by the rental deposits. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Management has assessed that during the year ended 31 December 2022, other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management. Management of the Company expect the occurrence of losses from non-performance by the counterparties of other receivables was remote and loss allowance provision for other receivables was immaterial.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Group can be required to pay:

	2022					Carrying amount RMB'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
Trade and other payables	257,649	—	—	—	257,649	257,649
Interest-bearing borrowings	1,229	33,653	—	—	34,882	33,100
Lease liabilities	61,100	51,852	85,788	4,651	203,391	186,850
	319,978	85,505	85,788	4,651	495,922	477,599

	2021					Carrying amount RMB'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
Trade and other payables	181,510	—	—	—	181,510	181,510
Lease liabilities	56,579	54,262	108,134	1,710	220,685	204,676
	238,089	54,262	108,134	1,710	402,195	386,186

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises primarily from cash at banks, deposits with banks, interest-bearing borrowings and loans from related parties. The Group's interest-bearing financial instruments at variable rates as at 31 December 2022 and 2021 are primarily the cash at bank except for fixed deposits.

(i) Interest rate risk profile

The Group's interest rate profile as monitored by management is set out below.

	2022		2021	
	Effective interest rate	Amount RMB'000	Effective interest rate	Amount RMB'000
Net fixed rate instruments:				
Pledged deposits	0.095%	1,064	—	—
Loan to an equity-accounted investee	3.65%	2,800	—	—
Lease liabilities	2.50%–5.75%	(186,850)	4.90%	(204,676)
Interest-bearing borrowings	3.60%	(33,100)	—	—
Loans from related parties	4.35%	(356)	4.35%	(356)
		(216,442)		(205,032)
Net variable rate instruments:				
Cash at banks	0.01%–2.10%	747,962	0.01%–2.10%	1,940,825
		531,520		1,735,793

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 31 December 2022, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's loss for the year by approximately RMB7,480,000 (2021: decreased/increased loss by RMB19,408,000) and decreased/increased accumulated losses by approximately RMB7,480,000 (2021: decreased/increased accumulated losses by RMB19,408,000), respectively.

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax (and accumulated losses) that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's loss after tax (and accumulated losses) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis has been performed on the same basis as 2021.

(d) Currency risk

The Group is exposed to currency risk primarily from (i) purchases which give rise to payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate and (ii) financing activities that are in HKD. The currencies giving rise to currency risk are primarily US dollars and Hong Kong dollars.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of the entities into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in RMB)					
	2022			2021		
	RMB RMB'000	USD RMB'000	HKD RMB'000	RMB RMB'000	USD RMB'000	HKD RMB'000
Cash and cash equivalents	8,543	726	7,189	—	6,463	191,061
Trade and other receivables	—	14,226	—	—	—	—
Trade and other payables	—	(4,993)	(96)	—	(4,320)	(6,843)
Net exposure arising from recognised assets and liabilities	8,543	9,959	7,093	—	2,143	184,218

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after tax (and accumulative losses) that would arise if foreign exchange rates to which the Group has significant exposure at the end of each of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2022		2021	
	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses RMB'000	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses RMB'000
US dollars (against RMB)	3%	42	3%	64
	-3%	(42)	-3%	(64)
Hong Kong dollars (against RMB)	3%	213	3%	5,527
	-3%	(213)	-3%	(5,527)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' loss after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of each of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of each of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of the entities into the Group's presentation currency. The analysis has been performed on the same basis for the years ended 31 December 2022 and 2021.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

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

The Group has engaged the external valuers to perform valuations for the financial instruments, including unlisted equity securities and warrants which are categorised into Level 3 of the fair value. The valuation reports prepared by the external valuers are reviewed and approved by the Group's management.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

	Fair value at 31 December 2022 RMB'000	Fair value measurements as at 31 December 2022 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial assets:				
Unlisted equity securities (note 15)	109,602	—	—	109,602
	Fair value at 31 December 2021 RMB'000	Fair value measurements as at 31 December 2021 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial assets:				
Unlisted equity securities (note 15)	136,586	—	47,179	89,407
Warrants issued by an equity-accounted investee	8,958	—	—	8,958

During the years ended 31 December 2022 and 2021, there were no transfers between Level 1 and Level 2. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of each of the reporting period in which they occur.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

During the year ended 31 December 2022, unlisted equity securities amounting to RMB47,179,000 were transferred from Level 2 into Level 3, for that in determining the fair value of investments in unlisted equity instruments with no recent transaction prices available, valuation techniques were used, and significant unobservable inputs were involved in such techniques.

During the year ended 31 December 2021, unlisted equity securities amounting to RMB38,366,000 were transferred from Level 2 into Level 3, for that in determining the fair value of investments in unlisted equity instruments with no recent transaction prices available, valuation techniques were used, and significant unobservable inputs were involved in such techniques.

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of each of the reporting period in which they occur.

Information about Level 3 fair value measurements:

	Valuation techniques	Significant unobservable inputs	Range
Unlisted equity securities	Equity allocation model (Note)	Expected volatility, taking into account the historical volatility of the comparable companies	52%–63%
		Expected probability of event	30%

Note: As at 31 December 2022, it is estimated that with all other variables held constant, an increase/decrease in the expected probability of event by 10% would have increased/decreased the Group's loss by RMB3,010,000/RMB3,010,000 and an increase/decrease in the expected volatility by 5% would have decreased/increased the Group's loss by RMB104,000/RMB53,000.

As at 31 December 2021, it is estimated that with all other variables held constant, an increase/decrease in the expected probability of event by 10% would have increased/decreased the Group's loss by RMB1,960,000/RMB1,950,000 and an increase/decrease in the expected volatility by 5% would have decreased/increased the Group's loss by RMB12,000/RMB172,000.

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2022 RMB'000	2021 RMB'000
At 1 January	98,365	12,676
Transfer from level 2	47,179	38,366
Exercise of warrants issued by an equity-accounted investee	(8,958)	—
Changes in the value of financial instruments	(26,984)	47,323
At 31 December	109,602	98,365

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement (Continued)

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2022 and 2021.

30 COMMITMENTS

Commitments outstanding at 31 December 2022 not provided for in the financial statements were as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Contracted for acquisition of property, plant and equipment	14,297	90,220

31 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid individuals as disclosed in note 8, is as follows:

	2022 RMB'000	2021 RMB'000
Salaries and other benefits	5,032	3,230
Discretionary bonuses	2,880	3,627
Equity-settled share-based payment expenses	54,395	44,965
	62,307	51,822

Total remuneration was included in staff costs (note 5(b)).

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

31 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Related party transactions

During the year ended 31 December 2022 and 2021, the directors are of the view that the following companies are related parties:

Name of the related party	Relationship
MPSC	Ultimate controlling party of the Group
Shanghai MicroPort	Subsidiary of MPSC
Medical Product Innovation, Inc.	Subsidiary of MPSC
Suzhou Orthopaedics	Subsidiary of MPSC
Zhejiang AccuPath Zhizao Technology (Group) Co., Ltd.* (浙江脈通智造科技(集團)有限公司)	Equity-accounted investee of MPSC
SuZhou ProSteri Medical Technology Co., Ltd.* (蘇州諾潔醫療技術有限公司)	Equity-accounted investee of MPSC
MicroPort Orthopedic Instruments Suzhou Co., Ltd. (蘇州微創骨科醫療工具有限公司)	Subsidiary of MPSC
Jiaxing MicroPort Medical Co., Ltd.* (嘉興微創醫療科技有限公司)	Subsidiary of MPSC
Suzhou MicroPort Ric MedTech Co., Ltd.* (蘇州微創康復醫療科技(集團)有限公司)	Subsidiary of MPSC
Shanghai SafeWay Co., Ltd.* (上海安助醫療科技有限公司)	Subsidiary of MPSC
Suzhou MicroPort OrthoRecon Co., Ltd.* (蘇州微創關節醫療科技有限公司)	Subsidiary of MPSC
MicroPort Medical B.V.	Subsidiary of MPSC
Cathbot	Equity-accounted investee of the Group
Robocath	Equity-accounted investee of the Group
Shanghai TargBot Medtech Co., Ltd.* (上海術航機器人有限公司)	Equity-accounted investee of the Group
Shanghai IntBot Robotics Co., Ltd.* (上海介航機器人有限公司)	Equity-accounted investee of the Group
Shanghai MicroPort Rehab Technologies Co., Ltd.* (銳可醫療科技(上海)有限公司)	Subsidiary of MPSC
MicroPort Sinica Co., Ltd.* (微創投資控股有限公司)	Subsidiary of MPSC
MicroPort Sorin CRM (Shanghai) Co., Ltd.* (創領心律管理醫療器械(上海)有限公司)	Subsidiary of MPSC
Shanghai Posuanzi Co., Ltd.* (上海微創卜算子醫療科技有限公司)	Subsidiary of MPSC
Shanghai Zaixian MedTech Co., Ltd.* (微創在線醫療科技(上海)有限公司)	Subsidiary of MPSC

* English translation is for identification purpose only.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

31 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Other transactions

Particulars of the Group's other transactions with related parties are as follows:

	2022 RMB'000	2021 RMB'000
Purchase of goods from subsidiaries and equity-accounted investees of MPSC	2,053	8,649
Purchase of goods from an equity-accounted investee of the Group	—	10,308
Service fee charged by subsidiaries and equity-accounted investees of MPSC	16,375	6,807
Payment on behalf of the equity-accounted investees	2,904	17,748
Payment on behalf of the Group by subsidiaries of MPSC	475	—
Loan from the MPSC (Note)	20,000	—
Interest charged by MPSC (Note)	212	—
Repayment of loan from the MPSC and the corresponding interest expense (Note)	20,212	—
Loan to equity-accounted investees	2,800	—

Note: In April 2022, the Company and MPSC entered into a loan agreement, pursuant to which, MPSC provided an unsecured loan of RMB20,000,000 to the Company, which is bearing an interest rate of 2.85% p.a. and has a maturity of one year. The Company had fully repaid the loan in August 2022.

(d) Leasing arrangements

In November 2020, the Group entered into three-year leases in respect of certain leasehold properties from Suzhou Orthopaedics. At the commencement date of the lease, the Group recognised a right-of-use asset of RMB4,455,000 and a lease liability of RMB4,455,000.

In January 2018, the Group entered into five-year leases in respect of certain leasehold properties from Shanghai MicroPort. At the commencement date of the lease, the Group recognised a right-of-use asset of RMB10,952,000 and a lease liability of RMB10,952,000. The leases had been terminated in October 2022.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

31 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(e) Related party balances

The outstanding balances arising from the above transactions as at the end of each of the reporting periods are as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Receivables from related parties		
Trade related	385	762
Non-trade related	3,997	1,775
Amounts due to related parties		
Trade related	5,553	5,108
Non-trade related	12,894	7,594
Interests due to related parties	356	356

(f) Applicability of the Listing Rules relating to connected transactions

Except for the transactions with equity-accounted investees of the Group, the above related party transactions with MPSC and its subsidiaries and equity-accounted investees of MPSC constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided under the paragraph "Continuing Connected Transactions" in the report of the directors and the paragraph "Connected Transactions" in the report of the supervisory committee.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

32 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	31 December 2022 RMB'000	31 December 2021 RMB'000
Non-current assets		
Property, plant and equipment	380,325	328,146
Intangible assets	3,657	2,213
Investments in subsidiaries	392,841	286,959
Equity-accounted investees	28,714	51,438
Other non-current assets	38,278	65,388
	843,815	734,144
Current assets		
Inventories	164,997	82,750
Trade and other receivables	519,921	97,396
Pledged deposits	5,566	8,212
Cash and cash equivalents	668,408	1,908,603
	1,358,892	2,096,961
Current liabilities		
Trade and other payables	230,638	150,134
Contract liabilities	8,489	—
Lease liabilities	43,618	50,885
Provisions	958	96
	283,703	201,115
Net current assets	1,075,189	1,895,846
Total assets less current liabilities	1,919,004	2,629,990
Non-current liabilities		
Interest-bearing borrowings	33,100	—
Contract liabilities	1,786	102
Lease liabilities	106,740	149,793
Deferred income	21,043	7,821
Provisions	397	397
	163,066	158,113
NET ASSETS	1,755,938	2,471,877
CAPITAL AND RESERVES (note 28(a))		
Share capital	958,594	958,594
Reserves	797,344	1,513,283
TOTAL EQUITY	1,755,938	2,471,877

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

33 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at 31 December 2022, the directors consider the immediate parent of the Company to be Shanghai Latent AI Technology Co., Ltd. (上海默化人工智能科技有限公司), which is incorporated in the PRC and does not produce financial statements available for public use.

As at 31 December 2022, the directors consider the ultimate controlling party of the Company is MPSC, which is incorporated in the Cayman Islands. MPSC is listed on the Main Board of The Stock Exchange and produces financial statements available for public use.

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2022

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 17, <i>Insurance contracts</i>	1 January 2023
Amendments to HKAS 1, <i>Presentation of financial statements: Classification of liabilities as current or non-current</i>	1 January 2023
Amendments to HKAS 1, <i>Presentation of financial statements</i> and HKFRS Practice Statement 2, <i>Making materiality judgements: Disclosure of accounting policies</i>	1 January 2023
Amendments to HKAS 8, <i>Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates</i>	1 January 2023
Amendments to HKAS 12, <i>Income taxes: Deferred tax related to assets and liabilities arising from a single transaction</i>	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Definitions

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

“2022 AGM”	the annual general meeting of the Company for 2022 to be convened and held in such manner to be determined by the Company
“Articles of Association”	the articles of association of the Company from time to time
“Audit Committee”	the audit committee of the Board
“Biobot”	Biobot Surgical Pte. Ltd., a company established in Singapore with limited liability on 28 August 2007
“Board”	the board of Directors
“CG Code”	the corporate governance code contained in Appendix 14 to Listing Rules
“Company” or “we” or “us” or “our” or “MedBot”	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 People’s Republic of China, the H Shares of which are listed on the main board of the Stock Exchange (Stock Code: 2252)
“Core Product” or “Toumai”	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for the purposes of this announcement, our Core Product refers to, Toumai® (圖邁®) Laparoscopic Surgical Robot (registered name in China)
“DFVision”	DFVision® (蜻蜓眼®) 3D Electronic Laparoscope (registered name in China)
“Director(s)”	director(s) of the Company
“Domestic Shares”	ordinary Shares in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid for in RMB
“EU”	European Union
“FDA”	the U.S. Food and Drug Administration
“Green Path”	the special approval procedure for innovative medical devices of the NMPA
“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 Shares converted into H Shares upon the Domestic Shares been approved for full circulation under the full circulation scheme
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

Definitions (Continued)

“Listing”	the listing of the H Shares on the main board of the Stock Exchange
“Listing Date”	2 November 2021, the date on which dealings in the H Shares on the Stock Exchange first commence
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MicroPort”	MicroPort Scientific Corporation (微創醫療科學有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 14 July 2006 whose shares are listed on the Main Board of the Stock Exchange (stock code: 853)
“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 with limited liability on 10 January 2019, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2160)
“MicroPort Group”	MicroPort and its subsidiaries
“MicroPort Sinica”	MicroPort Sinica Co., Ltd. (微創投資控股有限公司), a company established in the PRC with limited liability
“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
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules
“Mona Lisa”	iSR’obot® Mona Lisa Robotic Transperined Prostate Biopsy System (registered name in China)
“National Health Commission”	National Health Commission of the PRC
“NDR”	NDR Medical Technology Private Limited, a company incorporated in Singapore with limited liability on 20 October 2014.
“NMPA”	National Medical Products Administration of the PRC
“PRC”	the People’s Republic of China, for the purpose of this announcement, shall not include Hong Kong, Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus of the Company dated 21 October 2021
“R&D”	research and development

Definitions (Continued)

“Reporting Period”	the year ended 31 December 2022
“RMB”	Renminbi, the lawful currency of the PRC
“Robocath”	Robocath S.A.S, a company incorporated in France with limited liability on 9 October 2009
“R-ONE”	R-ONE Vascular Interventional Surgical Robot
“Shanghai Cathbot”	Cathbot (Shanghai) Robot Co., Ltd. (知脈(上海)機器人有限公司), a company established in the PRC with limited liability on 19 March 2021 which is owned as to 51% by our Company and 49% by Robocath
“Shanghai Intbot”	Shanghai Intbot Robotics Co., Ltd. (上海介航機器人有限公司), a company established in the PRC with limited liability on 12 March 2021 which is owned as to 40% by our Company, 30% by Biobot and 30% by Shanghai Lingmin Enterprise Consultation Center LLP (上海聆敏企業管理諮詢中心(有限合夥))
“Shanghai 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 and is one of our controlling shareholders
“Shanghai Lingmin”	Shanghai Lingmin Enterprise Management Consultation Center (Limited Partnership) (上海聆敏企業管理諮詢中心(有限合夥)), a limited liability partnership established in the PRC
“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 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

Definitions (Continued)

“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
“Shanghai Targbot”	Shanghai Targbot Medtech Co., Ltd. (上海術航機器人有限公司), a company established in the PRC with limited liability on 4 February 2021 which is owned as to 41% by our Company, 39% by NDR and 20% by Shanghai Youlong Enterprise Consultation Center LLP (上海佑隆企業管理諮詢中心(有限合夥))
“Share(s)”	ordinary share(s) of the Company, comprising Domestic Shares and H Shares
“Shareholder(s)”	holder(s) of the Shares
“SkyWalker”	SkyWalker™ Orthopedic Surgical Robot (previously known as Honghu Orthopedic Surgical Robot)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“United States” or “US”	the United States of America
“%”	per cent



MEDBOT™

微创机器人

Intelligent Surgery Total Solution Provider